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REPUBLIC OF KENYA
THIRTEENTH PARLIAMENT- SECOND SESSION

THE NATIONAL ASSEMBLY

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

ON EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF STATE CORPORATIONS (TRAINING COLLEGES/
INSTITUTIONS) FOR THE FINANCIAL YEARS 2018/19, 2019/20 & 2020/21

 THE NATIONAL ASSEMBLY PAPERS LAID	
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TABLED BY:	Hon. Jack Wambohka (Chairperson, PIC on Governance and Education)
CLERK-AT THE TABLE:	Inzofu Mwale

Directorate of Audit, Appropriations & Other Select Committees
The National Assembly
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LIST OF ABBREVIATIONS/ACRONYMS

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

CHAIRPERSON'S FOREWORD

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

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

The Committee resolved to examine the reports of the Auditor General based on regional domicile of each agency and the nature of operations of the agency, to enable an organized schedule of hearings, countrywide. This report is the second of such and covers state agencies domiciled with the Nairobi and Central regions.

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

This report contains observations, findings and recommendations arising from examination of reports of the Auditor-General for sixteen (16) state corporations for three financial years running up to the latest, 2020/21 FY. The report is structured as follows:

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

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

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

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

On behalf of the Public Investments Committee on Governance and Education, and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present to the 2nd Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for sixteen (16) State Corporations.

HON. WANAMI WAMBOKA, MP

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

EXECUTIVE SUMMARY

The 2nd report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of sixteen (16) corporations.

In its examination and scrutiny of the audited financial statements of the various State Corporations, the Committee's primary approach was to elicit background information as to why particular course of financial and/or management actions were or were not taken. This was done with the relevant public financial management principles in mind, including, the Public Audit Act, the Public Finance Management Act 2012, Public Finance Management Regulations, Public Procurement & Asset Disposal Regulations, International Public Sector Accounting Standards (IPSAS) and 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 while undertaking its mandate.

Part two of this report contains the committee's general observations / findings on cross cutting issues, and their recommendations.

Part three of this report contains reports of the specific state corporations whose financial statements were examined; the financial years considered in each state corporation; the specific audit reservations raised by the Auditor General in each financial year; management response to each audit reservation raised by the Auditor General; committee observations/ findings after considering each audit reservation; and finally, committee recommendations on each audit query.

1. PREFACE

1.1 Establishment and Mandate of the Committee

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

a) Chapter Twelve of the Constitution on Public Finance

Part I-Principles of Public Finance

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

- (i) 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
- (ii) 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:

- (i) the accounting officer of a national public entity is accountable to the N.A for its financial management (Article 226(2)); and
- (ii) 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)).

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

the Public Finance Management Act, No. 18 of 2012

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

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

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

- (i) the Parliamentary Powers and Privileges Act, No. 29 of 2017;
- (ii) the Public Finance Management (National Government) Regulations, 2015;
- (iii) the Public Procurement and Asset Disposal Act, No. 33 of 2015;

- (iv) the Public Procurement and Asset Disposal Regulations, 2020;
- (v) the State Corporations Act, No. 11 of 1986;
- (vi) the Public Audit Act, No. 34 of 2015;
- (vii) The Fair Administrative Action Act, No. 4 of 2015;
- (viii) the Accountants Act, No. 15 of 2008; and
- (ix) the National Assembly Standing Orders

1.2 Committee Membership

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

Chairperson

The Hon. Wanami Wamboka, M.P.

Bumula Constituency

DAP-K Party

Vice Chairperson

The Hon. Naisula Lesuuda, OGW, MP

Samburu West

Kenya African National Union (KANU)

The Hon. Francis Sigei, EBS, MP

Sotik

UDA Party

The Hon. Mark Mwenje, MP.

Embakasi West Constituency

Jubilee Party

The Hon. Thuddeus Nzambia, MP.

Kilome Constituency

WDM Party

The Hon. James Wamacukuru, MP.

Kabete Constituency

UDA Party

The Hon. Maurice B. Kakai, MP.

Kimini Constituency

DAP-K Party

The Hon. Rebecca Tonkei, MP.

Narok County

UDA Party

The Hon. Daniel Karitho, MP

Igembe Central Constituency

Jubilee Party

The Hon. Chiforomodo Munga, MP

Lungalunga Constituency

UDM Party

The Hon. Joseph Tonui, MP

Kuresoi South Constituency

UDA Party

The Hon. Alfah Miruka, MP.

Bomachoge Chache Constituency

UDA Party

The Hon. Bonaya Gollo, MP

Isiolo County

Jubilee Party

The Hon. Shadrack Mwiti, MP.

Imenti South Constituency

Jubilee Party

The Hon. Moses Kirima, MP

Imenti Central Constituency

UDA Party

1.3 Committee Secretariat

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

Mr. Victor Weke

Senior Clerk Assistant/ Lead Clerk

Mr. Victor Mutugi

Clerk Assistant III

Ms. Jane Ouko

Clerk Assistant III

Ms. Faith Chepkemai

Legal Counsel II

Ms. Eunice Liavuli

Research Officer III

Mr. Edwin Machuki

Fiscal Analyst II

Ms. Georgina Okoth

Research Officer III

Mr. Collins Mahamba

Audio Officer

Mr. Albert Atunga

Sergeant at Arms

Mr. Jared Onyancha

Protocol Officer

Mr. Derrick Kathurima

Media Relations Officer

1.3 Committee proceedings

5. To produce this report, the Committee held nineteen (19) sittings in which it examined the reports of the Auditor General on the financial statements of sixteen (16) State Corporations for various financial years.
6. In its inquiry into whether the affairs of the public investments are managed in accordance with sound business principles and prudent commercial practices, the Committee heard and received both oral and written evidence from Chief Executive Officers, Principals and Directors General (Accounting Officers) of various State Corporations and other relevant witnesses.
7. The Committee observations and recommendations on the issues raised by the Auditor General for the various State Corporations are found under appropriate sections of the report for each of the State Corporations covered.
8. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial

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viability and value for money in State Corporations and the public investments sectors of governance and education as a whole.

2. GENERAL OBSERVATIONS AND RECOMMENDATIONS

9. In consideration of reports of various state agencies, the Committee encountered cross-cutting and at times recurring matters that make general observations and recommendations. Specific observations and recommendations are however made under each specific agency;

a. Poor accounting standards and general incapacity of some accounting officers

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

The Committee recommends that Treasury and the Office of the Auditor General conducts annual sensitization and capacity building exercises to all accounting officers and finance staff in state corporations. This includes their responsibilities during the audit cycle and adherence to IPSAS.

b. Late submission of supporting documentation

11. The Committee observed that some accounting officers failed to submit supporting documentation to the Auditor General on time as per section 68 of the PFM Act 2012 and section 13 of the Public Audit Act. This invariably led to the Committee discussing matters that should ordinarily not feature in the final report, some as mundane as accounts not balancing.

The Committee recommends that Accounting Officers henceforth comply with section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers that fail to adhere to the requirements of the law in this regard.

c. Unsecured/ untitled land holdings

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

The Committee recommends that the National Land Commission and the relevant ministries immediately ensure that all State Corporations secure titles to all their parcels of land. These institutions and the National Treasury must also prioritize fencing off all land holdings to forestall further encroachment. The Committee recommends that encroachers face full extent of the law, and are evicted and charged in court.

d. Long outstanding construction works

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

The Committee recommends that National Treasury should not approve projects that it cannot guarantee funding and completion within the medium-term economic framework. Accounting Officers should obtain written guarantee by Treasury for full and complete funding before committing to contracts.

e. Expensive consultancies

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

The Committee recommends that the ministry responsible for public works revamps this department and staffs it with adequate and competent staff. Moreover, certain technical institutions including Kenya Technical Training College (KTTTC) do training of such technical skills and could deliver for government projects. The relevant Departmental Committee should consider amending the Public Procurement and Assets Disposal Act to provide for first priority consideration of government agencies that have capacity to provide services.

f. Material uncertainty to going concern/ Funding of universities

15. The Committee raised concern that most public universities have negative working capital. In addition to manifest structural challenges, underfunding in the form of capitation has been a key challenge. It was observed that Government has been disbursing funds to universities in block figures that are not based on student numbers or any verifiable indicator. Moreover, government has engaged in funding of students in private universities, despite public universities having capacity to absorb all students.

The Committee has requested for a special audit of funds disbursed to private universities to cater for 'government sponsored' students. This audit will inform comprehensive recommendations on the same. In the interim, the Committee recommends that the government through its universities and colleges placement system exhausts slots available in public universities before considering private universities, and effectively ceases funding private universities through conditional grants.

Further the Committee recommends that the working party taskforce on education reforms considers revising funding to universities to make use of the Differentiated Unit Cost model, based on student numbers.

Finally, the Committee encourages these institutions to re-engineer their operations and business models and explore revenue raising measures through A-I-A, away from over-reliance on exchequer.

g. Failure to adhere to gender, ethnicity, regional and other considerations in staffing

16. Several institutions had skewed ethnic diversity within their ranks. This was especially manifest in those agencies domiciled in areas predominantly inhabited by a certain ethnic community. Despite explanations from Accounting Officers that the bulk were in lower cadres, the Committee is of the view that with the rife unemployment countrywide,

attracting an ethnically diverse pool of applicants for jobs was tenable. This was indeed a constitutional provision, buttressed by the National Cohesion and Integration Act, and all public agencies must comply.

The Committee recommends that -

- (i) *all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, No. 12 of 2008.*
- (ii) *the 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.*

3. CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF STATE CORPORATIONS (TRAINING COLLEGES/ INSTITUTIONS)

3.1 KENYA SCHOOL OF TVET (FORMERLY KENYA TECHNICAL TRAINERS COLLEGE)

17. Dr. Edwin Tarno, Chief Executive Officer, accompanied by the following officers;

- i) Mr. Thomas M. Kituyi - Deputy Principal
- ii) Ms. Elizabeth Wangaruro - Finance Officer
- iii) Mr. Paul Kingangi Njuguna - Internal Auditor

appeared before the Committee to adduce evidence on the audited accounts of Kenya School of TVET (KSTVET), on 15th March 2023.

3.1.1 Audited Statements for Financial Year 2018/19

1. Material uncertainty of going concern

18. I draw attention to note 36 to the financial statements which describes the rationale upon which the Council members have prepared the financial statements on a going concern basis. The College registered a deficit of Kshs.39,441,469 (2018 deficit Kshs.50,388,866) thereby reducing revenue reserves from negative Kshs.136,525,400 to negative Kshs.175,866,866 as at 30 June 2019. The college financial performance is therefore on a downward trend. If measures are not put in place to arrest the situation, the college is likely to experience financial challenges soon.

Management Response

19. The issue on the College's financial performance being on a downward trend came as a result of Policy change at the Ministry of Education as explained below;
- i) The mode of funding regarding Grants for Operation changed, such that this was done in form of Capitation, based on students' enrolment. Kenya Technical Trainers College unlike other Technical Colleges has a unique Mandate of training Technical Trainers, who need to be assessed on Teaching Practice for them to qualify as Technical Trainers. The Operations Grant (Capitation) received had no provision made to support the Teaching Practice expenditure, which amounted to Kshs.22,927,379.00 as can be traced in the Financial Statements under review.
 - ii) The Ministry of Education reviewed the Fees charged to students to Kshs.56,420.00 for all Technical Training Institutes. Out of the Kshs.56,420.00 fees, the Operations Grant given was the Kshs.30,000.00 leaving the students to pay only Kshs.26,420.00. Thus, the College did not only miss out on the Operations Grants as previously funded, but also had to operate with the reduced fee as regulated by the Ministry of Education.

Committee Observations

20. The Committee observed that the management had satisfactorily responded to the matter. Audit query stands resolved.

Committee Recommendation

21. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation on time.

3.1.2 Audited Statements for Financial Year 2019/20

1. Financial performance

22. I draw attention to Note 35 to the financial statements that indicate the financial statements have been prepared on a going concern basis. The College registered a deficit of Kshs.18,928,933 (2019 deficit Kshs.39,441,469) thereby increasing accumulative deficit from Kshs.175,866,866 to a deficit of Kshs.194,795,799 as at 30 June 2020. The College financial performance is therefore likely to experience financial challenge in future.

Management Response

23. The issue on the College's financial performance being on a downward trend came as a result of Policy change at the Ministry of Education as explained below;
- i) The mode of funding regarding Grants for Operation changed, such that this was done in form of Capitation, based on students' enrolment. Kenya Technical Trainers College unlike other Technical Colleges has a unique Mandate of training Technical Trainers, who need to be assessed on Teaching Practice for them to qualify as Technical Trainers. The Operations Grant (Capitation) received had no provision made to support the Teaching Practice expenditure, which amounted to Ksh.11,985,985,906 as can be traced in the Financial Statements under review.
 - ii) The Ministry of Education reviewed the Fees charged to students to Kshs.56,420.00 for all Technical Training Institutes. Out of the Kshs.56,420.00 fees, the Operations Grant given was the Kshs.30,000.00 leaving the students to pay only Kshs.26,420.00. Thus, the College did not only miss out on the Operations Grants as previously funded, but also had to operate with the reduced fee as regulated by the Ministry of Education.

Committee Observations

24. The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved .

Committee Recommendation

25. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation on time.

2. Missing certificate of lease

26. The property, plant and equipment balance of Kshs.26,580,109,464 as at 30 June 2020 includes a parcel of land LR No. Nairobi/Block 91/411 measuring 32.29 hectares situated at Gigiri area, Nairobi, recorded at a cost of Kshs.24,000,000,000. However, the College does not possess the original certificate of lease in its possession as the certificate was forwarded to the then Cabinet Secretary, Ministry of Education on 9 September, 2016.

The Management was notified on the loss of the original certificate of lease vide letter reference MOEST/CON/VTT/13/1(53) dated 2 February 2021.

Management Response

27. The original Certificate of Lease was surrendered and the Ministry of Education, acknowledged receipt through a letter dated 9th September 2016. This was as a result of communication from the Ministry of Education on the intention to relocate KTTC from Gigiri area, Nairobi.
28. KTTC wrote various letters requesting that the original Certificate of Lease be returned, during which period KTTC conducted a search to find out the ownership of the parcel of land LR No Nairobi/Block 91/411 measuring 32.29 hectares situated at Gigiri area, Nairobi. The Search indicated that KTTC was still the owner.
29. The Ministry of Education wrote vide letter dated 2nd February 2021 reference MOEST/CON/VTT/13/1(53) informing KTTC on the loss of the original Certificate of Lease.
30. KTTC reported to the Police on loss of the Original Certificate of Lease, as advised by the then Principal Secretary, to necessitate the replacement process.
31. The Ministry of Lands wrote to the Principal Secretary VTT vide letter dated 8th February 2022, Ref: MOLPP/ADMIN/19/02(8) requesting for signing of transfer documents for the transfer of KTTC land, and this was forwarded to the Principal KTTC.
32. The Principal KTTC wrote vide letter reference KTTC/CF/KTTC-REL/61 dated 8th February, 2022 to the Principal Secretary VTT, explaining that it was not possible to sign the transfer documents, since the principal did not have authority to sign them without Council approval. The principal therefore did not sign the transfer documents.
33. The lost Certificate of Lease was replaced, but the ownership changed from KTTC to Cabinet Secretary National Treasury as a Trustee of Foreign Affairs. KTTC wrote to the Cabinet Secretary Ministry of Foreign Affairs vide letter dated 16th February, 2023 Ref: KSTVET/CF/MOE/68 requesting to have the ownership documents reverted back to KTTC.

Committee Observations

34. The Committee observed that;
 - i) The policy (to develop a diplomatic enclave) to relocate the college was unjustifiable and the reversal of the same was a demonstration of this;
 - ii) That a certificate of lease entrusted to the ministry would disappear in such circumstances is unacceptable. Compounding the injustice, a replacement referred to the Ministry of Foreign Affairs;
 - iii) The Ministry then asked the college to report the loss, notwithstanding the fact that it was in their custody and should therefore been the ones to do the reporting;
 - iv) The ministries responsible for lands, Treasury and Education have taken inordinately long to rectify the matter.

Committee Recommendation

35. The Committee recommends that-

- i) The Cabinet Secretary for Education conducts investigations on circumstances surrounding the loss of the certificate of lease at the ministry, and takes administrative action on those entrusted with its custody and report to the National Assembly within three months after the adoption of this report;
- ii) The Ministries of Lands, Treasury and Education ensure that the college gets a new certificate of lease within three months of adoption of this report.

3. Budgetary control and performance

36. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.461,659,553 and Kshs.253,833,395 respectively resulting to an under-funding of Kshs.207,826,158 or 45% of the budget. Similarly, the College expended Kshs.272,762,327 against an approved budget of Kshs.306,041,417 resulting to an under-expenditure of Kshs.33,279,090 or 11% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to stake holders.

Management Response

37. The College was not able to generate the Internally Generated Revenue as budgeted for mainly due to the challenges caused by the “COVID 19” pandemic.
38. There was a drop in Revenue from Non-Exchange transaction, of Kshs. 79,828,975. This affected the budget absorption, explaining the under-expenditure of Kshs. 33,279,090.
39. The situation had now changed, and the College has recovered, to a point of operating at a surplus.

Committee Observations

40. The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

41. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

4. Incomplete standards workshop project

42. The financial statements reflect a balance of Kshs.310,952,180 relating to work in progress for Institutional Training Centre (ITC) and standard workshops of Kshs.258,599,739 and Kshs.52,352,441 respectively as at 30th June 2020. Included in the amount of Kshs.310,952,180 is Kshs.52,352,441 relating to the standard workshops that have not been handed over to the college for over 5 years. The delay has been caused by a case that arose between KTTC and the contractor and was being handled by an arbitrator as at 30th June 2020. A review of the position on 8th February 2021 showed that the arbitrator made a ruling that the contractor should go ahead and finalize the remaining parts of the construction. However, during a field visit in March, 2021 the contractor was not on the ground. Physical verification of the buildings reflected signs of cracks on the walls and leaking roof which may deteriorate the state of the building.

Management Response

43. On 24th November 2016, the contractor filed a statement of claim demanding additional money amounting to Kshs. 21,269,341 above the contractual sum. KTTC declined because there were no approved variations. The dispute was referred to an arbitrator on 7th December 2016.
44. The arbitrator gave a ruling in favour of KTTC on 11th May 2020, which was published on 7th August 2020. In the ruling, the contractor was directed to complete the remaining works within 14 days of the ruling. On 7th October 2020, the contractor filed an appeal against the arbitrator's ruling in the High Court. On 21st May 2021, the Court dismissed the appeal reaffirming that the arbitration award remains. The contractor however appealed against the ruling. On 18th February 2022, the Court gave a ruling in favour of KTTC in which the Court recognized and adopted as a Judgment the Arbitrator's Award of 11th May, 2020. On 2nd March 2022, the Contractor gave notice of intention to appeal, however, no substantive appeal has been filed to date. On 24th November 2022, KTTC wrote to the Ministry of Public Works - County Works Office requesting for monetary quantification of the remaining works, in order to execute the Court ruling. This will give KTTC the expected compensation to complete the work. On 27th February 2023, KTTC wrote a reminder to the Ministry of Public Works - County Works Office requesting for monetary quantification of the remaining works. On 7th March 2023, KTTC received a copy of communication done to the Contractor, by the Public Works, requesting that they will be undertaking the assessment of the remaining works on 14th March 2023. Officials from public works had eventually visited the college on 14th March 2023 and commenced assessments.

Committee Observations

45. The Committee observed that;
 - i) The contractor, Wil Developers and Construction Limited, had breached the terms of contract and had no locus to claim any monies from the college;
 - ii) The contractor has since embarked on frivolous court appeals, despite losing in arbitration;
 - iii) Officials from public works have taken inordinately long to assess remaining works as requested by the college;
 - iv) The college itself being a technical school, ought to have used its internal technical capacity to assess remaining works reported as 5%.

Committee Recommendation

46. The Committee recommends that;
 - i) The contractor, Wil Developers and Construction Limited and its directors, be barred from doing business with public entities henceforth;
 - ii) The college uses its internal technical competencies in liaison with Department of public works to assess works remaining, and complete the workshop, within three months of adoption of this report;
 - iii) If the remaining works cost more than what accrues to the contractor, the college considers legal action in attaching property of the company and its directors to make good the difference.

5. Unbalanced budget

47. The Management prepared a budget which reflects the final budgeted receipts of Kshs.461,659,553 against budgeted expenditure of Kshs. 306,041,417 resulting to a variance of Kshs.155,618,136. This is contrary to Section 33(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that the budget shall be balanced.
48. The Management is therefore in breach of the regulations.

Management Response

49. The Management prepared a budget which reflects the final budgeted receipts of Kshs. 461,659,553 against budgeted recurrent expenditure of Kshs. 306,041,417. The variance of Kshs. 155,618,136 was the Development budget which was spent on the acquisition of Property, Plant and Equipment (PPE), whose cost of depreciation is reflected in the statement of income and expenditure as an expense. The situation had now been corrected, and the development budget included in the Statement of comparison of Budget and Actual Amounts.

Committee Observations

The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

50. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

3.1.3 Audited Statements for Financial Year 2020/21

1. Missing certificate of lease

51. The Committee observes that the matter had been dealt with in the previous financial year, and reiterates its recommendation.

2. Budget control and performance

52. The Committee observes that the matter had been dealt with in the previous financial year, and reiterates its recommendation.

3. Incomplete standard workshop project

53. The Committee observes that the matter had been dealt with in the previous financial year, and reiterates its recommendation.

4. Unbalanced budget

54. The Committee observes that the matter had been dealt with in the previous financial year, and reiterates its recommendation.

5. Non-compliance with the one-third basic salary rule

55. During the year, twenty (20) employees earned a net salary of less than a third (1/3) of the basic salary. This is contrary to Section 19(e) of the Employment Act, 2007 which states that, without prejudice to any right of recovery of any debt due and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of sub-section (1) may be made by an employer from the wages of his

employee at any one time shall not exceed two thirds of such wages or such additional or other amount as maybe prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employee or any trade or industry”.

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

Management Response

57. The one-third (1/3) basic salary rule was violated as a result of the tax amnesty given by the Government of Kenya as a means of COVID 19 mitigation measure. KTTC staff took advantage of the waiver to obtain loans. This situation has however been corrected, and as at August, 2022 no employee was earning less than a 1/3 basic pay.
58. The situation was further addressed in July 2022 upon the implementation of a 4th phase of a Collective Bargaining Agreement (CBA), where employees received a salary increment
59. All the employees in KTTC’S payroll are currently earning a net salary that is above a third of their basic salary.

Committee Observations

60. The Committee observed that the management had satisfactorily responded to the matter including evidence of all employees’ complying with the one third salary requirement and therefore the query stands resolved .

Committee Recommendation

61. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation on time.

6. Irregular procurement of goods and services

62. The statement of financial performance reflects Kshs.55,063,957 in respect of use of goods and services and as disclosed in Note 9 to the financial statements. Included in this amount is an expenditure of Kshs.2,334,611 being payments to several suppliers for supply of goods under low value procurement method. However, the payments were not supported by ETR receipts, which is contrary to Regulation 93(1)(2) of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the Accounting Officer must ensure that where low value procurement method of goods, works or services is used the invoices shall be supported by the original Kenya Revenue Authority Electronic Tax Register duly signed by the person undertaking the low value procurement of goods, works or services.

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

Management Response

64. The suppliers had since provided the corresponding ETR receipts, which KTTC submitted to the Office of the Auditor General. However, by then the audit report had been prepared.
65. All Taxable payments made by KTTC are supported by ETR receipts.

Committee Observations

66. The Committee observed that the management had satisfactorily responded to the matter including evidence of the ETR receipts and therefore the query stands resolved .

Committee Recommendation

67. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

3.2 NAIROBI TECHNICAL TRAINING INSTITUTE (NTTI)

68. Mrs. Glory Mutungi, Chief Principal, accompanied by;
- i) Mr. Clement Amuahuma - Chief Finance Officer
 - ii) Mr. Maxwell Gitonga - Finance Officer
- appeared before the Committee to adduce evidence on the audited accounts of Nairobi Technical Training Institute.

3.2.1 Audited Financial Statements for Financial Year 2018/19

1. Unsupported property, plant and equipment balance

69. The entity does not maintain a fixed assets register in support of property, plant and equipment balance of Kshs. 3,295,177,291.

Management Response

70. The Institute procured the services of valuation of Property, Plant and Equipment from Dansal and Associates Ltd. Valuation report was produced on 30th June 2022 supporting the values of Property, Plant and Equipment and was availed to Office of Auditor General.

Committee Observations

71. The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

72. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

2. Budgetary control and performance

73. The Institute had a total revenue budget of Kshs.210,304,000 for the financial year under review but collected Kshs.370,335,650 resulting in a revenue surplus of Kshs.160,031,650. The surplus resulted from the National Government's new policy that provides a subsidy of Kshs.30,000 per annum to each student enrolled in a Technical, Industrial, Vocational and Entrepreneurship Training (TVET) institution.
74. The expenditure budget for the Institute for the year amounted to Kshs.307,061,675 and actual expenditure Kshs.203,710,333 resulting in net under-expenditure of Kshs.103,351,342.

Management Response

75. The surplus was from the National Government's new policy that provides a subsidy of Ksh 30,000 per annum to each student enrolled in TVET Institutions resulting to increased enrolment and revenue.
76. There was delay in the release of capitation funds from the Government of Kenya, and development funds of Kshs.40,531,962 hence the delay in the commencement of construction of Administration Block and Mentoring Institutions (Gilgil, Ol Kalou Technical Vocational College) of Kshs.60,000,000 in 2018/2019 FY.

Committee Observations

The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

77. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation on time.

3. Prior year issues

78. Failure to report progress on previous year audit issues.

Management Response

79. The disclosures have been made in the subsequent years.

Committee Observations

The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved

Committee Recommendation

80. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

3.2.2 Audited Financial Statements for Financial Year 2019/20

1. Unsupported property, plant and equipment balance

81. The Committee notes that the matter had been handled in the previous financial year, and reiterates its recommendation.

2. Budgetary control and performance

82. The Committee notes that the matter had been handled in the previous financial year, and reiterates its recommendation.

3. Under-expenditure

83. The Committee notes that the matter had been handled in the previous financial year, and reiterates its recommendation.

3.2.3 Audited Financial Statements for Financial Year 2020/21

1. Inaccuracies in the financial statement

84. Statement of changes in net assets reflects a total balance of Kshs.3,527,593,140 which differs with the total capital reserves balance of Kshs.3,507,593,140 reflected in the statement of financial position resulting to unexplained and unreconciled variance of Kshs.20,000,000.

Management Response

85. The statement of financial position as at 30/06/2021 capital reserve was Ksh. 3,507,593 instead of Ksh. 3,527,593,140 which was a typing error. This has been corrected in the financial statements of the subsequent financial year.

Committee Observations

86. The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

87. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

2. Unvalued property, plant and equipment

88. The statement of financial position and as disclosed in Note 20 to the financial statements reflects property, plant and equipment balance of Kshs.3,244,150,811. However, various assets of an undetermined quantity and value, procured by the Ministry of Education in the financial year 2019-2020 were excluded from the balance.

Management Response

89. The Institute procured the services of valuation of Property, Plant and Equipment from Dansal and Associates Ltd. Valuation report was produced on 30th June 2022 supporting the values of Property, Plant and Equipment and was availed to Office of Auditor General.

Committee Observations

The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

90. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

3. Budgetary control and performance

91. The statement of comparison of budget and actual amounts reflects Kshs.566,305,334 and Kshs.389,179,562 in respect to budgeted and actual revenue respectively, resulting to unrealized revenue of Kshs.177,125,762 or 31 %.

92. The statement reflects total payments budget amounting to Kshs.381,679,800 and actual payments of Kshs.375,880,545 resulting to under absorption of Kshs.5,799,255 or 4 % erroneously shown as Kshs.27,573,493 in the statement.
93. The Institute had an over expenditure on use of goods and services balance of Kshs.37,152,543 which was not approved.

Management Response

94. The deficit in the budget was occasioned by shut-down directive by the Government of operations in the Institute due to the Covid-19 Pandemic which resulted in a decline in student intake and non-remittance of expected Development Budget.
95. The observation on the analysis was acknowledged and the under absorption was Kshs.5,977,255.
96. This was due to reallocation of funds which was not part of the approved budget. The Institute collects money from students for KNEC examinations and pays on their behalf for the whole group. The amount of Ksh 41,355,589 was charged to use of goods and services because it was paid out using the Institute's bank account. Thus, there was no over expenditure.

Committee Observations

The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

97. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

4. Lack of an approved budget and procurement plan

98. The Institute did not provide an approved budget and procurement plan for audit.

Management Response

99. There was an approved budget and procurement plan which had now been submitted to the auditors.

Committee Observations

The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

100. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

5. Weak information technology environment

- a) Remote hosting of ERP server and risk of unauthorized access.
- b) Minimal space in the server room with no proper ventilation and temperature regulation
- c) Licensed and genuine antivirus

Management Response

101. The management submitted that;
- a) The Institute has a Service Level Agreement with Kenya Education Network, KENET which set out the contractual terms and Confidentiality requirements. KENET is a reputable service provider to many Government Learning Institutions. They are also Institute's internet service provider.
 - b) The Management in conjunction with the Board of Governors will address issue infrastructure in the Institute of which the server room is among them, using the available resources. There is a plan to construct more rooms in the next financial year which will create sufficient space for the server room on receipt of Development funds. In the meantime, the Institute installed air conditioners/coolers to regulate the temperature of the server room
 - c) The Institute has had genuine antivirus to protect the data and the networks. The license number is 2202-200813-071417-920-2715.

Committee Observations

102. The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

103. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

6. Establishment and Functioning of the Internal Audit Function

104. The institute had only one internal auditor in place.

Management Response

105. The Board of Governors shall build the capacity of the Internal Audit Department according to the Human resource policy.
106. The Institute is conducting capacity gap analysis with a view of filling critical/vacant positions in the staff establishment and internal audit staff will be addressed in 2022/2023 financial year.

Committee Observations

107. The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

108. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

7. Lack of a board charter

109. The institute did not have a Board Charter.

Management Response

110. The Institute developed a Board Charter and had since been provided to the Auditor General.

Committee Observations

111. The Committee observes that the matter had been resolved as the Auditor General had now been supplied by the board charter.

Committee Recommendation

112. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

8. Lack of risk management policy

113. The Institute did not provide evidence of an enterprise-wide risk management policy.

Management Response

114. The Institute developed a Risk Management Policy Charter and has been provided to the Auditor General

Committee Observations

115. The Committee observes that the matter had been resolved as the Auditor General was now in receipt of the risk management policy charter.

Committee Recommendation

116. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

3.3 KENYA INSTITUTE OF MASS COMMUNICATION (KIMC)

117. Mr. Peter Wakoli, Acting Chief Executive Officer, accompanied by Ms. Jane Kariuki, the Chief Internal Auditor, appeared before the Committee to adduce evidence on the audited accounts of KIMC.

3.3.1 Audited Financial Statements for Financial Year 2018/19

1. Encroachment of land by a private developer

118. The property, plant and equipment balance of Kshs. 2,257,353,351 as at 30th June 2019 includes land measuring 1.4430 hectares valued at Kshs. 1,100,000,000. Available information indicates that part of the institute's land (LR No. 209/12046) had been encroached by a private developer therefore adversely affecting the students and the institute as a whole. The matter was reported to the National Land Commission on 31st January 2018 and was an active case before the High Court as at 30th June 2019. The effect the ruling will have on the property, plant and equipment balance of Kshs. 2,257,352,352 as at 30 June, 2019 was therefore not clear.

Management Response

- 119. It's true the institute owns land measuring 1.4430 hectares valued at Kshs 1,100,000,000. It's also true that there is a piece of land LR No 209/12046 lying between Institute Boys Hostel and New Modern Catering unit which has been encroached by a private Developer. However, the National Land Commission Vide Letter Ref 155780/73 dated 31st January 2018 has pronounced itself on encroachment on LR No. 209/12046.
- 120. A private developer was erroneously allocated land that is a public wayleave. National Land commission has placed a restriction on the title to the plot to secure the public wayleave in the Public Interest.
- 121. The Current status on the Audit observation is that the matter is before the Court of Appeal. If the Court grants the wayleave to the institute, the institute will hold it in trust.

Committee Observations

- 122. The Committee observes that the matter was active in court.

Committee Recommendation

- 123. The Committee recommends that the Accounting Officer ensures that the matter is concluded in court promptly and property secured.

2. Revaluation of assets

- 124. Tools and equipment and motor vehicles were valued at Kshs 48,993,363 and Ksh 16,910,000 respectively resulting in a revaluation Loss of ksh 51,763,790. The loss on revaluation was charged in the statement of changes in net assets, However the management did not make any disclosures in the financial statements on the effective date of the revaluation, whether an independent valuer was involved and the method and significant assumptions applied in estimating the assets fair values.
- 125. Treatment for Accumulated depreciation brought forward from 2017/2018 of an amount of ksh 36,567,800 for tools and equipment and Kshs 15,372,718 for motor vehicles which were assets that were revalued did not conform to International Public Sector Accounting Standards (IPSAS 17). In the circumstances above, it's not possible to confirm that the presented balance of ksh 2,257,353,351 as at 30th June 2019 was fairly stated.

Management Response

- 126. Yes, it's true an independent valuer was involved. The Revaluation of Assets (Tools and equipment and motor vehicles) were undertaken by an independent valuer, in the month of May 2019. It's true that treatment of accumulated depreciation was included in the financial statement contrary to IPSAS 17 that requires accumulated depreciation of revalued class of assets to be captured as Nil in the Financial statement. The disclosure of the effective date for Re-evaluation was amended in financial year 2018/2019. (Pg. 28). The valuation was carried out in conformity to the appraisal and valuation manuals published by the Institution of surveyors of Kenya (ISK), Valuation and estate management surveyors' chapter and International Valuation standard's (IVS).
- 127. The accumulated depreciation was amended in the year 2019 / 2020.

Committee Observations

128. The Committee observes that the matter had now been settled as amended financial statements had been availed.

Committee Recommendation

129. The Committee recommends that the Accounting Officer henceforth complies with accounting standards.

3. Capital revaluation reserve

130. Capital revaluation reserve has a balance of ksh 2,552,675,842. Included in the Statement of Changes in Net Assets is a revaluation loss on assets valuation of ksh 51,763,790 which was accounted for in contravention of International Public Sector Accounting standards (IPSAS 17). Consequently, the accuracy of the capital revaluation reserve balance of Ksh 2,552,675,842 could not be confirmed.

Management Response

131. It's true that there was a capital revaluation Loss of Ksh 51,763,790 which was omitted in the Statement of Financial Performance for 2018 / 2019. Restatement will be done in the current year 2022/2023.

Committee Observations

132. The Committee observes that the matter had now been settled as amended financial statements had been availed.

Committee Recommendation

133. The Committee recommends that the Accounting Officer henceforth complies with accounting standards.

4. Delayed project- construction of kitchen and dining hall

134. The Institute entered into a contract with a construction company for construction of a modern kitchen and dining hall at a contract price of ksh 115,925,052 for a duration of 52 weeks ending 8th June 2017. Available information indicates that the contract was varied by 25% or ksh 28,980,902 to Ksh 144,905,954 and the duration varied by 26 weeks ending 7th December 2017. An amount of ksh 125,971,227 of the revised contract sum was paid to the contractor leaving a balance of ksh 18,934,677 with lapsed time of over 12 months. The project had not been completed and no explanation given for the delay in completion as at 30th June 2019.

Management Response

135. It's true that on 20th May 2016 the institute entered into contract with a construction company for the construction of the Modern Kitchen and dining Hall of Ksh 115,925,052. It's also true that by June 2017 the construction was not complete. The delay was due to delayed disbursement occasioning the slow implementation of the project 2018/2019.

136. Yes, it's true there was a contract variation and duration variation as indicated.

137. The current status of the project is that it's completed and in use as per the handed over certificate availed to the auditors for review. The Completion of the project did not attract escalation costs but was within the project contract sum.

Committee Observations

138. The Committee observes that the matter had now been settled as the completion certificate had been availed.

Committee Recommendation

139. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation to the Auditor General on time.

5. Budgetary control and performance

140. A statement of Comparison of budget and actual amounts under capital expenditure reflects actual expenditure of ksh 250,000,000 against final budget of ksh 250,000,000.
141. An amount of Kshs 117,854,419 was spent by the institute resulting to an under absorption of ksh 132,145,581. The institute may not have achieved its planned objectives and goals.

Management Response

142. It's true that there was an under absorption due to late disbursement of the exchequer. The certificates for the capital projects were not issued for processing by the project manager.
143. The process of procuring training equipment commenced on the third quarter upon receipt of the development grant. By the closure of the financial year the institute had not received all the invoices to process.

Committee Observations

144. The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

145. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations to the Auditor General on time.

3.3.2 Audited Financial Statements for Financial Year 2019/20

1. Encroachment of land by a private developer

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

2. Unresolved prior year matters

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

3. Delayed project- construction of kitchen and dining hall

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

3.3.3 Audited Financial Statements for Financial Year 2020/21

1. Encroachment of land by a private developer

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

2. Budgetary control and underperformance

150. There was under-funding by 12,782,383 or 4% of the budget and an over expenditure of Ksh.81,344,149 or 25.2%. Management attributed the overspending to developments funds that were not spent in the 2019/2020 FY. However, documentary evidence was not provided for the same.

Management Response

151. Yes, it's true there was an under funding because of delayed disbursement. The amount of Kshs 81,344,149 was Disclosed on Page 23 in Financial Statement for FY 2019/20 and carried forward to be spent in FY 2020/21 on modern kitchen equipment as earlier approved. Disclosed in the budget approved by the Council for FY 2020/21.

Committee Observations

152. The Committee observed that the management had satisfactorily responded to the matter and therefore the query stands resolved.

Committee Recommendation

153. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations to the Auditor General on time.

3. Council composition

154. The Council comprised of 14 members as opposed to the maximum of 9 as guided by Mwongozo Code of Governance for State Corporations. Further, the Council committee consisted of 4 members instead of a maximum of 3 as stated in Mwongozo.

Management Response

155. It's true that there are 14 council members however one (C.E.O) is not a council member as required by the legal Notice which allows for 13 members however proposals have been made to ensure alignment is done with the Act to avoid breach.

Committee Observations

156. The Committee observes that the membership was as provided for in the legal notice establishing the institute. However, it also observes that government institutions have been aligning with Mwongozo provisions and KIMC should not be left behind for purposes of good corporate governance. The institute availed a draft bill establishing the institute.

Committee Recommendation

157. The Committee recommends that the Accounting Officer takes the draft bill through the parent ministry, Attorney General and obtains cabinet approval before submission to the National Assembly, by 31st December 2023.

3.4 THE NYERI NATIONAL POLYTECHNIC

158. Mr. David Mwangi, Chief Principal and Accounting Officer accompanied by Mr. James Mungai, Finance Officer, appeared before the Committee to adduce evidence on the audited accounts of The Nyeri National Polytechnic, on 29th March 2023.

3.4.1 Audited Financial statements for Financial Year 2018/19

1. Rendering of services- students fees

159. The Statement of financial performance reflects total revenue from rendering of services – fees from students amounting to Kshs 210,537,925. However, a review of records presented for audit revealed that the reported students' fees represented the actual cash paid by students during the financial year 2018/2019, instead of the revenue earned or billed.
160. Consequently, the accuracy and completeness of the reported revenue from rendering of services – fees from students amounting to Kshs 210,537,925 could not be confirmed.

Management Response

161. In the Financial Year 2018/2019 the Polytechnic was in the process of Procuring an ERP System to assist the Polytechnic in migrating to accrual basis of accounting in respect to student fees. The ERP handing over report is now availed.

Committee Observations

162. The Committee observed that the institution had now installed the ERP system to capture correct revenue earned.

Committee Recommendation

163. The Committee recommends that the Auditor General confirms and reports to the National Assembly that the institution had indeed conformed to the recommended accounting standards, by capturing revenues earned using the acquired ERP system.

2. Risk management

164. Review of the Polytechnic governance processes revealed that the management does not have a documented risk management policy and does not conduct regular risk assessments on its systems and operations.

Management Response

165. The Polytechnic now has approved documented risk management policy and conduct regular risk assessment during internal audits.

Committee Observations

166. The Committee observes that the matter was now settled as the difference was the projected profit.

Committee Recommendation

167. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations to the Auditor General on time.

3.4.2 Audited Financial Statements for Financial Year 2019/20

1. Rendering of services- students fees

168. The Statement of financial performance reflects total revenue from rendering of services – fees from students amounting to Kshs 287,411,099. However, a review of records presented for audit revealed that the reported students' fees represented the actual cash paid by students during the financial year 2019/2020, instead of the revenue earned or billed.
169. Consequently, the accuracy and completeness of the reported revenue from rendering of services – fees from students amounting to Kshs 287,411,099 could not be confirmed.

Management Response

170. The Polytechnic completed the installation of ERP system which was accrual based (IPSAS Accrual) to assist the Polytechnic Migrate to accrual basis by the end of the financial year 2019/2020.

Committee Observations

171. The Committee observes that the matter was recurring and the current figures were compounded from the previous financial year.

Committee Recommendation

172. The Committee reiterates its recommendations on the same matter in the previous financial year above.

2. Unresolved prior year matters

173. The Committee observes that the matter was recurring and the current figures were compounded from the previous financial year, and reiterates its recommendation.

3.4.3 Audited Financial Statements for Financial Year 2020/21

1. Unconfirmed cash and cash equivalents

174. The financial statements of financial position reflect cash and cash equivalents balance of Kshs.244,507,333 as at 30 June 2021. Review of bank reconciliation statement for Production Unit account for the month of June 2021 revealed that this balance excludes long outstanding reconciling items in respect to receipts in bank statements not recorded in the cash book amounting to Kshs.3,072,401. However, the Management did not explain the nature of these receipts and why the same had not been posted to the cash book as at 30 June 2021.

175. In the circumstances, the accuracy and completeness of cash and cash equivalents balance as at 30 June 2021 could not be confirmed.

Management Response

176. The institution has now availed a breakdown of the unpresented receipts of Kshs 3,072,401. The cash book was updated to include the receipts.

Committee Observations

177. The Committee observes that the matter was now settled as the difference was the projected profit.

Committee Recommendation

178. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations to the Auditor General on time.

2. Undisclosed fees from students

179. The statement of financial performance reflects total revenue from rendering of services - fees from students amounting to Kshs.153,321,477 as disclosed in note 2 of the financial statements. However, a review of records presented for audit revealed that the reported students' fees represented the actual cash paid by the students during the financial year 2020/2021, instead of the revenue earned or billed.

180. In the circumstances, the accuracy and completeness of the reported revenue from rendering of services - fees from students amounting to Kshs. 153,321,477 could not be confirmed.

Management Response

181. In the FY 2020/2021 The Polytechnic procured ERP system reporting on accrual basis but there was a challenge in generating revenues billed report as the system was on the implementation stage. The issue has now been addressed in the financial year 2021/2022.

Committee Observations

182. The Committee observes that the matter was recurring and the current figures were compounded from the previous financial year.

Committee Recommendation

183. The Committee reiterates its recommendations on the same matter in the previous financial year above.

3.5 DEDAN KIMATHI INSTITUTE OF TECHNOLOGY

184. Prof. Ndirangu Kioni, Vice-Chancellor and Accounting Officer, accompanied by;
- i) Mr. Abram Mwangi - Chief Finance Officer
 - ii) Mr. Rober Wathegi - Accountant
- appeared before the Committee to adduce evidence on the audited accounts of the Dedan Kimathi Institute of Technology, on 19th April 2023.

3.5.1 Audited Financial Statements for Financial Year 2018/19

1. Material uncertainty in relation to sustainability of services

185. As disclosed in Note 5 to the financial statements, the University recorded a deficit of Kshs.57,802,556 in 2018/2019 (2017/2018: a deficit of Kshs.150,995,869). As a result, the accumulated deficit increased from Kshs.285, 795,148 as at 30 June, 2018 to Kshs.343,597,704 as at 30 June 2019. Further, the current liabilities balance of Kshs.538,427,169 exceeded current assets balance of Kshs.286,291,160 resulting in a negative working capital of Kshs.252,136,009 as at 30 June, 2019. This precarious financial position is an indication of the existence of a material uncertainty, which may cast a significant doubt on the University's ability to sustain its services and to meet its obligations as and when they fall due.

Management Response

186. This scenario had since been reversed in the current financial year by the University reducing its deficit by Kshs 93,193,311 after the carrying out a number of mitigating strategies. The gains towards complete financial sustainability are supposed to materialize in the short run with the University having instituted the following recovery strategies.
187. The University has continuously instituted measures to ensure that the funds allocated to her are utilized within the budgetary provisions and thus operating strictly within its means.
188. The University reorganized teaching in to improve on productivity and minimize the cost of teaching resulting to over 25% cost reduction. Further the University also frozen employment in non-core business areas and is therefore able to tame the payroll costs.
189. The University appealed to government for review of recurrent allocation and fully adoption of differentiated Unit cost model (DUC), the Management and Council are hopeful that if the DUC model is fully implemented more funds will be allocated to the University.
190. Finally, great savings on human resources operational costs has also been experienced after the University council implemented a restructuring strategy by combining administrative divisions from the originally three to two divisions. These strategies are helping the University reduce its liabilities and remain financially stable as a going concern.
191. Through the various strategies by the University to turn around her performance to make it sustainable, the performance has improved from a deficit of 56,102,502 as at 30th June 2020/2021 to 26,931,968 during the FY 2021/2022. It is expected that the situation will be better for the year 2022/2023 based on the 2nd quarter financial statements reporting a surplus of Ksh. 36,907,464 as at 31st December 2022.
192. The University current ratio is also an indication and a sign of improvement; in 2018/2019 the current ratio was 0.53:1 and this situation have changed over the years currently standing at 0.78:1 as at 31st December 2022.

Committee Observations

193. The Committee observes that the institution was gradually improving its financial status, despite financial challenges, compounded by under-capitation by the government.

Committee Recommendation

194. The Committee recommends that the university cuts down on non-essential expenditure and intensifies income-generating activities, including scaling up manufacture of semi-conductors launched by the President in 2021. Towards this end, the management should avail a comprehensive business plan to the Committee within three months of adoption of this report.
195. Further, the Committee recommends that the Ministry of Education re-works its funding model (DUC) to universities, as recommended in this report under the chapter on general observations and recommendations.

2. Long outstanding payables

196. The statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transactions balance of Kshs.324,017,295, an increase by Kshs.62,477,632 from a balance of Kshs.261,539,663 as at 30 June 2018.
197. A review of the list of payables, revealed that payables amounting to Kshs.232,566,366, or 72% of the payables have been outstanding for more than 1 year with some debts dating far back to year 2013. A summary of the age of the trade payables from exchange transactions is as follows:

Period the Debts were Incurred	Amount (Kshs.)	proportion (%)
2013 to 2015	3,574,008	1
2016	5,920,940	2
2017	203,894,609	63
January - June 2018	19,176,809	6
July 2018 - June 2019	91,450,929	28
Total	324,017,295	100

198. Further, employee benefit obligations increased by Kshs.35,539,892 from Kshs.26,740,533 in year 2017/2018 to Kshs.62,280,425 as at 30 June 2019 representing an increase of 133%. In addition, included in the employee benefit obligations of Kshs.62,280,425 are pension contribution arrears of Kshs.26,740,533, accumulated between year 2013 and 2015, thus the University defaulted in paying pension contribution for its employees, an indication that the retirees may encounter difficulties accessing their pension at the time of retirement.

Management Response

199. The University has put up a strategy of settling payable accounts by setting aside a monthly allocation of three million for part-timers and four million for other trade payables following the improved recurrent capitation for the year 2019/2020. The University has also appealed to Government for review of the recurrent expenditure funding allocation and fully adoption of the Differentiated Unit Cost model (DUC). The University is also pursuing an amount of Ksh 100 million from the Ministry, this being an underfunding recurrent expenditure for the year 2019/20. This was because of some

528 students who were not factored by the funding board because of the University's early calendar intake. The University is further pursuing various collaborations that will bring additional resources. Council and management is counting on a positive response from the Ministry of Education and the National Treasury and the above measures that will facilitate clearing in its entirety the payables.

200. Despite the increased personnel costs and high inflation, the University has managed to reduce the payables from Kshs. 324,017,295 in 2018/2019 to Kshs. 252,625,511 as at 30th June 2022. Out these payables, there exists an amount of Ksh. 23,183,670 million emanating from 2012-2013 and 2013-2017 CBA. This was pension amount that had not been released by the GoK to date. Also in the payables are payroll deductions that were settled the following of July 2019. Currently, payroll deductions are included in our financial statements as payables but these are settled immediately upon receipt of our monthly capitation.

Committee Observations

201. The Committee observes that it is impractical to expect Treasury to remit Kshs. 100 million 'owed' in FY 2019/20. The financial stress that the university faces will be alleviated by the recommendations given in the preceding paragraph above.

Committee Recommendation

202. The Committee reiterates its recommendation given above.

3. Personnel costs loss due to breach of bond agreement

203. As reported previously, an assistant lecturer was sponsored by the University in 2013 to pursue a Ph. D in Actuarial Science at the University of Canterbury in New Zealand for a period of four years. The course and financial support were approved by the University's Staff Training and Development Committee at a cost of Kshs.2, 148,545 on condition that the lecturer be bonded to the service of the University for a period of three years on completion of the course in line with the Government Policy on sponsored trainings. The bond terms stipulated that he shall pay back the total amount incurred on him should he abscond.
204. The lecturer continued to earn his full salary and annual leave allowance amounting to Kshs.7,514,777.70 during the entire four years of his study leave. In addition, the lecturer also continued to earn his annual leave allowance for the entire the period of his study leave contrary to the provisions of staff training and development policy.
205. Examination of personal file and other records further revealed that the lecturer returned from study leave on 18 December 2017 but has never resumed his duties despite being bonded for service at the University after completion of studies. As a result of the lecturer absconding duty, the University is at risk of losing Kshs.9,663,322.70 comprising Kshs.7,514,777.70 in salaries paid during the study leave and the cost of the sponsorship amounting to Kshs.2,148,545.
206. Although records presented for audit indicated that the University management commenced recovery of the sponsorship cost through the court, the case had not been determined as at the time of audit in October 2019.

Management Response

207. Based on the DeKUT's Training and Development Policy, the University has determined that the amount due and owing from Richard Kitati Mumo is Ksh. 8, 196, 879.43. In addition, Mr. Kitati absconded duty and did not give the requisite 3 months' notice as per DeKUT Statutes and as such the University is further demanding 3 months basic pay in lieu of notice at Ksh.345,579. Based on the above, the total amount owing from Mr. Kitati to the University is the sum of Ksh. 8, 542,458.43 and not Ksh. 9,055,458.
208. We filed the claim against Mr Kitati on 30th December 2019 when he failed to honour the demand notice from the University through its lawyer Wahome Gikonyo and Co. Advocates dated 4th September 2019. Going forward, the recovery process is subject to the court process which is not within the University's control. We have however requested our advocate on record to expedite on the matter (Nyeri High Court CMCC No.406 of 2019). Judgement was delivered in favor of the University. The staff is outside the Kenyan jurisdiction (Botswana) and the judgement remains unsatisfied to date.
209. Under the convention on recognition and enforcement of foreign judgments in civil and commercial matters, to which Kenya, Botswana and South Africa are parties to, the University is planning to file suits in a superior court of Botswana seeking the judgement delivered in Kenya to be recognized and registered as judgment of the two countries. The judgment will then be enforceable against the debtor.

Committee Observations

210. The Committee observes that the institution secured judgement from Magistrate's court in Nyeri compelling the individual to pay the institution Kshs. 9,055,458, after he breached his bond terms. The man was out of the country and judgement had therefore not been enforced.

Committee Recommendation

211. The Committee recommends that the university immediately writes to the Kenyan Ambassador in Botswana through the Ministry of Foreign Affairs to trace the individual and his employer, and pursue the matter, including enforcement of the court judgement. The Committee further recommends that should Mr. Kitati Mumo fail to make good the amounts incurred, he be barred from holding public office.

3.5.2 Audited Financial Statements for Financial Year 2019/20

1. Failure to Disclose Material Uncertainty in Relation to Going Concern

212. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation on the same.

2. Delayed filling of acting positions

213. A review of records of the University revealed that the two employees have been in acting capacity positions for a period of twenty-two (22) and eighteen (18) months respectively, contrary to the provisions of the University's Human Resource Manual, which states that the period of acting appointment shall not exceed a period of six (6) months in any case.

214. The University's Management has not given satisfactory explanation for failure to advertise and fill the positions with substantive office holders within a reasonable time after they became vacant.

Management Response

215. The only staff in the report serving on acting capacity are the Finance Officer and Registrar Administration and Finance. The human resource policy manual allows the Vice Chancellor to appoint a head of department internally among the staff in a particular department and therefore the appointment of a head of department does not look at the qualifications but the competence and leadership skills. These positions are filled internally. The positions had since been substantively filled.

Committee Observations

216. The Committee observes that the institution had since substantively filled the positions, with the two incumbents having attained minimum qualifications.

Committee Recommendation

217. The Accounting Officer ensures that succession planning is introduced and undertaken in the institution well in advance of senior positions becoming vacant.

3. Failure to adhere to a third rule of basic salary

218. A review of the University's payroll revealed that eighty-three (83) employees earned net salaries which were below one-third of their basic pay. This is contrary to Section 19(3) of the Employment Act, No.17 of 2007, which requires that, "without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry."

Management Response

219. Our analysis of the pay slips for the affected employees indicates that their basic salaries were largely affected by recoveries from either not accounting for imprests within the stipulated time, check-off deductions for purchases of farm / DEKUTES produce/products and from mandatory charges in the University Medical Center.
220. However, we have also noted a few cases of loans deduction margin errors that could have emanated from the banks from the time of loan application and disbursement. We undertake to correct this by advising staff to offset some savings and subscriptions where applicable. We note one case of salary attachment granted by a Law Court and this has had adverse effect on the staff member's ability to comply to the one third deduction basic rule.
221. The HR together with lending banks will ensure compliance with the one-third rule. Management shall continue educating employees on how to manage personal finances and creating wealth without debt to ensure full compliance.
222. The University continues to sensitize the staff members on the need to account for imprests on time to avoid recoveries. Financial literacy is also conducted regularly to ensure staff members are able to manage their resources properly. The University has now complied with the two third rule by making sure that no further loans and

commitments to staff whose salary is likely to fall below a third of the basic salary. This is in exemption recoveries on un-accounted imprests.

Committee Observations

223. The Committee observed that some staff had held imprest beyond the period of seven days as provided for by section 92(5) of the PFM Regulations. Recovery of the same from the affected staff salaries had infringed on the one-third pay rule.

Committee Recommendation

224. The Committee recommends that the Accounting Officer recovers outstanding imprest and takes immediate disciplinary action on staff who have failed to account for issued imprest as per law, and that they be barred from handling imprest or engaging in off-site activities until they fully account for outstanding dues.

4. Delayed completion of academic block

225. Disclosed in Note 36 to the financial statements under property, plant and equipment is capital work in progress balance of Kshs.1,577,542,685. Included in the balance is an amount of Kshs.54,917,153 in respect of additions on construction of Academic Block Phase II as disclosed further under Note 37 to the financial statements. A review of records revealed that the project has taken over 8 years and is still incomplete.
226. Further, the construction cost for the project cumulatively totals to Kshs.200,565,689, since inception, which is more than the initial contract cost of Kshs157,100,200. This translates to a cost increase of Kshs.43,465,489 or 28% of the original contract sum. The cost increase of Kshs.43,465,489 would have been avoided had the project been funded within the initial contract period. Consequently, the validity and value for money on the expenditure already incurred could not be confirmed.

Management Response

227. Over the years, there has been various budget adjustments by the Government through mid-term supplementary budgets. This has adversely affected running capital projects because of the resultant reduced budget. In the process, some projects have experienced completion delays. For example, during the FY 2022/2023, the University was allocated a sum of Ksh. 58 million for her two ongoing projects- Academic block and the Resource Centre. This amount had now been reduced to Kshs. 22 million and the University has an accumulation of Kshs. 70 million for works done and not paid.
228. The University has on various occasions written to the Ministry of Education to appeal for release of the much-needed development funds and management is looking forward to positive response.
229. For this reason, University continues, pursue the government to allocate more resources for completion of the academic block.

Committee Observation

230. The Committee observed that the delay in completion of the project was occasioned by budgetary cuts, and was part of the several delayed projects alluded to in this report's chapter on general observations and recommendations. Management submitted that they required Kshs. 130 million to complete the project.

Committee Recommendation

231. The Committee recommends that Treasury finances the balance of Kshs. 130 million, within the next two financial years.

5. Affirmative action on gender, ethnicity and regional distribution

232. A review of the personnel records and establishment revealed that the University's total number of employees was 517 for the year ended 30 June, 2020 out of which 354 (68.5%) comprised staff from one dominant ethnic community. This is contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which states that, no public establishment shall have more than one third of its staff from the same ethnic community.

Management Response

233. The human resource practice is that staff are not asked to provide the information on their ethnicity identity since that would be a violation of the Constitution and Employment Act, 2007. The University report on diversity is captured on County of origin and to this end, the university representation is of the face of Kenya.
234. The university developed affirmative action policy with a view to ensure fair and equitable representation of all regions.
235. Nyeri County has the highest number of staff especially at the administrative and support staff cadre. This is because the university inherited most of these staff from the former Institute. The University is further preferred employer in the region and therefore gets a lot of job applications from local people. The academic staff has a good diversity since the university started employing young faculty members who were willing to work and settle in Nyeri County. The strategy for recruiting younger faculty can be seen in the University diversity of the Graduate Assistants, this being the entry level for career in academia.
236. The above notwithstanding, some great efforts are required to improve the representation of the Counties which are poorly represented in the staff population. The University has come with the following strategies to address diversity concerns:
- i. We have placed a specific Job advert on the website targeting marginalized groups to make applications to the University for Jobs Considerations.
 - ii. There is continuous sensitization of senate members and other staff on the issues of integration and cohesion and the need for them to encourage people from all parts of the country to apply and work in DeKUT.
 - iii. We advertise job vacancies in a manner that reach the diverse ethnic groups including using government newspaper (MyGov), internet and notices to staff members to encourage people from marginalized communities to apply for job at DeKUT.
 - iv. We have adopted a shortlisting criterion that highly favors the marginalized groups without subjecting them to a similar criterion used for other staff.
 - v. As an affirmative action, candidates from marginalized groups are considered even when they are not the best in the interview.
 - vi. In order to have the recommended level of regional balancing, the University developed an affirmative action policy, this in the long run is expected to bring a balance regional distribution. As an affirmative action, candidates from marginalized communities are considered as long they have met the minimum qualifications during the interviews.
237. This strategy has built confidence nationally on realization that DeKUT does not discriminate on gender, disability and the marginalized communities.
238. Currently, regional balancing per County representation reflects a near balanced representation of 33.64% out of the required 31%.

239. In terms of academic staff, this composition reflects a better representation of only 21% coming from Nyeri County. This is 45 academic staff out of 212. This is as result of the above policy and strategies applied.

Committee Observations

240. The Committee observed that the institution's submission that obtaining ethnicity of staff is unconstitutional was wrong. All public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the Constitution and the National Cohesion and Integration Act and ensure fair and diverse representation of the people of Kenya in staffing.
241. This phenomenon is replicated in several other universities as observed in the general observations and recommendations chapter of this report

Committee Recommendation

242. The Committee recommends that the Accounting Officer ensures affirmative action is employed in subsequent recruitments to address the imbalance and demonstrates this within a year of the adoption of this report. Further, this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

6. Long outstanding receivables

243. Disclosed in Note 32 to the financial statements under receivables from exchange transactions are gross student debtors totalling Kshs.273,387,947 as at 30 June, 2020. The student debtors includes debts totalling Kshs.93,967,179.80 which have been outstanding for more than one-year despite being collectable within one financial year. In addition, the University has not been able to recover an amount of Kshs.1,409,708 due from sundry debtors with some of the debtors dating back to financial year 2013/2014.
244. In the circumstances, the University has not instituted measures including legal action where appropriate, to ensure prompt payment of amounts due as required by regulation 64(1) of Public Finance Management (National Government) Regulations, 2015..

Management Response

245. The university management has developed a fees debt policy to ensure that the fees debts are managed and collected in time. The management has also put in place measures to make sure that students pay up their tuition fess before sitting for the end of semester exams.
246. The University management has noted the Auditors recommendations and have familiarized with the National Government regulations for compliance in the coming quarters.
247. It is worth noting that the academic calendar does not coincide with the financial year. This results to huge fees balance at the end of the financial year since our policy requires a payment of 60% on registration and the balance before sitting for the exams.
248. Further there is a tendency of students dropping out the University as a result of lack of fees. This has made the University to establish a Financial Aid Office (DeFAO) which facilitates and guides the students to source available funding options and has helped to improve the fees debtors.

Committee Observations

249. The Committee observes that the institution had now developed a debt policy, and that most of the outstanding debt was accrued before the policy was adopted.

Committee Recommendation

250. The Committee recommends that the institution henceforth enforces its free debt policy and that the Auditor General confirms its status in the next audit.

7. Long outstanding payables

251. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation on the same.

3.5.3 Audited Financial Statements for Financial Year 2020/21

1. Long outstanding student debtors

252. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation on the same.

2. Long outstanding trade and other payables from exchange transactions

253. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation on the same.

3. Material uncertainty to going concern

254. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation on the same.

4. Delayed completion and cost escalation on construction of an academic block

255. The Committee observes that the matter was recurring from previous financial years, and reiterates its recommendations above, under the same subject matter.

5. Failure to deduct and remit income tax (PAYE)

256. The statement of financial performance reflects employees' costs of Kshs.1,088,321,062 as disclosed in Note 17 to the financial statements. Included in this amount is Kshs.13,471,294 paid as student stipend to twenty-nine (29) students at a rate of Kshs.25,000 each per month. However, Pay As You Earn (PAYE) was not deducted and remitted to Kenya Revenue Authority, contrary to Section 37(1) of Income Tax Act Cap 470, which provides 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'.

Management Response

257. The University management when developing the graduate assistantship policy, borrowed heavily the practice in the Public Service Commission. The rates for stipend are determined and communicated through circulars issued by the Commission from time to time. The initial communication on stipend in 2019 when the programme started, indicated stipend at Kshs. 25,000 per month, this was therefore not clear if the amount included taxes.
258. The period under the review, the interns under the public service internship programme were tax exempted to cushion them against the effect of Corona virus. Upon further enquiry from PSC, we are informed the interns are paying the taxes within the relevant tax bracket. This had since been rectified and the interns are now paying the tax.

Committee Observations

259. The Committee observed that the Accounting Officer had owned up to the irregularity and regularized the same in subsequent payments.

Committee Recommendation

260. The Committee recommends that the Accounting Officer institutes measures to recover the tax foregone within three months of adoption of this report by the House, failure to which he be personally surcharged, subject to Article 226(5) of the Constitution.

6. Failure to adhere to a third rule on basic salary

261. The Committee observes that the matter was recurring from previous financial years, and reiterates its recommendations above, under the same subject matter.

7. Lack of diversity in staff ethnic composition

262. The Committee observes that the matter was recurring from previous financial years, and reiterates its recommendations above, under the same subject matter.

8. Delayed filling of acting positions

263. The Committee observes that the matter was recurring from previous financial years, and reiterates its recommendations above, under the same subject matter.

3.6 KARATINA UNIVERSITY

264. Prof. Muchai Muchiri, Vice-chancellor and Accounting Officer, accompanied by;
- i) Dr. Grace Kakiya - Ag Finance Officer
 - ii) Dr. Humphrey Omondi - Registrar - Administration
- appeared before the Committee and adduced evidence on the audited accounts of Karatina University, on 19th April 2023.

3.6.1 Audited Financial Statements for Financial Year 2018/19

1. Irregular Expenditure on Telephone Allowance

265. Included in employment expenses of Kshs. 708,469,791 is an expenditure of Kshs 602,472 relating to telephone allowance arrears paid to a senior management officer for the period between August 2011 and July 2013. According to the University's policy governing benefits to senior management team, telephone benefit is a reimbursable expense and not a remunerative allowance.

Management Response

266. The terms and conditions of service for Senior Managements staff (2011) were applicable when DVC (P, F&A) was serving as a Deputy Principal (P, F&A) covering the period August 2011 to July 2013. The clause on telephone allowance provided for monthly limit of telephone expenditure i.e. up to Kshs. 30,000 reimbursable. The University during that period provided for air-time scratch cards to Deputy Principals at Kshs. 5,000 per month to cater for this expenditure and telephone allowances were not in the pay slips as per attached communication (Appendix 2018-19 1a). The expenditure was requested in 2018/19 FY as per attached document (Appendix 2018-19 1b). That's the reason for its recognition in the books of accounts. The amounts were paid back by the Senior Management staff vide receipt nos REC 20553 - REC 20553 on 7th July 2020.

Committee Observations

267. The Committee observes that the matter had been settled as the auditors had confirmed recovery of the monies on 7th July 2020.

Committee Recommendation

268. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations to the Auditor General on time.

2. Non-compliance with ethnic diversity

269. During the financial year ended 30th June 2019, the University had a total staff of 411 out of which 259 (or 63%) were from one dominant ethnic community contrary to the requirement of Section 7(2) of the National Cohesion and Integration Act 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

Management Response

270. Indeed, the dominant community constitutes a greater percentage of the University staff due to its location. However, the University will strive to enhance its ethnic balance in future recruitments by advertising all vacant positions in local newspapers with a national reach and posting the same in the University Website <https://www.karu.ac.ke>. In the adverts, candidates from marginalized areas will be encouraged to apply; and by replacing staff who exit with staff from outside the dominant tribe, whenever possible.

Committee Observations

271. The Committee observes that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.
272. This phenomenon is replicated in several other universities as observed in the general observations and recommendations chapter of this report

Committee Recommendation

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

3. Loss due to breach of bond agreement

274. Available records indicate that an assistant lecturer was sponsored by the University in 2014 to pursue a PhD in Veterinary Medicine at Yangzhou University in China for three (3) years and ten (10) months with effect from 1st September, 2014 to 31 July, 2018. The course and financial support were approved by the University at cost of Kshs. 5,662,798 on condition that the lecturer be bonded to the service of the University for a period equivalent to the duration of the course (3 years, 10 month) on completion of the course in line with the Government policy on sponsored trainings. The bond terms stipulated that he shall pay back the total amount incurred on him should he abscond.

275. Examination of personal file and other records revealed that the lecturer returned from study leave and took up a position at Kilifi County Government, despite being bonded for service at the University after completion of studies. As a result of the lecturer absconding duty, the University is at risk of losing Kshs. 5,662,798 being bonded principal sum.
276. Although, the University management demanded for payment from the former lecturer on 20 August, 2019, the amount remains outstanding as at the time of the audit in September, 2019.

Management Response

277. Mr. Fredrick Baraka Kaingu was to return to the University by 1st August 2018. However, he was asked to explain why he had not reported back to the University as expected. In his explanation, he indicated that he had been offered a Job by the County Government of Kilifi and he applied for leave of absence. The matter was deliberated by the University Management Board on 18th September 2018. The University Management Board declined to approve the leave of absence and hence instructed him to pay the bond amount. He committed to make payment of the amount vide a letter dated 8th January 2019. No payments have been made so far. However, the University's legal officer wrote to him and guarantors giving an ultimatum for the payments to be made. The County secretary of Kilifi County has also been informed of the case. The University notified and cautioned the guarantors on the bonded sum plus interest. The former member of staff paid the University Kshs 1.5 million in two tranches of Kshs 500,000 on 18/2/20 and Kshs 1M on 24/3/21. The balance remaining of Kshs 4,162,798 was recognized as a receivable in financial statements for FY 2021/22.

Committee Observations

278. The Committee observes that the individual was in breach of his bond terms and absconded duty to take up a different role in the county of Kilifi. He had since paid Kshs. 1.5 million after contact from the University with a Kshs. 4,160,000 still owing.
279. Mr. Kaingu appeared before the Committee on 3rd May 2023 and submitted that a circular from the Public Service Commission dated 22nd May 2019 had exempt him from the bond. The Committee observed that that was not the case and he was bound by the bond terms.

Committee Recommendation

280. The Committee recommends that the said Mr. Fredrick Baraka Kaingu gets into an irrevocable arrangement with the university on how to clear the balance of the funds, under the terms of the bond, within one month of adoption of this report by the House.
281. Failure to this, the Committee recommends that the university takes legal action against the said Mr. Kaingu, and he be barred from holding any public office for life.

3.6.2 Audited Financial Statements for Financial Year 2019/20

1. Recoverability of student debts

282. The statement of financial position reflects a balance of Kshs.101,719,916 under receivables from exchange transactions which, as disclosed in Note 18 to the financial statements, includes an amount of Kshs.100,353,678 in respect of student balances. The

latter balance includes an amount of Kshs. 7,022,425 in respect of discontinued and students who had dropped out of their studies and a further amount of Ksh.25,749,716 in relation to dormant student account balances. Recoverability of these debts is doubtful. Further, the provision made of Kshs.2,007,074 for all the student debts appears to be inadequate to cover the potential irrecoverable amounts.

Management Response

283. The University reported students' balances of Kshs. 98,346,604 net of provision for bad and doubtful debts of Kshs. 2,007,074 as at 30th June 2020. The identified amounts of Kshs 7,022,425 and Kshs 25,749,716 relates to discontinued students on financial grounds and dormant accounts respectively. This is because of student data clean up exercise where the University flagged the students' status as discontinued on financial grounds, dropped out and dormant accounts so as to enhance fee payment and disengage further provision of services (teaching) to students who had not settled amounts due.
284. To address the recoverability of long outstanding debts, the University made an assessment and provided for bad and doubtful debts at a rate of 2% of its student debtors in the accounting policies used to prepare the financial statements. Provision for bad and doubtful debts is under significant judgments and sources of estimation uncertainty. The percentage applied is based on institutional judgment of its operations. This was considered adequate in the approved University's accounting policies. The provision of 2% is applied every year to the financial statements by recognizing it as an expense thus affecting the revenue reserves and reporting on net balances in the statement of financial position.
285. However, the audit concern that the provision is not adequate will be considered subsequently and necessary approvals sought for the same. The University has progressively recovered students' debts from Kshs 100.35M in FY 2019/20 to net student balances of Kshs 92.54M in the FY 2020/21 and Kshs 90.66M as at 30th June 2021/22.

Committee Observations

286. The Committee observes that some of the debts were long outstanding and recoverability was doubtful. Further, the provision of 2% was an inadequate provision. The university did not submit evidence of a fee debt policy to guide its debt management.

Committee Recommendation

287. The Committee recommends that the university seeks approval for write-off of long outstanding debts within one month of adoption of this report by the House. Further, the university should adjust its provision for bad debts in the next financial year statements, and avail a fee debt policy within six months of adoption of this report.

4. Inaccurate classification of students' debtor

288. As disclosed in Note 3.3 to the financial statements on financial risk management, the University has classified the credit risks on the student balances into three categories of fully performing, past due and impaired. Out of the total student balance receivables of 100,353,678, an amount of Kshs. 67,517,362 was classified as fully performing, Kshs.32,836,316 as past due of and nil amount as impaired receivables. However, some student fees balance in respect of discontinued students and those who had dropped out

of their studies may not be recoverable and are therefore impaired. The classification of student debtors is therefore inaccurate.

Management Response

289. IPSAS 26 defines an “impairment” as a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. An asset is impaired when its carrying amount exceeds its recoverable amount. Student balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at nominal value. Therefore, they cannot be amortized since they do not have active market for determining the discounting rates. Further, the students will be expected to pay full fees upon resumption of studies. Therefore, there is no impact of discounting future contractual cash flows. Based on the above explanation, impairment of student balances is not applicable to the University. The students who are past the duration of study are considered as past due and not impaired.

Committee Observations

290. The Committee observes that the matter had since been resolved to the satisfaction of auditors as the students who are past the duration of study were considered as past due and not impaired.

Committee Recommendation

291. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations to the Auditor General on time.

5. Receivable amount due to breach of bond amount

292. The Committee observes that the matter had recurred from the previous financial year. The Committee reiterates its recommendation on the same.

6. Part time lecturers outstanding dues

293. As disclosed in Note 3.2 to the financial statements on significant judgments and sources of estimation uncertainty, the University has an estimated contingent liability on part time teaching claims of Kshs.42,100,485. Management has indicated that liability accrued and relate to the financial years 2016/2017 to 2019/2020 as detailed below:

Academic Year	Amount (Kshs.)
2016/2017	8,031,985
2017/2018	8,065,800
2018/2019	3,942,700
2019/2020	22,060,000
Total	42,100,485

294. However, details of the nature of the contingent liability, indication of the uncertainties relating to the amount of timing of any outflow and the possibility of any reimbursement have not been disclosed.

Management Response

295. As per the requirement of Paragraph 100 of IPSAS 19, the University has disclosed the following in relation to accrued part-time lecturers' dues of Kshs 42,100,485.71;

i) Brief description of the nature of contingent liability

296. Page 18 of the financial statements has provided the brief description of the nature of contingent liability in respect to part-time teaching claims of Kshs 42M.

ii) Indication of uncertainty relating to the amount or timing of any outflow

297. The Kshs 42 M is recognized as a contingent liability. Lecturers are expected to teach and claim for the amounts after submission of examination results. The University usually provides for lecturers to teach courses at the beginning of a given semester. However, taking off of some courses is dependent on whether the course is selected by the student (e.g. elective course) and there is adequate quorum for that class. Consequently, as much as the University had provided lecturers, the obligation cannot be reliably measured without provision of evidence that the class was taught, examination marks have been submitted and the lecturer has lodged a claim for the amounts due. Claims have not been submitted for amounts disclosed as contingent liability. Therefore, there is no certainty to the timing of the outflow.

iii) The possibility any reimbursement

298. This accounting treatment meets the recognition criteria set out in IPSAS 19 clause 18 a and b which provides that;

“A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or (b) A present obligation that arises from past events but is not recognized because: (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) The amount of the obligation cannot be measured with sufficient reliability.”

299. The disclosed amount of contingent liability will be paid out or recognized as payables only when the evidence of teaching has been provided and a claim is made by the part-time lecturers. Therefore, reimbursement is possible when a claim is presented and evidence of teaching and exam administration is provided.

iv) Circumstances affecting each claim

300. The contingent liability is based on the intentions to offer the said courses. The circumstances affecting the contingent liability is that there are no claims that have been presented to the University as at 30th June 2020. If the University had the claims, then they would be treated as payables.

Committee Observations

301. The Committee observes that despite the university acknowledging the debts from service already provided, they sat back and waited for the lecturers to claim their dues. This invariably led to accruing debts in the institution's books and had the effect of demotivating lecturers who had already provided the service and were yet to be paid.

Committee Recommendation

302. The Committee recommends that the university pro-actively settles the outstanding dues owed to lecturers by ascertaining that service was provided, with supportive documentation, within six months of adoption of this report. Further, the Committee recommends that the institution develops systems and policies towards seamless and prompt payment to lecturers for services provided, within three months of adoption of this report.

7. Authenticity of amount payable

303. The Committee observes that the matter was related to the above and reiterates its recommendations on the same.

8. Trade and other payable

304. Excluded from trade and other payables balance of Kshs.88,262,942 is rent totalling Kshs.1,616,914 payable to the National Social Security Fund (NSSF) in respect of closed Nairobi Liaison Office at View Park Towers comprising of Kshs.1,212,686 rent for October to December, 2019 and Kshs.404,228 rent for January, 2020. Although University records indicated that the rent accrued on request for extension of tenancy period before closure of the Nairobi Liaison Office, no provision was made to recognize the accrued rent for the year under review.
305. Consequently, the accuracy and completeness of trade and other payables of Kshs.88,262,942 as at 30 June, 2020 could not be confirmed.

Management Response

306. In the year ending 30th June 2020 financial statements the University reported trade and other payables totalling of Kshs. 88,262,942. In addition, the University has disclosed Kshs. 1,616,914 as a contingent liability which is rent payable for the month of October 2019 to January 2020 in respect to Nairobi liaison office. The amount payable has not been included in creditors as at 30th June 2020 because the discussions for Nairobi liaison office were not yet complete and the University was not in receipt of the invoice for the same. The invoice was received in FY 2020/21 and paid in March 2021.

Committee Observations

307. The Committee observes that the matter had been settled as auditors were satisfied with the explanation.

Committee Recommendation

308. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations on time.

9. Non-compliance with the university's fees payment policy

309. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

10. Non-compliance with ethnic diversity

310. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation on the same.

11. Unrecovered rent deposit

311. The statement of financial position reflects a balance of Kshs.5,526,141 under prepayments which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.2,902,774 in respect of rent deposit for Nairobi Liaison Office at View Park Towers. The tenancy with the premise owner was terminated and the University vacated the premises on 31 January, 2020. However, the rent deposit had not been paid back to the University as at 30 June, 2020.

Management Response

312. The University had rented Nairobi liaison office from NSSF and the terms required the University to pay a deposit of Kshs. 2,902,774. The University vacated the liaison office on 31st January 2020. Indeed, rent deposit had not been recovered as at 30th June 2020. This is because the University was to make good the premises by painting the walls and cleaning up the space at an approximated cost of Kshs 20,000 before the rent deposit was released. In addition, there are discussions between the University and NSSF which were not yet complete by the time of the audit to establish the amount payable before the deposit is released. This could not be achieved due to COVID -19 restrictions. The damages to the property were made good. The University has made efforts to recover the amounts by writing to NSSF. NSSF has committed to pay the amounts and the University will continue to pursue recovery of the rent deposit.

Committee Observations

313. The Committee observes that the matter had taken inordinately long to conclude.

Committee Recommendation

314. The Committee recommends that the Accounting officer recovers the university's deposit within three months of adoption of this report by the House.

12. Delay in inspection and receipt of reader machine

315. During the year under review, the University procured an Elisa reader machine at a cost of Kshs.1,380,000. The machine was delivered on 10 June, 2019 while the inspection and acceptance report for the machine was prepared on 7 October, 2019. This is contrary to Section 48(3) of the Public Procurement and asset Disposal Act, 2015 requires that the Inspection and Acceptance Committee to inspect and where necessary test the goods and accept or reject immediately after delivery of the goods, works or services.
316. Further, the request by the University to the supplier to calibrate, train and commission the machine was made on 14 June, 2019 four (4) days after delivery. The requirement to calibrate and commission should have been documented in the Local Purchase Order, quotations and other procurement records as one of the terms and conditions for supply to avoid delays. Failure to adhere to the procurement procedures may lead to receipt of substandard goods and loss of public funds.

Management Response

317. The Elisa reader machine was delivered but it had not been calibrated and commissioned. Therefore, it could not be inspected when it had not been calibrated and commissioned. The University wrote to the supplier requesting them to calibrate, commission and train members of staff -Appendix 2019-20 6a. The supplier took four (4) months to be available despite several follow ups both by procurement and NRF team. The machine was inspected after the calibration and commissioning. Thereafter, the manufacturer's warranty issued. There was no procurement procedure breached because the Procurement department communicated to the supplier when they noticed the machine had not been calibrated. Further, there was no potential risk of loss of funds because the machine was to be commissioned at the University and inspected before payment was done.

Committee Observations

318. The Committee observes that the matter had been settled as auditors were satisfied with the explanation that inspection had subsequently been done.

Committee Recommendation

319. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations to the Auditor General on time.

13. Delay in appointment of the University Council

320. Attention is drawn to the unsigned Council Chairman's report on page x of the financial statements which indicate that the University Council tenure lapsed in March, 2020. According to the Gazette Notice. 2336 dated 14 March, 2017, the former Council Members were appointed for a period of 3 years with effect 10 March, 2017 to 9 March, 2020. However, and although Section 36 (1) of University Council, the Cabinet Secretary delayed in appointing the Council Members who were later appointed on 4 November, 2020 about 8 months after the lapse of the former University Council term. As a result of the delay, the statement of financial position as at 30 June, 2020 and the Council Chairman's report, statement of council member's responsibilities, statement of financial performance for the year under review were not signed by Council Chairman. Further, in the absence of University Council, its functions such as; managing the assets of the University, general oversight, finance, determining the provisions to be made for capital and recurrent expenditure and for reserves of the University, receive any grants, donations or endowments on behalf of the University and embellishing and reviewing the University's strategies and goals or approving collaboration or linkages with other bodies or organizations within or outside Kenya among others may have been adversely affected.

Management Response

321. The term of service of Karatina University's Council had lapsed on 9th March 2020. Therefore, at the end of 2019/2020 FY the University did not have a Council Chairman to sign the Council Chairman's report, Statement of Council Members responsibilities and Statement of financial performance and Statement of financial position. The current council was appointed in November 2020. Council members were appointed on 4th November 2020 and the Chairman of Council appointed on 5th February 2021.

Committee Observations

322. The Committee observes that the matter had been settled as council members were appointed on 4th November 2020 and the Chairman appointed on 5th February 2021.

Committee Recommendation

323. The Committee recommends that the Accounting Officer in future prompts the appointing authority to appoint new council members at least three months before expiry of terms of council members, and that the latter makes appointments before expiry of the term of the outgoing council.

3.6.3 Audited Financial Statements for Financial Year 2020/21

1. Recoverability of students' debts

324. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

2. Contingent assets

325. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

3. Long outstanding part time lecturers' dues

326. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

4. Contingent liability

327. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

5. Unrecovered rent deposit

328. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation.

6. Non-compliance with ethnic diversity

329. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation.

3.7 KIRINYAGA UNIVERSITY

330. Prof. Mary Wambui Ndung'u, Vice-chancellor and Accounting Officer, accompanied by the Chief Finance Officer, Mr. Peter Kagiha, appeared before the Committee to adduce evidence on the audited accounts of Kirinyaga University, on 19th April 2023.

3.7.1 Audited Financial Statements for Financial Year 2018/19

1. Budget control and performance

331. The statement of comparison of budget and actual amounts for the year under review reflects a revenue budget of Kshs. 469,777,933 and actual revenue of Kshs. 500,891,095 resulting to a net surplus of Kshs 31,113,162. Comprising of Kshs 38,258,234 in (4) items and a revenue shortfall of Kshs. 7,145,072 in one (1) item. The revenue surplus may be an indication of inaccurate revenue budget planning process. Further, the statement of comparison of budget and actual amounts reflects an expenditure budget of Ksh. 424,181,451 and an actual expenditure of Kshs. 488,696,169 resulting to a net over-expenditure of Kshs. 64,514,718. The University therefore, overspent its budget without approval contrary to Regulation 44(1) of the Public Finance Management (National Government) Regulation, 2015.
332. In addition, the University budget was unbalanced as it comprised a total revenue budget of Kshs. 469,777,933 and a total expenditure budget of Kshs. 424,181,451 resulting to a difference of Kshs. 45,596,482 in respect to budgeted revenue without a corresponding budget expenditure contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulation, 2015 which state that the budget shall be balanced.

Management Response

333. For the revenue analysis, the positive variance was occasioned by the fact that the University was allocated Kes 35,585,730.00 under the Supplementary II of Budget 2018/2019 FY. This amount was not budgeted for at the planning period. We have attached a letter from Ministry of Education informing the University about Supplementary II allocation.
334. As for over-expenditure, during the financial year 2018/2019, Kirinyaga University submitted a budget of Kes 736,956,000 and 1,085,667,000 for recurrent and capital, respectively. Included in this budget was Kes 556, 486,000 for the personnel cost. Upon approval of the said budget, this figure was reduced to Kes 284,738,322 at allocation by MoE, resulting to a deficit of Kes 271,747,678. The actual amount spent for salaries was Kes 384,564,315. Therefore, the adjustment occasioned an over expenditure of Kes 101,310,554 as reported in the auditor's findings. This over expenditure on personnel costs was beyond the university's control since the initial budget could have catered for the actual expenditure incurred.

Committee Observations

335. The Committee observes that the financials were rationalized in the subsequent financial year.

Committee Recommendation

336. The Committee recommends that the Accounting Officer henceforth complies with the law and promptly submits revised budgets to Treasury for approval.

2. Unapproved bank accounts

337. Note 23 to the financial statements reflect a balance of 21,348,827 in respect to cash and bank balances as at 30 June 2019 comprising of Kshs 16,561 and 21,332,266 in respect to cash balances in seven (7) accounts held in commercial banks. However, no authority from the National Treasury to operate the Seven (7) accounts in commercial banks was availed for audit review contrary to section 2(1) of the Public Finance Management Act, 2012.
338. In the circumstances, the University was in breach of the law.

Management Response

339. At the time of audit Kirinyaga University operated seven (7) bank accounts during the year under review, three (3) of which were in Kenya Commercial Bank, one (1) in Equity Bank and three (3) in Cooperative Bank. It is important to note that these bank accounts were inherited from the former Kirinyaga Technical Institute (KTI) form which the University was borne. However, the Vice Chancellor wrote to the Cabinet Secretary, National Treasury and Economic Planning on 22nd June, 2017, declaring that the University operates the said seven accounts. It is the management comment that this issue is beyond our control since approval should come from the National Treasury & Planning. We have attached the said letter for auditor's verification.

Committee Observations

340. The Committee observes that despite the accounts transiting from the previous college, and the institution communicating its existing accounts to Treasury vide letter dated 22nd June 2017, the Accounting Officer ought to have sought express Treasury approval to operate bank accounts when the university was established as per section 2(1) of the PFM Act 2012 and section 13 of the Public Audit Act.

Committee Recommendation

341. The Committee recommends that the Accounting Officer liaises with the National Treasury to regularize the same within one month of adoption of this report by the House.

3. Human resource management

342. An analysis of the ethnic composition of employees of Kirinyaga University revealed that out of the total two hundred and thirty(230) employee, one hundred and seventy-eight (178) or (77%) of the entire workforce was from (1) ethnic community in the county, contrary to section 7(2) of the National Cohesion and Integration Act,2008.
343. In the circumstances, the University was in breach of the law.

Management Response

344. This is as a result of the following facts;

- That out of the current two hundred and thirty (230) staff, forty-seven (47) from Kikuyu community were transited from the former Kirinyaga Technical Institute to Kirinyaga University.
- That the University has been making efforts to have ethnic balance by advertising for vacancies in the newspapers of national circulation and also on the website. Unfortunately, majority of people who apply and qualify are from Kikuyu community. This could be informed by the location of the University.
- That lower cadre jobs in units devolved to county levels, including Universities attract local communities in the said devolved unit/services.
- That for Universities, the scenario above means that most staff members in grade 2 to 8 can mostly come from the local community.
- That Kirinyaga University being in Kikuyu dominant region, there is high possibility that staff members in these grades (2 to 8) will be Kikuyus.

345. As a way forward, the management will continue to advertise for jobs in the newspapers with a view to attracting all Kenyans, while considering for appointment those candidates who apply and qualify and are from other non-Kikuyu ethnic communities.

Committee Observations

346. The Committee observes that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act and ensure fair and diverse representation of the people of Kenya in staffing.
347. This phenomenon is replicated in several other universities as observed in the general observations and recommendations chapter of this report

Committee Recommendation

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

3.7.2 Audited Financial Statements for Financial Year 2019/20

1. Budget control and performance; unbalanced budget

349. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation on the same.

2. Unapproved Appropriation-in-Aid

350. The Committee observes that the matter was recurring from the previous financial year, and reiterates its recommendation.

3. Project time variation

351. The statement of financial position reflects a balance of Kshs. 1,636,801,721 under property, plant and equipment, which, as disclosed in Note 22 to the financial statements, includes an amount of Kshs. 132,983,258 in respect of additions for the year under review. The latter balance includes an amount of Kshs. 129,778, 174 relating to work in progress. However, field verification of the projects on 16 September 2020 revealed the following:

i. Lecture Theatre

352. The tender for construction of a lecture theatre was awarded at a contract price of Kshs. 149,226,532 and contract period of 52 weeks commencing on 29 May, 2017, with an expected completion date of 28 May, 2018. However, the contract price was later revised by Kshs. 29,745,345 to Kshs. 178,971,877 (19.9%) and the expected completion period revised five (5) times as follows;

Contract Period	No. of Weeks	Expected Date	Completion
Original Contract Period	52	28/05/2018	
1 st Revision	8	28/07/2018	
2 nd Revision	18	28/11/2018	
3 rd Revision	20	16/04/2019	
4 th Revision	52	17/04/2020	
5 th Revision	52	23/04/2021	
Current Contract Period	202		

353. The 202 weeks exceed the original contract period of 52 weeks by 150 weeks. Physical verification on 16 September, 2020 revealed that the project was ongoing and was at 47.6% completion according to a progress report dated 26 August, 2020 signed by the University Estates Manager.

ii. Tuition Complex

354. The tender for construction of a Tuition Complex was awarded at a contract price of Kshs. 309,997, 181 for a contract period of 78 weeks commencing 14 March, 2017 with an expected completion date of 28 September, 2019. The expected completion period was however revised four (4) times as follows;

Contract Period	No. of Weeks	Expected Completion Date
Original Contract Period	78	28/09/2019
1 st Revision	14	31/12/2019
2 nd Revision	18	30/04/2020
3 rd Revision	17	28/08/2020
4 th Revision	18	31/12/2020
Current Contract Period	145	

355. The 145 weeks exceeded the original contract period of 78 weeks by 67 weeks. The total payments as at 30 June, 2020 was Kshs. 216,102,230 which is 70% of the contract price. Physical verification on 16 September, 2020 revealed that the project was ongoing and was at 80% completion according to a progress report dated 8 January, 2020 signed by the University's Clerk of Works.
356. However, approval of the extension period for the two projects was not granted by the University's Tender Awarding Committee contrary to Section 139 (1)(a) of the Public Procurement and Assets Disposal Act, 2015 which stipulates that an amendment or a variation to a contract resulting from a procurement proceeding is effective only if the variation or amendment has been approved in writing by the respective tender awarding authority within a procuring entity.
357. Under the circumstances, the University risks incurring additional costs due to inflation and may not get value for money on the two projects as the facilities have not been put in use as planned. The University was also in breach of the law.

Management Response

358. As indicated in the report, the expected completion period for these two projects was revised from the original contract period of 52 weeks and 78 weeks respectively, to 202 weeks and 145 weeks. This has been occasioned by the following reasons;
- During the financial year 2017/2018, the University received a circular from the National Treasury guiding that because of repeat Presidential elections, insecurity and drought response measures, the cabinet had approved austerity measures in both recurrent and development budgets. As a result of this, the University experienced non-remittance of development funds. This resulted to stalling of these projects from November, 2017 to December, 2018.
 - During the financial year 2019/2020, long rains in the month of October of 2019 extended to December 2019. This again delayed the projects works since the contractors were undertaking external works in this period.
 - During the financial year 2019/2020, there was an outbreak of Covid-19 pandemic in the month of March, 2020, whence the Presidential directive on containment measures including cessation of movement and that people should work from home, adversely affected construction works. However, since the relaxation of the cessation of movement, the projects are now complete and handed over to the University. See completion certificates and handing over minutes.
359. It is the management comment that these issues were beyond its control.

Committee Observations

360. The Committee observes that the matter had since been addressed as the project was now complete.

Committee Recommendation

361. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations to the Auditor General on time.

4. Unapproved bank accounts

362. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

5. Irregular payment of Council's sitting allowances

363. The statement of financial performance reflects an expenditure of Kshs. 4,631,687 under remuneration of Council which, as disclosed in Note 14 to the financial statements, includes an amount of Kshs. 1,600,000 in respect to sitting allowances paid to the University Council Members. The allowances were paid using the rates set by the guidelines on terms and conditions of service for State Corporations, Chief Executive Officers, Chairmen and Board Members, management staff and union sable staff issued by Office of the President on 23 November, 2004 instead of rates determined by the Salaries and Remuneration Commission vide circular ref RC/ADM/CIR/1/13(122) of 16 April, 2014 resulting to an overpayment of Kshs. 823,000

Number of days per Board Member	Rates per OP Guidelines (Kshs)	Total Paid (Kshs.)	SRC Rates (Kshs.)	Amount Payable (Kshs.)	Variance (Kshs.)
17	20,000	340,000	15,000	255,000	85,000
12	20,000	240,000	10,000	120,000	120,000
10	20,000	200,000	10,000	100,000	100,000
10	20,000	200,000	10,000	100,000	100,000
1	20,000	20,000	10,000	10,000	10,000
3	20,000	60,000	4,000	12,000	48,000
7	20,000	140,000	4,000	28,000	112,000
10	20,000	200,000	10,000	100,000	100,000
8	20,000	160,000	4,000	32,000	128,000
2	20,000	40,000	10,000	20,000	20,000
Total		1,600,000		777,000	823,000

364. Under the circumstances, the University Management was in breach of the Salaries and Remunerations Circular and the propriety of the expenditure of Kshs. 823,000 incurred on sitting allowances could not be confirmed.

Management Response

365. As indicated in the report, note 14 to the financial statements reflects Kshs 4,631,687 in respect to remuneration of University Council during the year ended 30 June, 2020.
366. Included in this amount was Kshs 1,600,000 in respect to sitting allowances paid to the University Council members. It is the management response that these allowances were paid using the rates determined by the SRC guidelines through the circular dated 11th December 2017.

Committee Observations

367. The Committee observed that the matter had since been addressed as the management had evidenced documentation showing guidelines on terms and conditions of service of various cadres of state corporations issued by Office of the President on 23rd November 2004 and SRC circular ref. SRC/ADM/CIR/1/13(122) of 16th April 2014.

Committee Recommendation

368. Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

6. Employee costs; non-compliance to the third rule

369. The Review of the payroll for the month of December, 2019 revealed that ten (10) employees of the University earned net salaries less than a third of their respective basic salaries. This is contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

370. Consequently, the University Management was in breach of the law.

Management Response

371. Ten (10) employees earned net salaries less than a third of their basic salary in the month of December 2019. This was occasioned by the fact that according to Kirinyaga University Terms of Service, the University pays Kshs 13,000 (Thirteen thousand only) for members of staff who use their vehicles to travel to work as commuter allowance. Members of staff who use other means of transport are paid Kshs 7,500 (Seven thousand five hundred only). Some staff members did not qualify for Kshs 13,000.00 in the month of December, 2019 and had assumed that the allowance will be paid at Kshs 13,000.00. Upon noting this, the management was able to put in place a strategy of considering regular Commuter allowance of Kshs 7,500 for all members of staff, when the respective staffs are applying for loans. It is the management comment that this error has since been rectified.

Committee Observations

372. The Committee observes that the matter had since been addressed as all staff had complied to the one third rule in subsequent years.

Committee Recommendation

373. The Committee recommends that the Accounting Officer henceforth complies with the law as regards the threshold of employee take home as emoluments.

7. Lack of regional balancing in employment

374. The Committee observes that the matter had recurred from the previous financial year and reiterates its recommendations under the same matter.

3.7.3 Audited Financial Statements for Financial Year 2020/21

1. Unapproved excess revenue of expenditure

375. The statement of comparison of budget and actual amounts for the year under review reflects an approved revenue budget of Kshs.602,409,000 and actual revenue of Kshs.642, 158,779, resulting to a revenue surplus of Kshs.39,749,779. Similarly, the statement reflects an expenditure budget of Kshs.602,410,000 and an actual expenditure of Kshs.609,433, 193 resulting to an unapproved over-expenditure of Kshs.7,023, 193.
376. Additionally, the statement of comparison of budget and actual amounts reflects a total capital budget amount of Kshs.91,326, 111 and the actual total capital expenditure of Kshs.203,784,279 resulting to an unapproved capital expenditure of Kshs.112,458, 168. The University overspent its budget without approval contrary to Section 44(2) of the Public Finance Management (National Government) Regulations, 2015 which states that National Government entities shall execute the approved budget based on the annual appropriation legislation, and approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through Contingencies Fund, or supplementary estimates.
377. In the circumstances, Management was in breach of the law.

Management Response

378. The revenue variance of Kshs 39,749,779 represents 6% which is within the allowed limits of + or – 10%. This positive variance was as a result of placement of more students by Kenya University and Colleges Placement service.
379. This expenditure variance of Kshs 7,023,193 represents 1% which is within the allowed limits of + or – 10%.
380. Capital Expenditure budget allocated for the financial years 2019/2020 and 2020/2021 were Kshs 150,361,576 and 91,326,111 respectively. Payments were done upon receiving interim payment certificates from the project manager.

Committee Observations

381. The Committee observes that the matter had since been addressed satisfactorily.

Committee Recommendation

382. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

2. Delayed Project Implementation for Lecture theatre and Tuition Complex

383. The Committee observes that the matter had recurred from the previous financial year and reiterates its recommendations on the same matter.

3. Lack of insurance cover for books

384. Note 31 to the financial statements reflects Kshs.25,990,386 in respect of library books. However, the University did not have an insurance cover for its stock of library books, contrary to Paragraph 5.8 of the University's Financial Manual under Insurance for Fixed Assets which states that the University shall take steps to ensure that as far as is practicable, insurable risks on Kirinyaga University's fixed assets are covered by adequate insurance policies. Thus, the University was not in compliance of its own financial guidelines.
385. As a result, Kirinyaga University is exposed to loss without compensation in case of loss of books through fire, theft or any other natural calamity.

Management Response

386. Indeed, the University did not have an insurance cover for the library books. The University insured the library books as guided by the auditors.

Committee Observations

387. The Committee observes that the matter had since been addressed as the university had since insured the books.

Committee Recommendation

388. The Committee recommends that the Accounting Officer henceforth complies with the university's financial manual under insurance for assets.

4. Unapproved bank accounts

389. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

5. Employee costs; non-compliance to the third rule

390. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

6. Ethnic diversity compliance

391. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

7. Fiscal responsibility principles on compensation of employees

392. As disclosed in Note 13 to the financial statements, the statement of financial performance reflects employee costs of Kshs.444, 106,453. The employee costs accounts for seventy-three percent (73%) and sixty-nine percent (69%) of the total expenses and total revenue of Kshs.609,433, 193 and Kshs.642, 158,779 respectively contrary to Section 26(a) of Public Finance Management (National Government) Regulations, 2015 on fiscal responsibility principles, which provides that, expenditure on the compensation to employees shall not exceed thirty-five (35%) percent of the total revenue.
393. Further, the University may not be able to meet other essential services since employee cost exceeds the required thresholds as a greater percentage of its income is spent on staff costs.
394. In the circumstances, Management was in breach of the law.

Management Response

395. Kirinyaga University being a young University spends much of her resources in recruitment which may not be the case in older Universities after the payroll has stabilized. The University being a teaching and learning institution, it is deemed to be a service-oriented entity where big percentage of the expenses will go to the salaries. The management will continue appealing to government for more funds to reduce this percentage as recommended by the auditors.

Committee Observations

396. The Committee observes that despite section 26(a) of the PFM (National Government) Regulations 2015 providing for expenditure on compensation of employees to not exceed 35% of total revenue, universities are predominantly service oriented through teaching and research, which invariably attracts compensation.

Committee Recommendation

397. The Committee recommends that the Cabinet Secretary National Treasury amends the PFM (National Government) Regulations by considering exempting institutions of higher learning from this requirement, and sets a threshold that reflects the true nature of their operations, within six months of adoption of this report.

8. Enterprise Resource Planning (ERP) system

398. The University has an Enterprise Resource Planning System acquired at a cost of over Kshs.20,000,000 in the year 2013 that has nine (9) modules. However, not all the modules were being utilized as shown below:

- i. The ERP has a Final Report Module but financial reports, including ledgers and cash books were not system generated instead were manually prepared leaving them prone to errors, inaccuracies and possible manipulations.
- ii. Included in the cost of acquiring the ERP is the Students Management Systems Module of Kshs.4,272,644 which was meant to maintain student records from admission to graduation, including student welfare and alumni. However, the module is not in use. Further, the module has additional functions of printing degree certificates, which is a critical function of the university, and this continues to be done using manual processes.
- iii. The Human Resource System module included in the ERP cost valued at Kshs.2,122,555.84 was meant to handle recruitment processes, training planning, disciplinary and staff performance records. However, this was also not in use with these functions being performed through manual procedures.

399. In the circumstances, value for money may not have been realized in the procurement of the ERP as there are inactive modules that were procured, installed and paid for but have to date remained unused as the ERP continues being underutilized.

Management Response

400. The University contracted Appkings solutions Ltd to upgrade the ERP system from Microsoft Dynamic 2013 to Microsoft Dynamic 2017, ensure full utilization of the Management Information System.

Committee Observations

401. The Committee observes that the matter had since been addressed as the university had since fully operationalized all modules.

Committee Recommendation

402. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supportive documentation and explanations on time.

3.8 LAIKIPIA UNIVERSITY

403. Prof. Kibett Rotich, Vice-chancellor and Accounting Officer, accompanied by;
- i) Mr. Geoffrey Langat - Chief Finance Officer
 - ii) Mr. Meshack Oruako - Estates Manager
- Appeared before the Committee and adduced evidence on the audited accounts of Laikipia University, on 19th April 2023.

3.8.1 Audited Financial Statements for Financial Year 2018/19

1. Lack of ownership documents; land

404. As previously reported, property, plants and equipment balance of Kshs.2,030,723,264 as at 30 June, 2019 includes an amount of Kshs.194,835,000 representing the value of eighteen (18) parcels of land measuring a total of 947.9 acres. According to the ownership documents presented for audit verification, sixteen (16) parcels of land are still registered in the name of Egerton University.
405. Further, the University was allocated 5 acres of land by the defunct Municipal Council of Nyahururu, 100 acres by the defunct Town Council of Rumuruti and 600 acres by the defunct County Council of Samburu. However, ownership documents for the three parcels of land have not been obtained. These parcels of land measuring 705 acres and whose values have not been determined have not been included in the financial statements for the year ended 30 June, 2019.

Management Response

406. The University has 16 parcels of land in Nyahururu town which were inherited from Egerton University. The parcels of land were revalued at Kes. 30,588,000 up from Kes. 5,835,000 in 2017/2018 financial year. The 16 parcels of land in the name of Egerton University are undergoing amalgamation to have one title in the name of Laikipia University. Approval of amalgamation by the Ministry of Lands and Physical Planning and a status report from the university lawyer on the Nyahururu plots were obtained.
407. The University was also allocated 5 acres of land by defunct Municipal Council of Nyahururu and issued with an allotment letter. The University does not have title documents to this parcel of land since the plot is in dispute with another third party, court Case no37 of 2012.
408. The University was allocated 100 acres by defunct Town Council of Rumuruti and issued with an allotment letter. The University was granted certificate of lease in the year 2018. The University had now obtained title documents.

409. The University was initially allocated 600 Acres of land by the defunct County Council of Samburu in April 2010 and issued with a letter of allotment in November, 2017 on the same.
410. The allocation was later revised to 296 acres by the County Government of Samburu after the actual surveying and the university obtained the title in 2020.

Committee Observations

411. The Committee observes that management had satisfactorily explained the matter.

Committee Recommendation

412. The Committee recommends that the matter be closed.

2. Receivables from exchange transactions

413. As previously reported, the statement of financial position reflects receivables from exchange transactions balance of Kshs.201,852,859 which is net of provision for bad and doubtful debts amounting to Kshs.22,428,095 as disclosed in Note 22(i) to the financial statements. The provision appeared inadequate since debts amounting to Kshs.143,567,081 relating to uncollected revenue from closed collaborating colleges have remained outstanding for considerable a period of time. No explanation was provided on how the revenue will be collected from the closed campuses.
414. Further, included in the receivables balance is an amount of Kshs.2,251,012 relating to overpaid Pay As You Earn (PAYE) tax owing from Kenya Revenue Authority (KRA) in respect of deductions from lecturers for self-sponsored programme. No documentary evidence has been provided to show acknowledgement of overpayments by the Authority or claims for the amount. In the circumstances, the validity and recoverability of the receivables from exchange transactions of Kshs.201,852,859 as at 30 June, 2019 could be confirmed.

Management Response

415. The University policy is to make a general provision for bad and doubtful debts at 10% on all debts. Based on the current policy, 10% of the gross value of receivables amounting to Kes. 224,280,955 is Kes. 22,428,095.
416. However, there are recoverability challenges on receivables from former collaborating campuses (Eldoret, Nakuru and Embu). The campuses were closed down and reconciliations done.
417. The University is still pursuing the matter to enable clearance of these items from financial statements. The matter is unresolved awaiting clearance with former collaborating campuses.
418. The overpayment of tax was erroneously done twice using the same schedule. The University had been recovering the overpaid tax from lecturers' claims at the time of audit, there was a pending balance of Kes. 1,081,324. The University wrote to KRA for authority to offset the balance and the issue was resolved and the University recovered fully the overpaid tax in October 2021.

Committee Observations

419. The Committee observes that the Accounting Officer had satisfactorily responded to the audit query.

Committee Recommendation

420. The Committee recommends that the Auditor General confirms the status and reports in the subsequent audit.

3. Irregular capitalization of expenses

421. As disclosed under Note 24 to the financial statements, the statement of financial position reflects an amount of Kshs.2,030,723,264 under property, plant and equipment which constitutes a work-in-progress balance of Kshs.1,085,359,594 in respect of various projects of the University. The balance includes an amount of Kshs.16,564,571 which relates to penalties for late payments to contractors' invoices for certified works. The penalties were wrongly capitalized under work-in-progress instead of being captured under recurrent expenditure. This treatment has the effect of overstating surplus and the value of the assets while understating the expenses during the year.
422. In the absence of proper adjustment of the financial statements, the accuracy of the statement of financial performance and the statement of financial position could not be confirmed.

Management Response

423. The Details of penalties on individual projects are as follows:

Tulsi Construction Limited - Contractor Tuition Block,

424. The contractor included the penalties of Kes. 7,673,606.16 in gross valuation of work done under certificate No. 12 against procedure. The contractor's statement for the certificate gave erroneous computation on how they arrived at the penalties which was never agreed upon.
425. There arose conflict between the University and the contractors on the penalties as the University was not the cause of delay as at the time the Government used to reimburse contractors claims.
426. Due to this conflict the only available option was to include the penalties as part of project cost until the issues was resolved during final accounts reconciliations. The contractor was later terminated in April, 2019 due to non-performance. The issue remains unresolved as the contractor is yet to provide final accounts for reconciliation.
427. Equally as per the contract, the Contractor is liable for delayed performance for failing to complete the project on time and abandoning the site.

Buildmore Construction Co. Limited - Contractor, Library and Admin block

428. The contractor included the penalties of Kes. 7,250,964.6 in gross valuation of work done under certificate No. 14 against procedure. The contractor's statement for the certificate gave erroneous computation on how they arrived at the penalties which was never agreed upon. There arose conflict between the University and the contractors on the penalties as the University was not the cause of delay as at the time the Government used to reimburse contractors claims.

429. Due to this conflict the only available option was to include the penalties as part of project cost until the issues was resolved during final accounts reconciliations. The contractor abandoned the site after developing contract fatigue and agreed to handover on as is basis and allowed the client to finalize on the remaining works. The issue remains unresolved as the contractor is yet to provide final accounts for reconciliation.
430. Equally as per the contract, the Contractor is liable for delayed performance for failing to complete the project on time and abandoning the site.

Committee Observations

431. The Committee observes that the Accounting Officer had satisfactorily responded to the audit query.

Committee Recommendation

416. The Committee recommends that the Auditor General auditors confirms the status and reports in the subsequent audit.

4. Material uncertainty in relation to sustainability of service

432. During the year under review, the University's recorded a surplus of Kshs.63,344,683 (2018: Kshs.27,925,241) thereby reducing the accumulated deficit to Kshs.157,878,957 as at 30 June, 2019 (2018: Kshs.224,027,563). Although the University is on a recovery trajectory since 2014/2015 financial year, the current liabilities balance of Kshs.424,738,049 exceeded the current assets of Kshs.319,092,208 resulting to a negative working capital of Kshs.105,645,841. The financial position is an indication of the existence of a material uncertainty which may cast significant doubt on the University's ability to sustain its services and meet its obligations as and when they fall due. The financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive financial support from the Government and creditors.

Management Response

433. The university has been experiencing financial distress as evidenced by the negative working capital of Kes. 105,645,641 in the Statement of Financial Position for the year ended 30th June 2019. The negative working capital has been as a result of insufficient funds and decreasing students' population leading to low income to meet financial obligations.
434. The University management is committed to bridge the gap by increasing students' enrolment to increase revenue base.
435. The University has also established a Resource Mobilization Unit to assist in mobilizing resources to boost income generation in the University. The the University has recorded an improvement by obtaining a surplus of Kes. 8,621,628 in the 2021/2022 FY.

Committee Observations

436. The Committee observes that the institution had gradually reduced the negative working capital and had instituted measures towards the same.

Committee Recommendation

437. The Committee recommends that the institution engages in other sustainability ventures, and submits a business plan towards the same to the Committee within six months of adoption of this report.
438. The Committee further reiterates its recommendation contained in this report's chapter on general observations and recommendations, that the Ministry of Education re-works the formula on capitation provided to universities.

5. Delay in implementation of projects; construction of buildings

439. As reported in the previous year, included in the property, plant and equipment balance of Kshs.2,030,723,264 as at 30 June, 2019 is work-in-progress amounting to Kshs.1,046,763,705 relating to construction of the University's gate, lecture theatre, library, administration block and science laboratory. Physical verification and review of relevant records revealed that projects worth Kshs.304,462,138 had been completed and in use but not yet capitalized due to lack of completion certificates. Further, other projects amounting to Kshs.741,460,567 had taken too long to complete with some spanning over eight years, and the contract period had lapsed. The University attributes the delay to non-performance on the part of the contractors despite substantial payments having been made.
440. Further, examination of records indicates that the contractors were paid excess amounts totalling to Kshs.130,170,434. Although the Management explained that the excess payments were in respect of variations of contracts, consultancy on architecture designs, mechanical & electrical works and other similar technical works which were contained in separate contracts, the assertion was not supported by any documentations. The management has not given evidence of the steps it has taken to complete the projects given that the contracts period had lapsed.
441. In the circumstances, the value for money on the expenditure of Kshs.130,170,434 could not be confirmed.

Management Response

442. The delay to complete the projects was as result of poor performance by the contractors. Individual projects had the following challenges;
- i. Tuition block; the contract was terminated due to slow speed of the contractor. The University was in the process of retendering the project at the time of audit. The University re-tendered this project through MyGov Newspaper dated 14th December 2021. An evaluation was later conducted and awarded to three (3) contractors (Ms Mell Court Limited, Ms Manyota Limited and Ms Alby Woods Agencies limited) to speed up the project completion process. The project is currently in its final stages to completion with Block A 73% Complete. The delays were attributed to the absence of the Mechanical Sub Contractor on site. The sub-contractor has since been procured and mobilized the site. Block B is 63% Complete and within the Contract period while external Works are at 66 % Complete. Part of the external works will be done once block B is complete
 - ii. Library and Administration Block; was as result of Government delay to release development capitation. The Contractor also developed project fatigue. The

Government has not been allocating funds to this project since 2018/2019 financial year. The Project was handed over to the client to finalize on the remaining works and is at 98% currently.

- iii. Gate and Ancillary Facilities; the contract was terminated due to demise of the contractor and the company was unable to complete the project due to financial constraints. The University took over the works and is at 98% completion.
- iv. Science Laboratories; the project was actually complete and in use except that the contractors was supposed to install some equipment but later cited escalating prices. This led to delay in issuing completion certificate making the project to remain under work-in-progress. This was now complete and completion certificate issued.

Committee Observations

443. The Committee observes that the projects were now at various levels of completion, having been previously impaired by slow exchequer release and poor performance by some contractors. The institution also availed contractual document for the consultant.

Committee Recommendation

444. The Committee recommends that the institution, going forward, places heavier consideration on contractor ability to perform, rather than just being the lowest bidder, in awarding of contracts.

6. Development of an Enterprise Resource Planning (ERP) software

445. As previously reported, the University entered into a contract with a consulting firm, World System limited, to develop an Enterprise Resource Planning (ERP) software at a cost of Kshs.14,949,200. The University paid Kshs.9,329,200 in 2013/2014 financial year which was 62% of the contract sum and an additional Kshs.84,000 in the 2016/2017 financial year. The implementation period was to run between 22 May, 2012 to 22 May, 2013 but the project was yet to be fully implemented six years after the implementation period had lapsed, and remained incomplete. According to the signed contract documents, the project was to have five (5) developers working on the system but only two (2) were appointed by the consultant.
446. Further, available information indicates that the University is in the process of terminating the contract and a procurement process for a new ERP software has commenced, implying that the old software will not be useful upon commissioning of a new one.
447. In the circumstances, implementation of the ERP software is uncertain and it is doubtful whether the University will obtain value-for-money on the expenditure of Kshs.9,413,200 so far incurred in respect of the ERP software.

Management Response

448. The University entered into a contract in year 2012 with a consulting firm, World Span Systems Limited to develop an enterprise resource planning (ERP) software at a cost of Kes.14,949,200.
449. The implementation period was between 22nd May 2012 to 22nd May 2013. The University paid Kes.9,329,200 in 2013/2014 financial year which was 62% of contract sum. No payments were made in 2014/2015 and 2015/2016.

450. The implementation process has had challenges, making it difficult to implement the Software within the stipulated period. To fast track the process, the University Management engaged a team from ICT Authority to verify performance of Power Campus Software.
451. The Vendor was given 3 months up to 23rd December 2016 to deliver a working system to the University. The deadline of 23rd December, 2016 expired without any communication from the vendor.
452. In this regard, the University Management opted for termination of the contract but decided to engage an arbitrator to assist in the process. At the time of audit the chartered Institute of Arbitrators (CI Arb) had appointed an arbitrator and the process was ongoing.

Committee Observations

453. The Committee observes that the matter was awaiting arbitration outcome, and makes no further recommendation.

7. Weaknesses in payroll management system

454. A review of the University's Enterprise Resource Planning (ERP) and Quick Pay Data for the management of payroll through the system in place for management of payroll revealed lack of segregation of duties thus compromising the integrity of data in the system. The test revealed that the Administrator user group in Uniplus can complete all the steps from data capture (data entry) to payroll production. The system security and data integrity are therefore compromised and unreliable.
455. In the circumstances, it is not possible to confirm the effectiveness of the payroll management systems or whether strong control measures have been put in place.

Management Response

456. After Audit observation, The University Management reviewed and created a System Administrator in UNIPLUS with Super User Account that can access all the roles of the system for the purpose of system management only.
457. All other system users have limited rights in line with their duties and responsibilities.

Committee Observations

458. Committee observes that the matter had since been addressed as subsequent audit reviews did not note the weaknesses earlier identified.

Committee Recommendation

459. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

3.8.2 Audited Financial Statements for Financial Year 2019/20

3. Material uncertainty in relation to sustainability of service

460. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

4. Lack of ownership documents and valuation of property, plant and equipment

461. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

5. Non-amortization of intangible assets

462. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

6. Long outstanding accounts payable

463. The statement of financial position reflects accounts payables balance of Kshs.388,395,325 as at 30 June, 2020. Included in the balance is a long outstanding creditors balance of Kshs.264,542,080 relating to trade creditors and other service providers dating back to 2014. Management did not provide explanation on failure to clear the long outstanding creditors. Further, the University did not present a credit management policy for audit review.

Management Response

464. During the financial year under review, trade and other payables decreased by Kes. 29,481,577 from Kes. 417,876,902 to Kes. 388,395,325 in year 2018/2019 and 2019/2020 respectively. Included in the balance is long outstanding creditor balance of Kes. 264,542,080 relating to trade creditors and Part-time lecturers. This arose during double intake leading to a higher students' population and hence the need to recruit part time lectures. The University was unable to meet the increased expenditure due to shortage of funds making the debts to accumulate over time. However, the university is committed towards clearing these debts to avoid more pileups.

465. The university credit policy management is anchored in the Financial Management Policy and Procedures Manual.

Committee Observations

466. The Committee observes that the institution is progressively closing the gap. They also evidenced the presence of a credit management policy.

Committee Recommendation

467. The Committee reiterates its recommendation that the institution engages in income generating activities to supplement fees collected from students and capitation issued by government.

7. Inaccuracies in receivables from exchange transactions

468. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

8. Erroneous classification of penalties

469. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

9. Delay in implementation of projects

470. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

10. Unsupported contract variations

471. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

11. Delayed development and implementation of Enterprise Resource Planning (ERP) software

472. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

12. Weak controls over payroll management

473. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

3.8.3 Audited Financial Statements for Financial Year 2020/21

1. Non-posting of direct deposits in cash books

474. The statement of financial position and as disclosed in Note 21 to the financial statements reflects cash and cash equivalents balance of Kshs.42,263,023 as at 30 June, 2021. However, a review of bank reconciliation statements revealed direct deposits amounting to Kshs.6,458,001 in respect of thirteen (13) bank accounts that had not been receipted in the cash book and had been outstanding for long period. This was contrary to Section 90(3) of the Public Finance Management Regulations, 2015, which requires that Accounting Officers ensure any discrepancies noted during bank reconciliation exercises, are investigated immediately and appropriate action is taken including updating the relevant cash books.
475. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.42,263,023 as at 30 June, 2021 could not be confirmed.

Management Response

476. The University reported cash and cash equivalents of Kes. 42,263,023 at the close of financial year ended 30th June 2021. All the cashbook balances were reconciled as guided by the PFM regulations (S.90) to reflect the correct position of the cash & cash equivalents. Included in the reconciling items were direct deposits amounting to Kes. 8,189,928.20 for all various bank accounts of the institution. The source of the direct deposits were receipts from students and other customers, but their details were missing hence we were not able to do the receipting. In some cases, parents/guardians deposit fees for students but fail to indicate students' details making it hard to match the receipts with the beneficiaries. The school therefore must wait for students to present themselves for reconciliation of their accounts. In most cases, students reconcile their accounts during graduation and this is the time we clear most of the unclaimed deposits especially for post graduate students who can take even eight years to clear their courses. For instance, a student who deposited money in our Equity Bank account in March 2012 availed the bank confirmation almost ten (10) years after the deposit in December 2022. The deposits therefore form part of bank reconciliation statement as reconciling items but they disappear once they are receipted.
477. The problem of direct deposit is expected to be resolved soon as we are in the process of finalizing ERP implementation and bank integration. The bank integration with our ERP

is expected to minimize bank errors as any transaction without full details will not be processed from the bank end.

478. In addition, most of the errors are arising through bank agents and the University has advised students not to deposit through bank agents. Deposits amounting to Kes. 4,624,458.5 of the 2020/2021 FY pending deposits have been receipted in the subsequent periods.

Committee Observations

479. The Committee observes that the Accounting Officer had satisfactorily responded to the query and evidenced communication to students to make payments only through banks, and provide proper narration.

Committee Recommendation

480. The Committee recommends that the matter be closed.

2. Inaccuracies in property, plant and equipment

481. The statement of financial position reflects Kshs.2,119,595,133 in respect of property, plant and equipment as at 30 June, 2021. Included in this amount and as disclosed in Note 24 to the financial statements is Kshs.1,108,957,218 in respect of Work-In-Progress out of which Kshs.224,061,029 relating to six (6) projects that were complete and in use but had not been capitalized.
482. In the circumstances, Work-In-Progress is overstated by Kshs.224,061,029 in respect of the completed projects while the completed works are understated by the same amount.

Management Response

483. During the period under review, the University recorded work in progress totalling to Kshs.1,108,957,218. Included in this were project already complete and in use but not capitalized due to lack of completion certificate.
484. The University is making follow-up with project managers to issue completion certificates to enable us capitalize the projects.
485. The University has made some progress and capitalized three (3) complete projects namely; Lecture Theatre, Renovated ICT/Examination Building and Science Laboratories (C2) in 2021/2022. The remaining projects are awaiting final accounts reconciliations with the contractors.

Committee Observations

486. The Committee observes that the Accounting Officer had satisfactorily responded to the query.

Committee Recommendation

487. The Committee recommends that the institution finalizes final accounts for the remaining projects with the contractor immediately and the projects capitalized. Auditors to confirm in subsequent audit.

3. Inaccuracies in receivables from exchange transactions

488. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

4. Accounts payables

489. The Committee observes that the matter was resolved.

5. Unsupported payment to external examiner

490. The statement of financial performance and as disclosed in Note 11 to the financial statements reflects Kshs.113,316,980 in respect of academic and research expenses. Included in this amount is Kshs.1,892,282 in respect to external examiners (exam moderation). However, the University did not have an approved policy on terms and conditions upon which external examiners were to be appointed.

491. Consequently, the validity of the payment of the Kshs.1,892,282 in respect to external examiners (exam moderation) could not be confirmed.

Management Response

492. Included under Academic & Research expenses were payment to external Examiners for Exam moderations during the year under review. The University has been using a policy that was adopted from Egerton University when we were a Campus and later a Constituent College of the Egerton University. The University developed draft Examination Moderation Guidelines awaiting University Management approval to address the gaps.

493. The university currently had a draft Examinations Moderations Guidelines awaiting approval.

Committee Observations

494. The Committee observes that draft policy was awaiting approval by the university's senate.

Committee Recommendation

495. The Committee recommends that the Accounting Officer ensures that the institution adopts the examinations moderation guidelines within one month of adoption of this report.

6. Acting appointments

496. The Review of payroll records revealed that four (4) officers were appointed to acting positions in various job groups between 1 January, 2017 and 5 June, 2018. The officers have continued to act and earn acting allowances beyond the stipulated maximum period of six (6) months. This is contrary to Section C.14 (1) of the Human Resource Policies and Manuals for Public Service 2016 which provides that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he/she is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months. Consequently, the University was in breach of the policy.

Management Response

497. During the year under review, the University had some staff on acting capacity. It is true that it had taken more than the stipulated period to fill these positions, but the University is committed to fill the posts. On the position of Deputy Vice Chancellor (Administration, Finance and Planning) and Deputy Vice Chancellor (Academic, Research and Student Affairs) the University made requests to Public Service Commission for recruitment process.

498. The Public Service Commission already advertised for the positions of Deputy Vice Chancellors as required by law, but the process was yet to be concluded.
499. The University Council has been following with the Ministry of Education to have the positions filled with substantive Deputy Vice Chancellors. The University is also in the process of advertising and recruiting the remaining positions with substantive officers.

Committee Observations

500. The Committee observes that the explanation was satisfactory as the recruitments were in progress, as evidenced by the Accounting Officer.

Committee Recommendation

501. The Committee recommends that Public Service Commission completes the recruitment exercise within three months of adoption of this report.

7. Delayed completion of project-ABN Unisol project

502. The University entered into a contract for the supply, installation, configuration, testing, training, and commissioning of the University – Wide Enterprise Resource Planning System on 4 March, 2019 at a contract sum of Kshs.24,812,400. The contract was for a contract period of 6 months from 4 March, 2019 with an expected completion date of 3 October, 2019. However, the system is classified as work in progress and had not been fully implemented as at January, 2022, approximately twenty-six (26) months after the contract completion date.
503. Further, review of implementation progress report dated 11 November, 2021 revealed that eight modules under the system had pending requirements which were to be addressed by the system developer by 24 October, 2021. The University Management did not provide evidence to demonstrate that the issues identified were adequately addressed.
504. Consequently, the project implementation seems not to have been properly managed and the continued delay in completion continues to deny the University benefits that were to arise from the project.

Management Response

505. The University recorded intangible assets amounting to Kes. 30,406,820 at the close of the financial year ended 30th June, 2021. Included in this was an ERP supplied by ABN-Unisol with cumulative cost to date at Kes. 20,543,600. The University concurs that the project is still under work-in-progress and has taken longer than expected. There arose some challenges during implementation requiring customization to fit client user needs. The vendor has addressed all raised issues and the project was awaiting appointment of the council to then commission.

Committee Observations

506. The Committee observes that the university had since remedied the project and was awaiting appointment of a substantive council to approve the commissioning.

Committee Recommendation

507. The Committee recommends that the appointing authority appoints the council within one month of adoption of this report by the house, of which the council to subsequently commission the project within one month of their appointment.

3.9 MURANG'A UNIVERSITY OF TECHNOLOGY

508. Prof. Dickson Nyariki, Vice-chancellor and Accounting Officer, accompanied by;
- | | | |
|--------------------------|---|----------------------------|
| i) Prof. Beatice Mugendi | - | Ag Finance Officer |
| ii) Mr. Moffat Njoroge | - | Registrar – Administration |
| iii) Ms. Penninah Imwere | - | Legal Officer |
| iv) Mr. Victor Gichuki | - | Head of Procurement |
- appeared before the Committee to adduce evidence on the audited accounts of Murang'a University of Technology, on 19th April 2023.

3.9.1 Audited Financial Statements for Financial Year 2018/19

1. Long term investments

509. The statement of financial position reflects a balance of Kshs. 25,318,800 under long-term investments which, as disclosed in Note 27 to the financial statements, is in respect of 126,594 shares held in Bamburi Cement. As previously reported in 2017/2018, the shares were registered in the names of the trustees of the technical college at inception. Although the Management indicated that the process of registering the shares in the name of the University had commenced, the process had not been completed as at the time of the audit in November, 2019.
510. In the circumstances, the accuracy and existence of the shares investment balance of Kshs.25,318,800 as at 30 June, 2019 could not be confirmed.

Management Response

511. The management had been pursuing the issue of transfer of Bamburi shares to Murang'a University of Technology. We got forms for the transfer of shares from CR Group who are agents of Bamburi Limited with advice that the three (3) Board of Management officials of Murang'a College of Technology (MCT) execute them to facilitate the transfer of the shares to Murang'a University of Technology (MUT). The forms were partially executed by the Principal/Secretary to MCT Board of Management, Mr. Jesse Kimani Mbuthia, who is now deceased. The Treasurer, Mr. James Mwendwa S. Njoroge, is also deceased and the University Management has contacted the administrator of his estate who informed us that the family lawyer will avail a copy of the death certificate to the University. We are following up on the Chairman of the Board, Hon. Maina Wanjigi, to sign the transfer forms. We have made three (3) visits to his office at Kwacha House in Westlands-Nairobi but each time we have been informed that he is unwell and not able to append a signature on the transfer forms. We have continued to pursue him. Vide his letter dated 28th May, 2019, he responded by indicating that the shares belonged to the Murang'a Harambee Development Fund owned by Murang'a people and that "the University (MUT) happens to be the first project for which they are proud of and will not be the last. The transfer of the shares does not arise." The Management responded to his letter vide a letter dated 20th September, 2019 requesting him to surrender the shares. However, to-date he has not responded. The Management is pursuing the last amicable approach failure to which a declaratory suit will be filed in a court of law.

Committee Observations

512. The Committee observes that despite holding the original share certificates, the management had not taken concrete steps to transfer ownership, save for a partially signed

and uncommissioned 'affidavit' seeking to do the same. Management had been lax in pursuant of the university's assets, and had seemingly surrendered to the mercy and benevolence of the former trustee, who had already demonstrated contempt vide his letter dated 28th May 2019 where he said that transfer of the said assets 'does not arise'. Further, the Committee was taken aback with the Accounting Officer's admission that he 'did not know' who had been receiving dividend proceeds from the shares.

Committee Recommendation

513. The Committee recommends the following; THAT;

- (i) The Accounting Officer is reprimanded for failure to actively secure interest of the university;
- (ii) the university immediately seeks legal guidance from the Attorney General and possibly commences legal action against the said Hon. Maina Wanjigi to secure the transfer of shares;
- (iii) upon resolution of the matter, the university to obtain all dividends due to the shares since their ownership, inclusive of interest at prevailing CBR rates, from the recipients, who will be disclosed by Bamburi Cement Company Limited;
- (iv) that Hon. Maina Wanjigi be barred from holding public office until the transfer is finalized.

2. Payables from exchange transactions

514. As disclosed in Note 28 to the financial statements, the statement of financial position reflects a balance of Kshs.191, 667,310 under payables from exchange transactions. The balance includes long outstanding payables of Kshs.418, 466 and Kshs. 6,916,100 in respect of wages payables and gratuity payables to former Board of Governors (BOG) employees, payables of Kshs. 1,123,526 for JKUAT and student caution money of Kshs.271, 622. No explanation was provided for the delay in paying these long outstanding amounts. Further no detailed analysis or breakdown of these balances was provided for audit review.
515. Consequently, the accuracy of payables from exchange transactions balance of Kshs.191, 667,310 as at 30 June, 2019 could not be confirmed.

Management Response

516. Financial statements for the year ended 30th June, 2019 reflect payables and accruals from exchange transactions balance of Ksh.191,667,310. These include payables totaling Ksh.8,458,092 comprising wages payables of Ksh.418,466, former BOG employees' gratuity of Ksh.6,916,100 which is a matter awaiting court judgement, and JKUAT payables of Ksh.1,123,526, which are part of payables inherited from the Murang'a College of Technology. During the transition to University College, the payables were recorded in the books. However, no documentation was provided to support the payables. The Management is willing to honour the payables but since no records are available to support the claims, processing the payments has not been possible.
517. The Management has written to the Council to advise on the appropriate course of action.
518. Outstanding student caution money of Kshs.271,622 belongs to ex-students of the University which should not be written off as the students may come for the refund any time.

Committee Observations

519. The Committee observes that management was awaiting court judgement for the Kshs. 6,916,100, while the Kshs. 1,123,526 was awaiting documentation from JKUAT, and council resolution to write off other long outstanding and unsupported payables.

Committee Recommendation

520. The Committee recommends that the council resolves to write off unsupported payables, within one month of adoption of this report, as it awaits court judgement for other matter.

3. Property, plant and equipment- freehold land

521. The statement of financial position reflects a balance of Kshs. 1,450,028,624 under property, plant and equipment, which, as disclosed in Note 25 to the financial statements, includes an amount of Kshs. 650,000,000 relating to freehold land. However, records presented for audit revealed that the University's land, measuring approximately 30.95 hectares, has been encroached by a private developer who laid claim against a portion of the land. Although the University Management indicated that it had initiated the repossession process, the matter had not been resolved as at the time of audit in November, 2019.
522. In the circumstances, the accuracy of the freehold land balance of Kshs. 650,000,000 as at 30 June, 2019 could not be ascertained.

Management Response

523. The University initiated and requested the National Land Commission to send surveyors to survey the land and identify beacons to establish the land boundaries. This was to enable the University to complete the construction of a perimeter wall to enhance the security of students, staff and the University property as directed by the Government. The Management attended three (3) hearings in Nairobi before the National Land Commission after which surveyors were sent and corrected the beacons along the fence towards the University's main gate. They promised to come back to complete the works but failed to return. The Management has been pursuing the matter. There was further delay to complete the exercise occasioned by the expiry of the terms of the Commissioners.

Committee Observations

524. The Committee observes that the matter had taken inordinately long to be addressed and was at risk of further encroachment, beyond the .03 hectares that had already been breached, and the encroachers were curiously in possession of parallel ownership documents. Management's submission that the NLC had no commissioners was far outdated and they ought to have proactively pursued the matter subsequently.

Committee Recommendation

525. The Committee recommends THAT;
- (i) The National Land Commission completes its survey work and declare bona fide ownership within three months of adoption of this report;
 - (ii) The EACC and DCI establishes how some of the encroachers obtained parallel ownership documents and prosecute those found liable, within three months of adoption of this report;
 - (iii) The University and National Treasury avails finances to fence off the school's entire land in the next financial year.

4. Receivables from exchange transactions; student debtors

526. The statement of financial position reflects a balance of Kshs. 24,927,555 under receivables from exchange transactions which, as disclosed in Note 22 to the financial statements, is net of a provision for doubtful debts of Kshs.1,311,977 out of which an amount of Kshs.17,801,918 relates to gross students' debtors. However, as previously reported, an amount of Kshs.9,854,342 included in the gross students' debtors balance has been outstanding for long. Further, no effort appears to have been made by the Management to recover these debts.

Management Response

527. The University had come up with a debt collection policy for the collection of income including fees, and treating receivables as bad debt is the final stage of the University debt collection process. To mitigate against the impact of writing off bad debts, the University makes an annual provision in the accounts (referred to as "provision for bad debt").
528. A detailed analysis of outstanding students' balances has been carried out and the process of updating the accounts for students who transferred and those that are deceased is being finalized. However, no student has graduated without payment of fees.
529. Student debtors amounting to Kshs. 17,801,918 as at 30th June, 2019 belong to current students categorized as active, deferred or suspended. These are expected to clear before sitting for exams or graduating.

Committee Observations

530. The Committee observes that the school now had a debt collection policy to mitigate against such accruals.

Committee Recommendation

531. The Committee recommends that the university enforces its debt management policy and reconciles outstanding figures under those still in school and recoverable, and recovers the same, and those that will be unrecoverable, for write-off, within three months of adoption of this report.

5. Receivables from exchange transactions; long outstanding receivables

532. Included in the receivables balance of Kshs.24,927,555 are long outstanding receivables amounting to Kshs.4,504,322 in form of house rent debtors of Kshs. 107,542, University pension scheme receivables of Kshs.2,138,981 and other debtors balance of Kshs.2,197,999. As previously reported, some of these debtor's date back to 2003 including dues owed by various tea factories and Government Ministries. It was not clear why these debts have taken long to be collected and no documentary evidence was provided for audit review on measures being taken to recover the debts.
533. Under the circumstances, the accuracy and recoverability of the receivables from exchange transactions net balance of Kshs.24,927,555 as at 30 June, 2019 could not be confirmed.

Management Response

534. The Long outstanding receivables amounting to Kshs. 4,504,321 are part of receivables inherited from the Murang'a College of Technology which were recorded in the books. However, no documentation was provided to support them.
535. The Management has been working on these and will be presenting a paper to the University Council requesting to write off some of the receivables where appropriate.

Committee Observations

536. The Committee observes that the management had taken inordinately long to write off bad debts that recoverability was remote.

Committee Recommendation

537. The Committee recommends that the management commences the process of writing off the long outstanding receivables immediately.

6. Work-in-progress- delay in implementation of projects

538. The statement of financial position reflects a balance of Kshs.226,091,282 under work-in-progress which, as disclosed in Note 26 to the financial statements, related to construction of a hostel block Phase 1 Wing 2, a science complex, road works, perimeter wall and ERP software. A review of records revealed that although the projects were initiated in the financial year 2016/2017 with expected completion date of April, 2018, the projects had taken too long to complete and the contract period had lapsed, as analyzed below:

S.No	Project	Contract Amount (Kshs.)	Contract Date	Expected Completion Date
1.	ERP Software	25,520,000	1 September, 2016	30 March, 2018
2.	Hostel Block Phase 1, Wing 2	154,959,824	18 November, 2016	16 April, 2018
3.	Hostel block-Phase 3	199,103,623	19 December, 2016	19 June, 2017
4.	Perimeter Wall	60,600,232	23 November, 2016	15 October, 2017
	Total	440,183,679		

539. The University attributes the delay to slow disbursement of funding by The National Government, while the construction of perimeter fence had stalled due to a court case on encroachment of the University land by a private developer. The Management, however, has not given evidence of steps being taken to complete the projects.

Management Response

540. The delay in project implementation going beyond the contract period has been occasioned by low or no funding by the National Government. Hostel Block phase 3 and Perimeter Wall have all stalled and may take longer to complete notwithstanding exposure to potential adverse actions by the Contractors such as litigations that may result in huge penalties due to breach of contracts. In addition, this may lead to cost escalation and

variation above the legally approved rates. There is encroachment on the University land and the University has been following up with the National Land Commission to assist in demarcating the land to enable progress in the construction of the Perimeter wall.

541. The University Management is doing all it can, including appealing for funds from the National Government, to ensure continuity and completion of the projects.

Committee Observations

542. The Committee observes that the ERP software had been commissioned, while the hostel block phase 1, wing 2 was at 74% at termination due to contractor abandoning works despite the school having funds to complete, hostel block-phase 3 at 100% and the perimeter wall at 94%.

Committee Recommendation

543. The Committee recommends that the Accounting Officer ensures completion?? NOT CLEAR?? final account of the hostel block phase 1, wing 2, settles with the contractor alive to his breach of contract, as per contract clauses on breach, and re-tenders the remaining 26% of works, within a month of adoption of this report.

7. Non-compliance with ethnic diversity

544. During the year under review, the University had a total of 209 staff in its establishment. However, 159 or 76% of the employees were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which states no public establishment shall have more than one third of its staff from the same ethnic community.

Management Response

545. Murang'a University of Technology as a successor to Murang'a College of Technology inherited 110 staff that transited to the University on 1st April, 2013. Out of these, 102 were Kikuyu serving in administrative, while the rest were members of the Teachers Service Commission (TSC). The imbalance is therefore historical and can be attributed to the fact that the TSC used to post teachers to their home areas, while the Board of Governors recruited the lower cadre staff from the local community. However, since its inception, the University has embraced the spirit of diversity by advertising vacancies in the public (print) media as well as encouraging applicants from minority and marginalized groups to apply to bridge the gap and comply with the National Cohesion and Integration Act, 2008 and other applicable laws on ethnic balance.

Committee Observations

546. The Committee observes that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act and ensure fair and diverse representation of the people of Kenya in staffing.
547. This phenomenon is replicated in several other universities as observed in the general observations and recommendations chapter of this report.

Committee Recommendation

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

this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

3.9.2 Audited Financial Statements for Financial Year 2019/20

1. Property, plant and equipment- freehold land

549. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

2. Long-term investments

550. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

3. Receivables from exchange transactions; student debtors

551. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

4. Receivables from exchange transactions; long outstanding receivables

552. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

5. Long outstanding payables

553. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

6. Obsolete inventory

554. As disclosed in Note 23 to the financial statements, the statement of financial position reflects an inventory balance of Kshs.2,321,044. However, the balance includes obsolete inventory items which should have been written off casting doubt on the accuracy and completeness of the inventory balance of Kshs.2,321,044 as at 30 June, 2020.

Management Response

555. The University was unable to dispose of obsolete and idle assets in the financial year 2019/2020 due to Covid-19 pandemic since the exercise was to take place in the 4th Quarter. This adjustment was done in FY 2020/2021.

Committee Observations

556. The Committee observes that the matter had been satisfactorily addressed.

Committee Recommendation

557. The Committee recommends that the Auditor General confirms the status and reports in the subsequent audit.

7. Unconfirmed tuition and tuition related income

558. As disclosed in Note 10 to the financial statements, the statement of financial performance reflects tuition and tuition related income totalling Kshs.201,053,918. However, the supporting schedules and students' invoices reflected income totalling Kshs.179,320,010, resulting in an unexplained difference of Kshs.21,733,908.
559. Consequently, the accuracy of the tuition and tuition related income totalling Kshs.201,053,918 for the year ended 30 June, 2020 was not confirmed.

Management Response

560. The Statement of Financial Performance for the year ended 30 June, 2020 reflects revenue from exchange transactions (tuition fee and tuition related income) amount of Kshs.201,053,918, which was also supported by general ledgers and the trial balance provided as required.
561. However, the students invoice report (schedules) generated by the Auditor and not authenticated does not include other tuition related income such as application, graduation, surcharges, examination materials, fines, penalties and other fees adjustments done outside the normal fee invoices as per the fee structures.

Committee Observations

562. The Committee observes that the matter had been resolved as auditors were satisfied with the response.

Committee Recommendation

563. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

8. Work-in-progress- delay in implementation of projects

564. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

9. Management of travel expenses

565. The statement of financial performance reflects an expenditure of Kshs.116,451,937 under general operating expenses which, as disclosed in Note 18 to the financial statements, includes an amount of Kshs.7,368,253 in respect of travel and subsistence. However, review of expenditure records revealed that the University used unapproved higher rates of 1/4 and 1/2 per diems to pay lunch allowances and day trip respectively totaling Kshs.1,914,899 contrary to the guidelines set by the Salaries and Remuneration Commission (SRC).
566. Under the circumstance, the propriety of the expenditure of Kshs.1,914,899 incurred on travel and subsistence allowances could not be confirmed.

Management Response

567. The University pays daytrips and lunch allowance based on guidelines issued by the Salaries and Remuneration Commission (SRC) vide various circulars and approval by the University Council.

568. Payment vouchers amounting to Kshs.1,914,899 were paid as per guidelines issued by Salaries and Remuneration Commission (SRC) through Circulars and approvals by the University Council.

Committee Observations

569. The management availed the circulars and approvals they relied upon and the Committee was satisfied.

Committee Recommendation

570. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

10. Implementation of e-procurement

571. During the financial year under review, the University did not implement e-procurement in acquisition of goods and services. Review of the procurement process revealed that advertisement, purchase requisition, the Local Purchase Orders (LPO) and the Goods Received Note (GRN) are done on the ABNO Unisol ERP platform while tenders opening, quotations and proposals, tender evaluation and award of tenders are done manually because the system in place does not support all modules of procurement.
572. This is contrary to Executive Order No. 6 2015 and Executive Order No. 2 of 2018 which required entities to implement e-procurement fully. Further, in case where officers accorded certain rights failed to report for work, their rights were assigned to another official compromising on controls and loss of audit trail.

Management Response

573. The modules were set to start running from March, 2020 once the University sets up a robust infrastructure (acquisition of an extra server) to rollout a smooth operation of the E-Procurement modules, but all this was hampered by the closure of the University due to COVID 19.
574. The University is in the process of acquiring a new server and preparing to commence the last stage of installing the E-Procurement Modules.
575. The Procurement Department has also ensured that there is security, controls and accountability since all rights are issued to staff under strict adherence to ICT policy. All activities can be traced as each of the procurement staff has a specific account. Passwords are created by the individuals who are only able to carry out specific tasks as assigned, thus making it easy to trace activities of the day for each staff.

Committee Observations

576. The Committee observes that the University had since acquired the server and was awaiting Treasury guidance on full operationalization of the system.

Committee Recommendation

577. The Committee recommends that the Cabinet Secretary for the National facilitates the full operationalization of the e-procurement modules, within six months of adoption of this report.

11. Staff on acting positions beyond six months

578. Examination of payroll and human resources records revealed forty-two (42) officers had been holding various positions in an acting capacity and paid acting allowances for more than six (6) months with some acting for more than two (2) years. This is 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. No explanation was provided by Management on why the posts have not been filled or the officers confirmed to the posts.
579. Under the circumstances, the University Management is in breach of the law.

Management Response

580. The Murang'a University of Technology, being among the recently chartered universities, is still working to ensure engagement of experienced and qualified academic staff at the level of Senior Lecturer and above who can be substantively appointed to head Faculties/Schools, Directorates and Departments. The staff holding acting positions for more than six months do not meet the minimum requirements according to the regulations set by the University Statutes and Commission for University Education for appointment as substantive Heads of Schools, Directorates and Departments. In addition, the position of a Dean of School is elective, but elections can only take place once the University recruits an adequate number of Lecturers to run for the position and participate in voting as per requirements.

Committee Observations

581. The Committee observes that the institution had not sought experienced staff beyond itself, despite available staff not meeting minimum qualifications.

Committee Recommendation

582. The Committee recommends that if no internal staff is qualified, then the institution advertises these positions for members of the public to apply, after ascertaining availability of funds, in the financial year 2023/24.

12. Non-compliance with ethnic diversity

583. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

13. Unexplained cash withdrawals

584. Review of expenditure records revealed that University made cash withdrawals totalling Kshs.5,403,426 from account no.1142192814 at the Kenya Commercial Bank KCB for payment of various goods and services. However, the University did not operate a standing imprest system for payment of minor office expenses and subsequent replenishment once exhausted. No explanation was provided on why the payments were made in cash which is more prone to abuse and misappropriation than the cheque system.

Management Response

585. The University does not support cash withdrawals. However, on a few occasions and where students are involved, designated University staff are allowed to make cash withdrawals due to the respective students not having bank accounts. In all cases, schedules indicating the payee, amount, and evidence of receipt/attendance have been attached to the payment vouchers to form part of accountable documents. This prevents a possibility of theft or misappropriation which can lead to loss of public funds. However, the University has since adopted a cashless payment system and there is no payment done or received through cash.

Committee Observations

586. The Committee observes that the explanation that some students lacked bank accounts was unsatisfactory, considering most if not all apply for HELB. Moreover, the staff holding cash for student activities would have utilized his/her bank account, rather than cash withdrawals. The cash withdrawal method is susceptible to abuse.

Committee Recommendation

587. The Committee recommends that the inspectorate of state corporations scrutinizes all documentation for the activities alluded to by the management, supporting receipts and participating students amounting to Kshs. 5,403,426, and the Auditor General to confirm the status and report in the subsequent audit.

14. Governance and composition of council members

588. Review of the list of Board Members who served during the year indicated that out of the eleven (11) members, none was a financial expert. This is contrary to Section 1.1 (6) of the Mwongozo Code of Governance for state corporations which requires at least one Board Member to be a financial expert. Further, records indicate that the Murang'a University of Technology was declared as a fully-fledged University by the President on 7th October, 2016. However, the Charter was not gazetted by the Cabinet Secretary as required under the Universities Act, 2012. The Management has not provided evidence of efforts being taken to have the Charter gazetted.

Management Response

589. Appointment of Council members is the sole mandate of the Cabinet Secretary, Ministry of Education. The University is simply informed through communication to that effect. During the financial year of audit 2019/2020, the University did not participate in the selection to ensure provisions of the Mwongozo Code of Governance are met. Therefore, there was no breach of the law by the University.

590. This matter has since been resolved and the Current University Council membership has financial experts.

Committee Observations

591. The Committee observes that the matter had since been resolved as auditors were satisfied with the response given.

Committee Recommendation

592. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

3.9.3 Audited Financial Statements for Financial Year 2020/21

1. Material uncertainty in relation to sustainability of services

593. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

2. Leasehold land without ownership documents

594. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

3. Long-term investments not registered in university's name

595. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

4. Receivables from exchange transactions; long outstanding student debtors

596. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

5. Long outstanding payables

597. The Committee observes that the matter recurred from the previous financial year and reiterates its recommendation.

6. Unapproved payment of legal fees

598. The statement of financial performance and Note 18 to the financial statement reflects Kshs.81,099,104 in respect of general operating expenses which includes Kshs.2,504,673 in respect of legal fees out of which Kshs.424,000 was paid to a private firm contrary to section 17(1) Office of the Attorney General Act, 2012 which requires that Ministries or Departments shall not engage the services of a consultant to render any legal services relating to the functions of the Attorney-General without the approval of the Attorney General. Although the University sought for consent to appoint an external law firm to represent the University in Court through a letter dated 20 May, 2021, no such consent was granted.
599. In the circumstances, the Management was in breach of the law.

Management Response

600. The University followed the procurement process by calling for quotations from pre-qualified law firms. By the time the Attorney General's circular was out, the Arbitral proceedings had already commenced from 2016. The Management sought the consent of the Hon. Attorney General but had not received a response.

Committee Observations

601. The Committee observes that management ought to have aggressively sought response from the Attorney General, and not disregarded the circular based on unresponsiveness/urgency. The Kshs. 424,00 was paid for the two cases already cited in this report, Kshs. 174,000 for a dismissed employee and Kshs. 250,000 for the KUDHEIHA case on payment of staff dues. Both cases are on-going.

Committee Recommendation

602. The Committee recommends that the Principal Secretary reprimands the Accounting Officer for breach of section 17(1) of the Attorney-General Act, and recommends that he fully complies henceforth, including seeking post-facto approval by the Attorney General within one month of adoption of this report by the House. The Committee further recommends that auditors confirm that the amounts paid are within market rates and reports to the National Assembly.

3.10 KENYA SCHOOL OF LAW (KSL)

603. Dr. Henry Mutai, Chief Executive Officer and Accounting Officer, accompanied by;

- i) Ms. Ruth Gathoni - Senior Accountant
- ii) Ms. Lucia Lulu - Senior HR Officer
- iii) Mr. Kennedy Dende - Senior ICT Officer
- iv) Mr. Fredrick Abea - Principal Internal Auditor

appeared before the Committee to adduce evidence on the audited accounts of KSL, on 24th April 2023.

3.10.1 Audited Financial Statements for Financial Year 2018/19

1. Inaccuracies in the financial statement

604. The statement of comparison of budget and actual amounts reflects actual total income of Kshs. 584,092,040 whereas the statement of financial performance reflects a total of Kshs. 585,181,678 resulting in unexplained difference of Kshs.1,089,638. Further, the statement of cashflow reflects decrease in payables of Kshs. 23,086,618 which differ with the movement in the statement of financial position of Kshs.26,973,907 by Kshs.3,887,289.
605. In addition, the statement of financial performance reflects a comparative prior year deficit amount of Kshs. 29,986,843 while the statement of changes in net assets reflects a deficit of Kshs. 31,899,107 resulting in unexplained difference of Kshs.1,912,264.
606. In the circumstances, the accuracy of the financial statements for the year ended 30 June 2019 could not be confirmed.

Management Response

607. The figures indicated in the opening balances for FY 2018/2019 were based on a draft report that had been updated during the audit of FY 2017/2018. The updated report, however, was not adopted in presenting the final audit report by the Auditor General. Rather, the draft report was given as the audited report thereby occasioning differences in the closing balances of FY 2017/2018 and opening balances of FY 2018/2019. The updated report would not have presented these differences.

608. The correct balances for the Total income was Kshs. 585,181,678, Kshs. 28,647,511 for Decrease in payables and Kshs. 31,899,107 for the Deficit in FY 2017/2018.

Committee Observations

609. The Committee observes that the matter had since been addressed to the satisfaction of auditors.

Committee Recommendation

610. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

2. Prior year adjustment

611. The statement of changes in net assets reflects a prior year adjustment of Kshs.14,411,824 for which no additional disclosure has been provided. This is also contrary to paragraph 54(a) and (b) of International Public Sector Accounting Standard (IPSAS) No.3 – Accounting Policies, changes in Accounting Estimates and Errors which requires an entity to disclose the nature of prior period errors and the amount of correction for each financial statements line item affected. No explanation has been provided for the omission.

Management Response

612. The line items that were affected by the prior year adjustments were; Balance of Examination fees payable to CLE that had erroneously been recognized as income, Endowment Fund that had been recognized as income.

Committee Observations

613. Management did not avail journals as they were in the custody of EACC as part of an investigation.

Committee Recommendation

614. The Committee recommends that auditors confirm the records in the subsequent audit.

3. Opening balances

615. The statement of financial performance and statement of financial position reflects comparative figures for thirteen (13) items whose balances differ with the audited financial statements for the year ended 30 June 2018 as detailed below:

Item Description	2018/2019 Comparative Balance (Kshs)	2017/2018 Audited Balance (Kshs)	Difference
School fees income	281,085,887	281,101,887	(16,000)
Employees costs	223,862,164	228,874,879	(5,012,715)
Administrative costs	326,480,525	224,842,822	101,637,703
Operational costs	57,240,099	50,616,428	6,623,671

Continuing legal education expenses	7,866,412	7,080,801	785,611
Hospitality costs	32,367,612	27,987,377	4,380,235
Consumable Stocks	5,392,981	5,310,595	82,386
Accounts receivables and prepayments	110,795,167	111,429,925	(634,758)
Cash and bank balances	105,832,396	103,853,377	1,979,019
Property, plant and equipment	2,245,773,927	2,256,272,884	(10,498,957)
Payables and accruals	85,242,233	95,488,324	(10,246,091)
Other current liabilities	145,025,574	146,970,822	(1,945,248)
Deficit for the period	(29,986,843)	(33,105,866)	3,119,023

616. No supporting journal entries and explanations have been provided for these adjustments.

617. In the circumstances, the accuracy of the opening balances could not be confirmed for the year ended 30 June 2019.

Management Response

618. The figures indicated in the opening balances for FY 2018/2019 were based on a draft report that had been updated during the audit of FY 2017/2018. The updated report, however, was not adopted in presenting the final audit report by the Auditor General. Rather, the draft report was given as the audited report thereby occasioning differences in the closing balances of FY 2017/2018 and opening balances of FY 2018/2019. The updated report would not have presented these differences.

619. Supporting journal entries were provided for these adjustments. The correct balances are as indicated in the 2018/2019 Comparative balance column.

Committee Observations

620. The Committee observes that the matter had since been addressed to the satisfaction of auditors.

Committee Recommendation

621. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

4. Cash and bank balance

622. The statement of financial position reflects cash and bank balance of Kshs. 270,778,022. However, the following anomalies were noted:

Bank Account	Financial Statements Balance Kshs	Cashbook Balance Kshs	Difference Kshs
2022099224 - Barclays Bank of Kenya	12,070,831	14,784,611	(2,713,780)
2022029110- Barclays Bank of Kenya	56,697,826	57,778,206	(1,080,380)
01129706350500- Cooperative Bank of Kenya	192,850,684	193,058,884	(208,200)

623. No explanation has been provided for these anomalies. In the circumstances, the accuracy of cash and bank balance of Kshs.270,778,022 as at 30 June 2019 could not be confirmed.

Management Response

624. The reconciliation of bank statements is carried out on a monthly basis for all the bank accounts of the school and these are up to date. The correct balances are as indicated in the Financial Statements column.

Committee Observations

625. The Committee observes that the matter had since been addressed to the satisfaction of auditors.

Committee Recommendation

626. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

5. Accounts receivables and prepayments

627. Note 16 to the financial statements reflects accounts receivables and prepayments balance of Kshs. 120,331,597 as at 30 June 2019. The receivables and prepayments balance are net of a provision for doubtful debts figure of Kshs.4,703,715 which was however not supported nor the basis for calculation disclosed.

628. Under the circumstances, it has not been possible to confirm the validity, accuracy and completeness of accounts receivables and prepayments balance of Kshs. 120,331,597 as at 30 June 2019.

Management Response

629. Provision for doubtful debts was worked at 5% of total non-school fees debtors as at the close of the financial year. The school did not have a Finance policy to guide this at the time, and so the provisioning was stopped.

630. A policy has since been developed and it provides for a general provision of bad debts at 5% and had been presented to the board who have given their input, and the final document awaits their approval.

Committee Observations

631. Management demonstrated efforts to have the policy approved and had scheduled a special board meeting for the same.

Committee Recommendation

632. The Committee recommends that the Auditor General confirms board approval in the subsequent audit.

6. Unremitted statutory deductions and taxes

633. The statement of financial position reflects other current liabilities balance of Kshs.173,871,606 as at 30 June 2019 out of which Kshs.2,297,342 relate to PAYE, Kshs.2,830,361 for withholding tax payable and Kshs.13,901,413 for VAT withholding payable which had not been remitted to Kenya Revenue Authority as at 30 June 2019. This is in contravention to Sections 37 and 130 of the Income Tax Act, which require PAYE deducted from employees' earnings to be remitted by the tenth day of the month following the deduction and withholding tax and VAT to be remitted by the twentieth day of the month following the charge. In addition, failure to remit statutory deductions on a timely basis may attract interest and penalties.
634. Consequently, it has not been possible to confirm that other current liabilities balance of Kshs.173,871,606 as at 30 June 2019 is fairly stated.

Management Response

635. In the FY 2018/2019, all the collections by the School on PAYE, withholding tax and VAT was submitted to KRA by the stipulated dates of every month. The balances appearing as liabilities in the school's books are historical balances that KSL has been following up with KRA to regularize and enable the school to remove from the books.
636. The current status is that a recent meeting with KRA agreed to have a training session by a team from KRA who will assist KSL address the issue of the tax liability.

Committee Observations

637. The Committee observes that the matter had taken inordinately long to resolve between the school and KRA.

Committee Recommendation

638. The Committee recommends that the Accounting Officer directly engages his counterpart in KRA and reconciles the figures within a month of adoption of this report by the House.

7. Property, plant and equipment; lack of ownership documents

639. As previously reported, the leasehold land within which the institution is located valued at Kshs. 710,000,000 is not registered under Kenya School of Law. The ownership documents were in the name of Agricultural Finance Corporation (AFC).
640. In the circumstances, the interests of the school were not properly safeguarded.

Management Response

641. A Certificate of Title indicating the transfer of the property from Agricultural Finance Corporation to Kenya School of Law is available.

Committee Observations

642. The Committee observes that the matter had since been addressed as the title was now in the name of Kenya School of Law.

Committee Recommendation

643. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

8. Property, plant and equipment; property allocated to third parties

644. As previously reported, evidence available indicates that Plot No. LR 209/6238 measuring 0.3890 hectares along Bishops Road-Kilimani area has an institutional house (No.HG/613) which was reserved by the Government as the official residence of the School Principal. However, on 3 November 1997, a grant of lease was purportedly issued to a firm, whose directors include a former Principal of the School, by the Commissioner of Lands, vide allotment Ref. No. 34250. Thereafter, a title deed was issued and registered as Grant No. LR.74856. The property was later sold to another firm on 12 June 2002 at a consideration of Kshs. 50,000,000 who then charged it to a bank.
645. The matter was reported to the then Kenya Anti-Corruption Commission who on 26 January 2007 made an application to the High Court Order 56 of the Anti-Corruption and Economic Crimes, 2003. The Court ordered the preservation of the property and restrained the respondents from selling, disposing off, wasting or in any other way dealing with the property for six months. This matter has been pending before High Court in Nairobi under Miscellaneous Application No.42 of 2007 awaiting determination.
646. In view of the foregoing, the school risks losing the property to third parties.

Management Response

647. The current status is that after the land was reverted to The National Treasury and was later issued to the parent ministry of Kenya School of Law, the Office of the Attorney General, who have now taken possession of the land.

Committee Observations

648. The Committee observes that the matter had since been addressed as the title was in safe custody of the Office of the Attorney General.

Committee Recommendation

649. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

9. Irregular payment of meal allowances

650. The Statement of Financial Performance reflects administrative Costs of Kshs. 198,057,426. Included in the reported figure is Kshs.4,943,467 for training and development. During the audit it was observed that KSL employees were paid per diem allowance at quarter rate totalling Kshs. 356,825 for attending ERP training at CEMASTEIA and Cooperative college.

Management Response

651. As part of the implementation plan of the new ERP system, the coordinating department prepared a schedule of training for staff across the various departments and a request for approval of allowances. The allowances to the staff attending the training were paid according to the approved schedule.

Committee Observations

652. The Committee observes that the meal allowances paid to various staff was irregular since meals had already been paid for.

Committee Recommendation

653. The Committee recommends that the Attorney General reprimands the Accounting Officer and accounts staff who processed the payments, and further recommends that the accounting officer recovers the money from those paid, within three months of adoption of this report by the House, failure to which the Accounting Officer be surcharged the full amount of Kshs. 356,825 pursuant to Article 226(5) of the Constitution.

10. Non-compliance with the Public Procurement and Assets Disposal Act 2015

654. During the year, Kenya School of Law procured cleaning services vide quotation number KSL/059/2018-2019 for monthly rate of KShs 340,570 translating to KShs 4,086,840 for the year and conference facilities for KShs 2,199,084 both of which exceeded the maximum ceiling of KShs. 1,000,000 for use of quotations. This is contrary to Section 45(3)(b) of the Public Procurement and Asset Disposal Act, 2015 which provides that all procurement processes shall be undertaken by a procuring entity as per the threshold matrix prescribed.
655. Management was therefore in breach of the law.

Management Response

656. The Accounting Officer of a procuring entity shall issue prequalification documents to all candidates who request them and upon evaluation results, the suppliers will be updated in the list of suppliers. The procuring entity shall invite tenders from only the approved persons who have been prequalified. The contractor was prequalified with us during the period and this was in accordance with Section 95(3) which stipulates that a procuring entity shall invite tenders from only the approved persons who have been pre-qualified.
657. For purposes of getting value for money, it was a one-off procurement that the service is paid per month not annually. The amount kshs. 340,570.00 is payable to the service provider after satisfactory performance and the user verifies before processing payments. The procurement could therefore be terminated at any time if the performance was not satisfactory i.e. payment made on monthly basis. This was found to be an economical approach considering that the service was to be procured on a need basis and it was not possible to project the duration. The school was also trying to consider using a service provider as opposed to internal staff. This was our justification to use RFQ and not another method. However, going forward, we commit to use open tender for such procurement.
658. The school had organized for a team building venue and accommodation in Naivasha. To be able to meet our need which was very specific, we had to request for quotations from hotels within the region to ensure that we are all accommodated under one facility. At the

time of procurement, we did not anticipate the procurement shall surpass the threshold due to volatility in the market.

659. For National Open Tender it is open to all regions we cannot therefore have used it and specify that only hotels in Naivasha to participate. This would have been discriminatory.

660. It is customary for this market that all facilities required for such an activity are supplied by one and the same supplier on the basis of a team building exercise. In this regard, location is key in the procurement of accommodation facilities and it is impractical to subject the limited number of hotels in the region to a public tender.

Committee Observations

661. The Committee observes with concern that the Accounting Officer attempted to explain the brazen irregularity by submitting that the procurement was 'monthly not annually' despite rolling over the procurement automatically for months. The Committee also notes with concern the doubtful competence of the head of supply chain, as evidenced by the casual manner in which the procurement was done.

Committee Recommendation

662. The Committee recommends that the Attorney General reprimands and takes administrative and disciplinary action on the Accounting Officer and Head of Supply Chain, within three months of the adoption of this report by the House.

11. Employee costs

663. Section C.14 (1) of the Human Resource Policies and Procedures manual for the Public Service 2016, provides that acting allowance will not be payable to an officer for more than six (6) months. However, the reported costs of Kshs 209.46 million included an expenditure of Kshs. 1,197,575 being acting allowance paid to five employees who had served on acting appointments for more than six (6) months.

664. Management was therefore in breach of the Human Resource Policies and Procedures Manual for the Public Service.

Management Response

665. The School is guided by the Kenya School of Law Human resource policies and manual which states that:

- i. Appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment or resumption of duty by the substantive holder of the post. The appointment shall normally be limited to a continuous period of 6 months or until the vacant post is filled whichever is the earlier.
- ii. Recruitment was in progress by the time the six-month mark was reached and the officer continued to execute the duties until when the process was concluded and the position was substantively filled, at which point the allowance was stopped.

Committee Observations

666. The Committee observes that the Accounting Officer's assertion that the school's policies allowed for this was obviously irregular, as it could not supersede that of the public service.

Committee Recommendation

667. The Committee recommends that the Attorney General reprimands the Accounting Officer and that within a year of adoption of this report the Accounting Officer fully recovers the extra payments amounting to Kshs. 1,197,575 from those paid, failure to which the Attorney General should surcharge the Accounting officer.

12. Delayed construction project of an ultra-modern library and moot courts

668. As previously reported, the contract for construction of an ultra-modern library and moot courts was awarded to a Contractor at a cost of Kshs. 488,704,449 and commenced on 24 June 2013. The construction period was three years and was expected to be completed by September 2016. As at 30 June 2019, Kshs. 141,252,215 had been paid to the contractor. However, although construction was still on going as at the time of the audit in December 2019, management did not avail a report on the progress made towards completion of the project.
669. Consequently, it has not been possible to confirm that the School has obtained value for money from the expenditure of Kshs. 141,252,215 incurred on the project as at 30 June 2019.

Management Response

670. The project faced delays during the earlier years occasioned by lack of funding. The School was advised by the project manager from the Ministry of Transport, Infrastructure, Public Works, Housing and urban development to grant an extension to the contractor.
671. The project is now at a completion level of 93%.

Committee Observations

672. The Committee visited and ascertain the current completion status.

Committee Recommendation

673. The Committee recommends that the Auditor General ascertains completion in the subsequent audit.

3.10.2 Audited Financial Statements for Financial Year 2019/20

1. Prior year adjustment

674. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

2. Accounts receivables and pre-payments

675. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

3. Budgetary control and performance

676. The statement of Financial Comparison of Budget and Actual reflects final revenue budget and actual revenue on comparable basis of Kshs. 591,371,600 and Kshs. 550,612,647 respectively resulting in an under-collection of Kshs. 40,758,953. Similarly, the School spent Kshs. 540,543,932 against an approved budget of Kshs. 473,780,000, resulting to an over-expenditure of Kshs. 66,763,932 or 14% of the budget. Management attributed the shortfall in revenue collection to challenging business environment brought

about by the Covid-19 pandemic. The underfunding affected the planned activities and may have impacted on service delivery to the public.

Management Response

677. The performance in the FY 2019/2020 was below the budgeted levels and as indicated, the School was to big extent affected by the Covid-19 pandemic, particularly in the areas of hospitality and CPD training and consultancies. The over-expenditure was attributed to depreciation.

678. The trend has however changed and the areas have seen a rise in the levels of activity.

Committee Observations

679. The Committee was satisfied with the management response.

Committee Recommendation

680. The Committee recommends that the matter be closed.

4. Property without title deed

681. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

5. Unremitted tax deductions

682. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

6. Delayed construction project of an ultra-modern library and moot courts

683. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

3.10.3 Audited Financial Statements for Financial Year 2020/21

1. Unsupported accounts receivables

684. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

2. Reconciliation of revenue from exchange transactions

685. The statement of financial performance reflects revenue from non-exchange transactions balance of Kshs.195,027,462 and revenue from exchange transactions of Kshs.294,588,412, all totalling Kshs.489,615,874. However, the financial statements of the State Law Office and Department of Justice reflects an amount of Kshs.484,446,695 in respect of transfer to Kenya School of Law, resulting in an unreconciled variance of Kshs.5,169,179.

686. In the circumstances, the accuracy and completeness of the revenue totaling Kshs.489,615,874 could not be confirmed.

Management Response

687. The transfers from other government entities amounted to Ksh 195,027,462 as can be evidenced by the AIE receipts that were provided during the audit exercise. This is the figure that should be recorded by State Law office and Department of Justice as transfer

to Kenya School of Law. The A-I-A amounted to Ksh 294,588,412 giving a total of Ksh 489,615,874.

688. The financial statements at the State Law Office and Department of Justice was an initial reflecting an amount of of Ksh. 484,446,695 was the initial draft before the audit.

Committee Observations

689. The Committee observes that the State Law Office and the Department of Justice was indeed the parent agency of the school and there was no reason for them to fail to reconcile their figures.

Committee Recommendation

690. The Committee recommends that the Accounting Officer and the State Law Office reconcile these figures within a month of adoption of this report and submit the documentation to the Auditor General for audit verification and reporting in the subsequent audit.

3. Omissions of property, plant and equipment

691. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

4. Irregular expenditure on land rent

692. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

5. Budgetary control and performance

693. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

6. Delayed completion of contract

694. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

7. Irregular procurement of assets

695. The Review of the procurements documents revealed an amount of Kshs.17,197,261 was spent on the acquisition of office equipment, computer equipment, library books, furniture and fittings procured through use of quotations. However, tender evaluation committee minutes in support of procurement of these items were not signed and initialed on each page by each member of the Committee contrary to Section 80(7) of the Public Procurement and Asset Disposal Act, 2015 which states that the evaluation report shall be signed by each member of evaluation committee.

696. Further, the school procured ten (10) sets of Ipads for a total amount of Kshs.957,255. However, the framework agreement provided to support the procurement was signed on 30 November, 2018 which had expired as at the time of procurement. This is contrary to Section 114(2) of the Public Procurement and Asset Disposal Act, 2015 which provides for a maximum term of three years for the framework agreement.

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

Management Response

698. The tender evaluation committee minutes were signed by each member but had not been initialized on each page. This was an oversight and caution has been taken to ensure the subsequent minutes are initialized by all the members on each page.
699. The iPads were purchased under framework contract no. MOICT/012/2018. This contract was renewed and the iPad were purchased within the period under renewal.
700. The renewal of the framework contract was updated in the Ministry of Information, Communication and Technology website and a printout of the update was available.

Committee Observations

701. The Committee observes that the matter had since been addressed as the title was in safe custody of the Office of the Attorney General.

Committee Recommendation

702. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

8. Irregular board of directors committee membership

703. During the year under review examination of records revealed that three board members sat in three (3) committees contrary to the provisions of Circular Ref. OP/CAB.9/1A dated 11 March, 2020 - part B (4) which states that a Board member can only sit in a maximum of two committees.
704. In the circumstances, the Board was in breach of the law.

Management Response

705. The committees were duly reconstituted and SCAC concurred with the current constitution of the committees through a letter Ref No. OP/SCAC.11/69 dated 28th September 2022.

Committee Observations

706. The Committee observes that the matter had since been addressed as requisite support documents were provided.

Committee Recommendation

707. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

9. Unauthorized expenditure

708. The statement of comparison of budget and actual amounts reflects final capital expenditure budget and actual on comparable basis of Kshs.33,000,000 and Kshs.47,455,399 respectively resulting in an over-expenditure of Kshs.14,455,399 or 44% of the budgeted amount. Management did not provide evidence of the Board's approval for the excess expenditure.

Management Response

709. The over expenditure here relates to the ongoing construction of the library. Payment is made upon presentation of certificates of payment by the contractor. The funds received for capital development from GOK are therefore not always fully used within the financial year. Equally, certificates of payment that are presented do not necessarily amount to the funds allocated within a particular year. In this case, the certificates presented for payment amounted to more than the allocation for the year, but on the other hand, the previous year's allocation had not been exhausted and this is what was used to pay for the certificates that were presented.

Committee Observations

710. The Committee observes that management was in breach of the law by casually rolling over balances from previous financial years without Treasury approval.

Committee Recommendation

711. The Committee reprimands the Accounting Officer and the Head of Finance and urges them to familiarize themselves with provisions of the PFM Act 2012 and section 13 of the Public Audit Act.

3.11 KAREN TECHNICAL TRAINING INSTITUTE FOR THE DEAF (KTTID)

712. Mrs. Tecla Chemobo, Principal and Accounting Officer, accompanied by;

- i) Mr. George Gachanja - Member, Board of Governance
- ii) Mr. Wilfred Kimathi - Finance Officer
- iii) Mr. Amos Naibei - Security Officer

Appeared before the Committee to adduce evidence on the audited accounts of KTTID, on 24th April 2023.

3.11.1 Audited Financial Statements for Financial Year 2018/19

1. Unconfirmed comparative balances

713. The financial statements for the year ended 30 June, 2019 reflect unconfirmed comparative balances brought forward from previous years of total assets of Kshs.33,953,675 and accumulated surplus of Kshs.33,953,675 as at 30 June, 2018 whose audited reports on the financial statements were not availed for audit review.

714. Consequently, the completeness, validity and correctness of the comparative balances could not be confirmed.

Management Response

715. It is true the financial statements did have unconfirmed comparative balances brought forward from previous years. However, it is important to note that for financial year 2017/2018 and other earlier years, the Institute used cash basis of accounting and was being audited by the Director of Schools Audit Services under the Ministry of Education. Audit Report for the financial year 2017/2018 is attached for your confirmation. The Institute was directed to prepare financial statements using the new format under IPSAS Accrual in June 2019 which became the very first financial statements to be audited by the Auditor General.

Committee Observations

716. The Committee observes that the response by management was satisfactory.

Committee Recommendation

717. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

2. Undisclosed property, plant and equipment

718. The statement of financial position and as disclosed under Note 17(a) to the financial statements reflects nil balance under property, plant and equipment. However, excluded in these financial statements is undetermined value of land measuring forty (40) acres on which the Institute's Headquarters is built. To date the Institute's land is not defined with an exterior boundary or barrier and has been encroached upon by informal settlers. In addition, the nil balance also excludes the value of motor vehicles, furniture and fittings, buildings, work in progress, biological assets and loose tools.

719. Consequently, the completeness, validity and correctness of property, plant and equipment of nil balance as at 30 June, 2019 could not be confirmed.

Management Response

720. It is true that property, plant and equipment were disclosed in the financial statements for the financial year 2018/2019 with nil values. However, the Institute maintains a comprehensive Register of assets with details of clear categorization per department which is available for review. I thought the detailed Institute assets catalogue was a better disclosure, hence the omission.

721. In view of the importance of disclosure of property, plant and equipment in the financial statements, the school has commenced the exercise of updating the assets register with cost values, date acquired, residual value and current status of the assets among other details for ease of transfer to the financial statements. Further, the school repeatedly requested for funds for valuation of the assets to determine their correct estimated market values but no funds had been allocated for the item.

722. The Institute land has been encroached and is at risk of further encroachment. Several reports have been made to police and written to the Principal Secretary for State Department for Vocational and Technical Training requesting for funds to construct a perimeter wall and to sought assistance to evict the encroachers. The funds and assistance to evict the encroachers are yet to be received.

Committee Observations

723. The Committee observes that the Institute was grossly underfunded and was unable to meet basic requirements cited included valuation of assets and securing the school's land. They relied solely on fees paid by sponsors of the mainly destitute children for operations. Having been founded in 1990, the Institute's capacity of 160 students was now overstretched with an enrolment of over 1500 students.

Committee Recommendation

724. The Committee recommends that Treasury and the State Department for Vocational and Technical Training prioritizes valuation of the school's assets and security of its land by

constructing a perimeter wall, in the next financial year. Moreover, the Committee recommends that the Inspector General of Police evicts illegal encroachers on the school's property, within one month of adoption of this report.

3. Budget control and performance

725. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.124,095,000 and Kshs.95,078,505 respectively resulting to under-funding of Kshs.29,015,849 or 23% of the budget. Similarly, the institute expended Kshs.95,841,120 against an approved budget of Kshs.124,095,000 resulting to an under-expenditure of Kshs.12,418,758 or 10% of the budget. The underfunding and underperformance affected the planned and may have impacted negatively on service delivery to the stakeholders and the public.

Management Response

726. The under-absorption of Budgeted Incomes and Expenditures were mainly due to non-realization of budgeted incomes during the FY 2018/2019.

Committee Observations

727. The Committee reiterates its observation above that the Institute was grossly underfunded, leading to poor budgetary performance.

Committee Recommendation

728. The Committee reiterates its recommendation that Treasury and the State Department of Vocational and Technical Training in the Ministry of Education as a priority, enhances budgetary allocations to support key activities of the Institute.

3.11.2 Audited Financial Statements for Financial Year 2019/20

1. Property, plant and equipment

729. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

3.11.3 Audited Financial Statements for Financial Year 2020/21

1. Unconfirmed property, plant and equipment balance

730. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

4. Budgetary control and performance

731. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

5. Lack of internal audit function and audit committee

732. Review of records provided for audit revealed that the Institute did not have an Internal Audit Function and an Audit Committee contrary to Section 73(5) of the Public Finance Management Act, 2012 which requires every national government entity to establish an Audit Committee.
733. In the circumstances, the institute remains susceptible to risks.

Management Response

734. During the FY 2020/2021 the Board did not have an Internal Audit Committee; however, this has subsequently been implemented in the F/Y 2021/2022 and an Audit Committee composed of 5 Members from the Board and the Management are included.
735. On recruitment of an Internal Auditor, the Institute was not able to employ an Internal Auditor due to inadequate/insufficient funding. Management has however written to the PS; State Department of Vocational & Technical Training Vide Letter dated 7th December 2021 (REF: KTTID/MoE/VOL.11/718/2021) requesting for enhanced funding through recurrent grant to enable the institute to employ an internal auditor.

Committee Observations

736. The Committee reiterates its observation from the previous financial year that the Institute was grossly underfunded, leading to its inability to hire an internal auditor.

Committee Recommendation

737. The Committee reiterates its recommendation that Treasury and the State Department sufficiently provides for the school's operations in the subsequent financial year, including seconding an internal auditor to the institute in the interim.

6. Failure to automate operations

738. Review of the Institutes operation revealed that the Institute had not automated its operations. The recording of transactions such as revenue receipts, calculation of students' fees balances, procurement-related entries, personnel-related entries, accounting records and processing of payments are done manually. In the absence of automation, monitoring of fees receipts and determination of fees balances, real time confirmation of fee deposits by students, back-ups and disaster recovery plans may not be achieved.
739. In the circumstances, the operations of the Institute are prone to errors and fraud and may lead to inaccurate records and loss of public funds.

Management Response

740. It is true the Institute has not automated its operations. However, due to inadequate funding the Institute administration has not been able to automate the operations of the Institute. The item on automation was included in the Approved Annual Budget of FY 2020/2021 under Item No. 21 as well as in the Approved Budget for FY 2021/2022. The Principal wrote to the PS, State Department of Vocational & Technical Training Vide letter dated 7th December 2021 (REF: KTTID/MoE/VOL. 11/718/2021) requesting for enhanced budgetary allocation to enable transform facilities and purchase of new and relevant equipment for training. However, the item was not funded.

Committee Observations

741. The Committee reiterates its observation from the previous financial year that the Institute was grossly underfunded, leading to its inability to automate operations.

Committee Recommendation

742. The Committee reiterates its recommendation that Treasury and the State Department sufficiently provides adequate financial resources for the school's operations in the subsequent financial year.

3.12 THE TECHNICAL UNIVERSITY OF KENYA (TUK)

743. Prof. Francis Aduol, Vice-Chancellor and Accounting Officer, accompanied by;
- i) Mr. Kihoro Magu - Director Human Resource
 - ii) Mr. Ben Sanda - Chief Finance Officer
 - iii) Ms. Ruth Kirwa - Chief Legal Officer
- appeared before the Committee to adduce evidence on the audited accounts of TUK, on 26th April 2023 and 4th May 2023.

3.12.1 Audited Financial Statements for Financial Year 2018/19

1. **Going concern uncertainty**

744. The University recorded a deficit of Kshs.685,657,193 (2018: Kshs.835,034,947) thereby reducing revenue reserves from negative Kshs. 2,410,709,305 as at 30 June, 2018 to negative Kshs.3,096,366,498 as at 30 June, 2019. Further, the current liabilities of Kshs.3,651,682,442 exceeded the current assets of Kshs.985,267,111 resulting to a negative working capital of Kshs.2,666,415,331.
745. The University was therefore unable to meet its financial obligations as and when they fell due. In particular, the University was unable to remit other payroll deductions, insurance premium deductions, bank loan deductions, SACCO deductions and other statutory obligations of Kshs.171,542,521, Kshs.6,023,111, Kshs.24,155,338, Kshs.68,539,255 and Kshs.1,319,419,039 respectively all totalling to Kshs.1,589,679,264. The University also failed to pay audit fees totaling Kshs.5,868,000 for six (6) financial years from 2012/2013 to 2017/2018. The University's financial statements have therefore been prepared on a going concern basis on the assumption of continued financial support from the National Government, bankers and creditors.

Management Response

746. The University has been under-capitalized over the years it has been in existence as a University College and subsequently a fully-fledged University despite the resilient efforts by Council and the Management.
747. The accumulated deficit over years for the university has been on the rise. It is worth mentioning that there has always been a big variance between the proposed budget and approved budget over the years. The Appropriation-in-Aid (A-in-A) has not been able to cover the annual deficit experienced by the University. The increase in the total revenue has not been commensurate with increase in the total expenditure especially during this period characterized by tremendous growth in establishment of the various degree programmes and the accompanying infrastructures for teaching, learning and research.
748. Collectively, this adverse financial disposition has negatively impacted on our liquidity resulting to these unremitted deductions. The University has on several occasions written to the parent Ministry and the Treasury appealing for additional financial support and indeed it is very optimistic that its annual capitation would be enhanced to enable the University meet its obligations as and when they fall due.

Committee Observations

749. The Committee observes that under funding of the university was a matter that was cross-cutting in universities. Capitation provided was inadequate and the universities had

limited diversification options. The Committee notes that there were efforts to review capitation provided to universities through a presidential working party.

Committee Recommendation

750. The Committee recommends that as the Ministry of Education leads efforts towards review of capitation through the Differentiated Unit Cost (DUC) model, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

2. Unsupported and long outstanding receivables

751. As disclosed in Note 10 to the financial statements, the statement of financial position reflects a balance of Kshs.905,080,493 under trade and other receivables. However, the balance included Kshs.104,350, Kshs.500,000 and Kshs.562,501 being deposits to suppliers, Nyayo Vehicle Project and dishonored cheques respectively which have been outstanding for a long period of time and whose supporting analysis ledgers and documents were not provided for audit review.
752. In the circumstances, recoverability of the long outstanding trade and other receivables of Kshs.1,166,851 is in doubt.

Management Response

753. Deposits to suppliers totalling Kshs 104,350.00, Nyayo vehicle Project Kshs 500,000.00 and dishonoured cheques Kshs 562,501.00 were inherited from the books of the defunct Kenya Polytechnic only afterwards to realise that they had no supporting documentation. The provision of these debts has become extremely doubtful to realize and is yet to be deliberated by the University Council for possibility of being written off as bad debts.

Committee Observations

754. The Committee observes that some of the debtors are no longer in existence as per records at the registrar of companies. The debts were long outstanding and recoverability was highly unlikely.

Committee Recommendation

755. The Committee recommends that university council writes-off the long outstanding debts as per laid down procedure, within two months of adoption of this report.

3. Land without ownership documents and capitalized expenditure

756. As previously reported, the property plant and equipment balance of Kshs.5,583,865,251 includes four (4) parcels of land owned by the University with an estimated total value of Kshs.3,068,000,000 and which were registered in the name of the defunct Kenya Polytechnic. Further, and as similarly reported in 2017/2018, the work-in-progress balance of Kshs.1,069,095,555 includes an expenditure of Kshs.1,542,800 in respect of consultancy services on Human Immunodeficiency Virus (HIV) which was capitalized contrary to Paragraph 13 of International Public Sector Accounting Standards No.17-Property, Plant and Equipment which defines property, plant and equipment as tangible assets held for use in the production or supply of goods or services.
757. In the circumstances, it has not been possible to confirm the accuracy, completeness and ownership status of the property, plant and equipment balance of Kshs.5,583,865,251.

Management Response

758. TUK came into existence upon the award of Charter on 15th January, 2013 to the précis Kenya Polytechnic University College. On the other hand, the then Kenya Polytechnic University College was created by the Legal Order No. 159 of 2007 as a Constituent College of the University of Nairobi. In the both cases, to cater for the transition period and the envisaged new mandate of a University and University College. The legal order provided for all rights, liabilities and assets held by anybody on behalf of the Kenya Polytechnic, existing at the commencement of the order to be automatically and fully transferred to the university college. All the parcel of land belonging to the defunct Kenya Polytechnic was automatically transferred to the University. The delay in changing the title deed in our name has been due to various transition the university has gone through from Kenya Polytechnic to Technical University of Kenya at each stage changing its KRA PIN number used for registration.
759. The University was in the process of registering the land, but then realized that there was encroachment on the University land. The matter was reported to the CID and anti-corruption and the survey of Kenya and the University Council. The university shall continue with the process of registration of the land in the name of the Technical University of Kenya.
760. The university has agreed with the Auditors to reverse the expenditure of KES 1,542,800 in respect of consultancy services on HIV.

Committee Observations

761. The Committee observes that the University has not been able to process the new title under its name due to among others, attempts to excise part of its land LR No. 209/8726 by a private developer. Moreover, the University lost a portion of its land to the expressway, with no compensation. The National Land Commission and the Attorney General have opined that the land was not due for compensation unless it was 'purchased and developed' by the University; a strange position considering all government institutions never 'purchased' their land since independence, and some have been compensated.
762. The matter on capitalized expenditure had since been resolved to the satisfaction of auditors.

Committee Recommendation

763. The Committee recommends that the National Land Commission and the Ministry of Lands immediately expunges from official records/ reverses the attempted sub-division of LR. 209/8726, and within six months of adoption of this report, avails a title deed in favour of the University, for the entirety of the parcel. The Committee further recommends that within three months of adoption of this report by the House, the NLC submits to the National Assembly a list of all beneficiaries of compensation of land obtained for the construction of the express-way, and the rationale for each compensation.

4. Unsupported trade and other payables

764. As previously reported, included in the trade and other payables balance of Kshs.3,651,682,442 as at 30 June, 2019, are payables totalling Kshs.346,758,826 as listed below whose supporting documents were not provided for audit review:

Description	Amount (Kshs.)
Contractors and General Creditors	134,189,361
Provision for NCC - Land Rates	3,221,572
UON Salary Reimbursement	16,818,189
Third Party Funds	191,450,619
Insurance Premium Documents	1,079,085
Total	346,758,826

765. In the circumstances, the accuracy and completeness of trade and other payables amounting to Kshs.346,758,826 could not be confirmed.

Management Response

766. The supporting documents including schedules per each category of the other payables are available and may be verified by the auditors.

Committee Observations

767. The Committee observes that the matter was now settled as management had availed requisite supportive documentation.

Committee Recommendation

768. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

5. Unsupported cash and cash equivalents

769. The statement of financial position reflects cash and cash equivalents balance of Kshs.71,961,537 which, as disclosed in Note 9(a) to the financial statements, includes amounts of Kshs.729,614, Kshs.105,738, Kshs.300,000 and Kshs.534,648 held in Students' Deposit Savings, Needy Students, Fixed Deposit and Hostel Fund bank accounts respectively. However, and as previously reported, cashbooks and bank reconciliation statements for the accounts were not provided for audit verification.

Management Response

770. Student deposit savings fund, Needy students fund and Fixed deposit accounts were inherited from the defunct Kenya Polytechnic. The Management has been following up with the Kenya Commercial Bank to get more information on these accounts which went dormant and shall consider resuscitating them.

Committee Observations

771. The Committee observes that the matter had taken inordinately long to conclude. It was worrying that the university was unaware if the balances cited in the statements of financial position were held by the bank, the latter of who had informed the university that they could not 'trace' those accounts.

Committee Recommendation

772. The Committee recommends that the Accounting Officer obtains bank statements for the three accounts from the bank within one month of adoption of this report by the House. Further, should the bank fail to avail the statements within the said month, Treasury should not approve any account opening at the bank by any public entity, until this is complied with.
773. Finally, should the accounts be established to have held the amounts cited as at the time of them going dormant, the Committee recommends that the bank transfers the amounts to operational accounts of TUK, including interest due from the time of dormancy, at the banks then prevailing interest rates.

3.12.2 Audited Financial Statements for Financial Year 2019/20

1. Going concern uncertainty

774. The Committee observes that the matter recurred from the previous financial year, and reiterates its recommendation on the same.

6. Unsupported cash and cash equivalents balance

775. The Committee observes that the matter recurred from the previous financial year, and reiterates its recommendation on the same.

7. Unsupported payments to employees on leave of absence and study leave

776. The statement of financial performance reflects an expenditure of Kshs.2,718,431,817 under employees' costs which includes an amount of Kshs.11,782,265 paid irregularly to two (2) employees. The employees continued to draw monthly salaries and other benefits in full during the entire period they were on unpaid leave. Further, the expenditure of Kshs.2,718,431,817 on employees' costs also includes an amount of Kshs.5,499,612 paid irregularly to fourteen (14) employees of the University who were on full salary, house allowance and commuter allowance while on Study leave outside the country on varying dates. This is contrary to Sub-Section 6.1d of Human Resource Manual which stipulates the amount to be paid as 80% of the basic salary for those studying outside the country.
777. In the circumstances, the accuracy and propriety of expenditure of Kshs.17,281,877 incurred under employees' costs could not be confirmed.

Management Response

778. Employee of P/No.AC0449 who was granted leave of absence for a period of three years, from June 2015 to May 2018 but erroneously continued to draw salary. Once this was discovered, a demand letter was written to the officer to refund the amounts erroneously paid to him while on leave of absence. The Officer has since paid a total of KES 2,470,000 the latest instalment being KES 120,000 paid on 4th April 2023.

779. On the other hand, employee of P/No.AC0327 was on leave for post-doctoral fellowship. However, when she failed to return on expiry of the leave, her salary was stopped. In addition, a disciplinary process was instituted in view of her unauthorized absence to date. The university is following up the matter to ensure that she pays back the amounts erroneously paid to her.
780. Recovery of the 20% of the basic salary for employees of the University who were erroneously put on full salary while on study leave outside the country instead of the 80% of the basic salary is ongoing.

Committee Observations

781. The Committee observes that payroll management was lax and susceptible to errors of omission and commission, including potential for fraud. The human resource function and the finance department are wholly liable for irregular payments to staff without following the law.

Committee Recommendation

782. The Committee recommends that the Accounting Officer recovers all sums paid irregularly from the employees, whether still in employment or without, within six months of adoption of this report by the House. Failure to which those responsible for processing of the payments be surcharged, subject to Article 226(5) of the Constitution.

8. Non-compliance with one third rule on salary deductions

783. Analysis of the University payroll data for the year ended 30 June, 2020 revealed that sixty (60) and forty-five (45) employees had payroll deductions in excess of two thirds of their gross pay in the month of July, 2019 and June, 2020 respectively, with twelve (12) employees having zero net pays and eighteen (18) staff members receiving less than a third of the basic throughout the financial year. This is contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.
784. In the circumstance, the University was in breach of the law.

Management Response

785. The university has since instituted strict measures to ensure that the “a third of the basic rule” is strictly adhered to. However, majority of the staff who were deducted beyond a third of their basic salary were those who failed to surrender imprests on time prompting the University to recover the imprests from their salaries as also required by law.

Committee Observations

786. The Committee observes that the matter had since been addressed to the satisfaction of auditors.

Committee Recommendation

787. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

9. Outstanding staff imprests

788. The statement of financial position reflects a balance of Kshs.825,978,522 under trade and other receivables which, as disclosed in Note 10 to the financial statements, includes staff imprest of Kshs.2,860,322 which was outstanding as at 30 June, 2020. This is contrary to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which requires a holder of a temporary imprest to account or surrender the imprest within 7 working days after returning to duty station.

789. Consequently, the University was in breach of the Regulations.

Management Response

790. The University has instituted strict adherence to the imprest surrender regulations which requires imprest to be surrendered within/ 7 working days of returning to the duty station or otherwise the full amount be recovered from the salary of the defaulting imprest holder if the officer fails to account for the amount on or before the due date. Currently, most of the non-research imprests have always been surrendered on time. However, most of the outstanding imprests relates to research activities which usually take time and, in some cases, cut across financial years.

Committee Observations

791. The Committee observed that matter had been satisfactorily responded to.

Committee Recommendation

792. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

3.12.3 Audited Financial Statements for Financial Year 2020/21

1. Unsupported staff promotion arrears

793. The statement of financial performance reflects Kshs.3,074,569,949 in respect to employee costs which includes Kshs.264,210,634 being staff promotion arrears paid during the year under review. However, Kshs.245,845,304 of the arrears was made outside the university payroll. Further, a review of the employees' personal files revealed that from a sample of 16 personal files physically verified in regards to arrears, 14 of them did not have payment change advice (PCA) in the files to support the arrears recalculation however, only 2 files had been supported.

794. In the circumstances, the propriety of the Kshs.264,210,634 could not be confirmed.

Management Response

795. The bulk of the salary arrears that were paid in the year under review were 2017-2021 Collective Bargaining Agreement (CBA) arrears amounting to KES 245,845,304 which were paid outside the payroll since they were paid before the end month as the

University Management was under pressure from the three sister national university unions to have the arrears paid immediately. On the other hand, Staff Promotion arrears were for staffs who are on staff development (graduate assistants and tutorial fellows) whose terms of engagements require that they be promoted to the next level upon successful completion of their studies. There was a delay in filing the Payment Change Advice in the respective personal files of the affected staffs which has since been done. The personal files are available for audit review.

Committee Observations

796. The Committee observed that the matter had satisfactorily been responded to.

Committee Recommendation

797. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

2. Unreconciled and undescribed statutory deductions

798. Included in the employees' costs totaling to Kshs.3,074,569,949 is Kshs.535,533,515 in respect to pay as you earn (PAYE) deductions for the period under audit. However, review of records provided for audit review revealed that only Kshs.130,013,238 was remitted to the Kenya Revenue Authority resulting to an un-reconciled variance of Kshs.405,520,277.

799. In the circumstances, the accuracy and existence of the Kshs.535,533,515 could not be confirmed.

Management Response

800. The university has been facing financial challenges and has not been able to meet all its financial obligations promptly in full as and when they fall due. However, the university has been making effort to service its debts including outstanding tax arrears whenever the cash flow permits as per the payment plans. There has also been a regular reconciliation of outstanding tax arrears with the Kenya Revenue Authority.

Committee Observations

801. The Committee observes that the matter was reminiscent of that of underfunding of the university. Capitation provided was inadequate and the university had limited diversification options. The Committee notes that there were efforts to review capitation provided to universities through a presidential working party.

Committee Recommendation

802. The Committee reiterates its recommendation that as the Ministry of Education leads efforts towards review of capitation through the Differentiated Unit Cost (DUC) model, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

3. Unsupported amount in note 6(a)

803. The statement of financial performance reflects employee cost of KES 3,074,569,949 and as disclosed in Note 6(a) to the financial statement. Included in this amount is KES 47,598,243 which has no description in the note to the financial statement.

Management Response

804. The university has been adopting changes in its reporting as per the Public Sector Accounting Standards Board templates. The template issued for the reporting year under reviewed required that Personnel Emoluments be reclassified in separate categories as per note 6 of the financial statement. However, description of gratuities figure amounting to KES 47,598,243 was erroneously omitted in the final printed copy of the financial statement. This figure had previously been supported and was not an issue in both the management letter and the draft report.

Committee Observations

805. The Committee observed that the matter had been responded to satisfactorily.

Committee Recommendation

806. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

4. Material uncertainty on sustainability of services

807. The Committee observes that the matter recurred from the previous financial year, and reiterates its recommendation on the same.

5. Cash and cash equivalents; unsupported balances

808. The Committee observes that the matter recurred from the previous financial year, and reiterates its recommendation on the same.

6. Unsupported debit transactions

809. The balance further includes Kshs.3,757,060 in respect to the production unit account number 1101631791. A review of the related cashbook revealed two debit transactions of Kshs.5,000,000 and Kshs.6,000,000 dated 21 January, 2021 and 23 June, 2021 respectively, which were indicated as 'error correction', however, the corresponding credit entries of the same were not disclosed. In addition, a debit entry through a journal transfer of Kshs.2,000,000 was posted on 3 June, 2021 however, approval was not provided for audit review.
810. Further, analysis of the cashbook revealed twenty-seven (27) transactions totalling Kshs.66,161,354.28 debited into the cashbook without supporting details such as to the source and purpose.
811. Review of the main account number 1109148135 totalling to Kshs.1,249,683 revealed 287 payment transactions which lacked unique numbers contrary to Regulation 104 of the Public Finance Management (National Government) Regulations, 2015, which requires that all payments should have pre-numbered payment vouchers.

812. In the circumstances, the accuracy, completeness and validity of the balance of Kshs.3,757,060 could not be confirmed.

Management Response

813. The university has its main account No.1109148135 at KCB designated for making payments. Funds are usually transferred from other accounts to the main account in readiness for payments. On 21/01/2021 the university did an inter-account transfer of KES 5M from KCB production unit account No.1101631686 to main account No. 1109148135 at KCB. However, The KES 5M was erroneously recorded in the cashbook as 6M but later reversed and described as error correction. On the other hand, the debit entry of KES 2M was correcting an erroneous credit done on 7th April 2021 on the same account.
814. Transactions totaling Kshs.66,161,354.28 debited into the cashbook comprises KES 65,750,000 being inter account transfers and direct debits while the balance of KES 394,369 were cumulated monthly student fines and fees reported in cashbook.
815. The university uses Sage Expressions system for accounting and maintains electronic cashbooks within the system. The 287 cashbook entries were summaries of split batches with several transactions each of which are well supported by pre-numbered payment voucher as required by Public Finance Management Regulations, 2015.

Committee Observations

816. The Committee observed that the matter had been responded to satisfactorily.

Committee Recommendation

817. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

7. Unsupported trade and other payables

818. The statement of financial position as at 30 June, 2021 reflects Kshs.4,674,256,467 in respect to trade and other payables as detailed in note 8, which includes Kshs.7,308,000, Kshs.112,668,904, Kshs.6,443,144, and Kshs.283,304,628 in respect to Auditor General, contractors and General creditors, provision for Nairobi City County land rates, and third party funds, however, the same had not been supported with the individual account statements and primary/source records including invoices, claim forms and approval documents. In addition, Kshs.1,675,799,902 in respect to statutory obligations had not been supported with accounting schedules and source documents.
819. In the circumstances, the accuracy, completeness and authenticity of the trade and other payables of Kshs.4,674,256,467 as at 30 June, 2021 could not be confirmed.

Management Response

820. All the payments vouchers are always supported with primary/source records including invoices, claim forms and approval documents. The documents have been retrieved and are available for audit verification. The relevant documentation in support of statutory obligations have also been retrieved and are available for audit verification.

Committee Observations

821. The Committee observed that the matter had been satisfactorily addressed.

Committee Recommendation

822. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

8. Unsupported property, plant and equipment- Work in progress

823. The Note 7 to the financial statements reflects a balance of Kshs.1,089,292,371 in respect to work in progress. However, supporting documents which includes the schedule of the works in progress by name, contract value, work valuation certificates issued, retention monies, interim certificates issued, contract agreements and the projects status reports were not provided for audit review. In the circumstances, accuracy and completeness of the balance of Kshs.1,089,292,371 could not be confirmed.

Management Response

824. The supporting documents in respect to works in progress, including interim certificates, contract agreements and the projects status reports are available for audit verification.

Committee Observations

825. The Committee observed that the matter had been responded to satisfactorily.

Committee Recommendation

826. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

9. Unsupported rental expenses

827. The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses as detailed in note 6(c). The amount includes Kshs.4,850,172 relating to land rates and rental expenses which included rental expenses totaling Kshs.858,000 made to the University of Nairobi for the residential home of the University Vice Chancellor. However, review of records provided revealed that the monthly rental payment was Kshs.66,000 totaling to Kshs.792,000, for twelve months. This resulted to excess payments of Kshs.66,000 which was neither supported nor explained.
828. Further, the Kshs.858,000 has not been supported by any acknowledgments from the University of Nairobi for receipt of the said rent payments.
829. In the circumstances, the accuracy and validity of the rental expenses totaling to Kshs.858,000 could not be confirmed.

Management Response

830. A monthly rental payment of Kshs. 66,000 was paid to University of Nairobi translating to annual payment of Kshs. 792,000. The one month's prepayment of KES 66,000 shall be adjusted from the outstanding balance due to University of Nairobi. Copies of some of the acknowledgment receipts of the payments done are available for audit review.

Committee Observations

831. The Committee observed that the matter had been addressed satisfactorily.

Committee Recommendation

832. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

10. Unsupported examination payment

833. Statement of financial performance reflects KES 260,622,216 in respect to general expenses as disclosed in note 6(c) to the financial statement. The amount includes Kshs.97,308,503 in respect to specialized teaching materials and supplies which further includes Kshs.8,300,000 paid as examination payments to staff members from finance, examinations and administration departments. However, the expenditure has not been supported with, work plan and schedule of duties.
834. In the circumstance, the accuracy, validity and regularity of the Kshs.8,300,000 expenditure could not be confirmed.

Management Response

835. The university departments/sections that were considered for examination payment/honoraria were those that were involved in preparations in readiness for examinations. These departments are normally forced to work for long hours including before and after normal working hours to in readiness for examinations. Finance has to ensure that all student statement balances are reconciled, and all late payments are receipted while examination section does examination reprographic work since exams cannot be prepared in advance. Other administrative sections are usually engaged in examination process management. As such, they are occasionally considered for an examination processing honorarium as a token of appreciation for the long hours and extra effort put towards to ensure successful exam process.

Committee Observations

836. The Committee observed that the matter had been addressed.

Committee Recommendation

837. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

11. Unsupported legal expenses

838. The statement of financial performance reflects Kshs.31,533,916 in respect to contracted services as disclosed in Note 6 (e) to the financial statements. The amount includes Kshs.959,000 paid to a local law firm for legal services. However, the payment was not supported with a copy of court judgement, evidence that the legal firm represented University, contract and a fee note on which the legal fees were based. Further, the law firm was not included in the list of prequalified firms for the financial year 2020/2021. In the circumstances, it was therefore not possible to confirm the validity of the amount of Kshs.959,000.

Management Response

839. There is an existing service level agreement for provision of legal services between Tongoi & Company advocates and the Technical University of Kenya which was

availed for audit review. The paid legal fees of Kshs 959,000 were determined and agreed upon in accordance to the advocates remuneration order.

Committee Observations

840. The Committee observed that the matter had been addressed satisfactorily.

Committee Recommendation

841. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

12. Unsupported allowances

842. The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses, as disclosed in Note 6(c) to the financial statements. The amount includes Kshs.97,308,503 in respect to specialized teaching materials and supplies which further includes Kshs.740,680 paid as lunch and mileage allowance to staff members for project supervision of construction of stalls at City Market in Parklands. Twenty-two (22) project staff were identified to supervise the fabrication of stalls on various dates between 24 August, 2020 and 9 September, 2020 (13 days). Twenty (20) staff were each paid lunch and mileage allowance for 15 days while one (1) staff member was paid lunch and mileage allowance for 30 days. However, management did not provide records of the specific dates the supervision was done and back to office reports. The approved days were Thirteen (13) while days paid for were fifteen (15) and thirty (30).

843. In the circumstances, the regularity of allowances of Kshs740,680 could not be confirmed.

Management Response

844. The fabrication of covid -19 compliant stalls was a collaborative initiative involving the Ministry of Infrastructure, Transport, Housing & Urban Development, Technical University of Kenya and Jua Kali Associations. TUK trained Jua Kali artisans and oversaw their actual participation in the stalls' fabrication. Three (3) Jua Kali Associations, each with 6 participating workshops, participated in the project. The fabrication took place in-situ at their respective workshops located at Ngong Road, Kamkunji and Kariobangi areas. Completed stalls were installed at City Park Market in Parklands.

845. Twenty-two project staff were identified to supervise fabrication of the stalls on various dates between 24th August 2020 and 9th September 2020 inclusive of 2 Saturdays as Jua Kali Workshops are open on Saturdays thus the 15 days.

846. One staff member who was erroneously missed out in the 1st phase payment of 15 days had his claims combined in the 2nd phase of 15 days payment making his total claim to be 30 days in total same as others but all paid out in the 2nd Phase payment.

Committee Observations

847. The Committee observed that the matter had been addressed satisfactorily.

Committee Recommendation

848. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

13. Unsupported security operations expenses

849. The statement of financial performance reflects an amount of Kshs.31,533,916 and as disclosed in Note 6 (e) in respect to contracted services. Included in the amount is Kshs.6,061,000 paid to police officers in respect of allowances for security services. However, the payments were not supported by authority, signed schedules, approved rates and attendance registers.
850. In the circumstances, the accuracy and propriety of the Kshs.6,061,000 could not be confirmed.

Management Response

851. After al-Shabab, stormed the Garissa University College in Garissa in 2015, killing 148 students and injuring more than 79 people, the University got an intelligence brief of possible similar attacks in Nairobi and was advised to be vigilant as the University had been zoned out to be one of the targeted areas. The university hence took an initiative to be involving the police in provision of security services within the university premises. Some of the schedules of payments are attached for audit verification.

Committee Observations

852. The Committee observed that the matter had since been addressed.

Committee Recommendation

853. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

14. Unsupported and long outstanding receivables

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

15. Inaccuracies in the provision for bad debts

855. The statement of financial position reflects trade and other receivables of KES 1,073,200,754 as disclosed on Note 10 to the financial statement. Included in the balance is Kshs.119,244,528 in respect of provision for bad debts at 10% of the gross receivables of Kshs.1,192,445,283. However, in the calculation of the provision the balances of outstanding staff imprests and salary advances totalling to kshs.6,323,894 and 3,483,464 respectively were included resulting to over provision of bad debts. Further, no approved policy on provision for bad debts has been availed for audit review.
856. In the circumstances, the accuracy of the Kshs.1,073,200,754 in respect to trade and other receivables could not be confirmed.

Management Response

857. It has been the practice of the Technical University of Kenya to include balances of outstanding staff imprests and salary advances in the computation of provision for bad debts. This has also been disclosed under note 10 of the financial statement. However, from the advice from the officials of the office of the Auditor General, we have since adopted exclusion of outstanding staff imprests and salary advances in the computation of provision of bad debts in the subsequent financial years.

Committee Observations

858. The Committee observed that the matter had since been addressed.

Committee Recommendation

859. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

16. Failure to invoice active students

860. A review of documents provided revealed that one hundred and twenty-four (124) students were in session however, they had not been invoiced contrary to Section 2 of the Technical University Charter, statute no. XLIV on fees which provides that all fees and other charges due shall be paid at the commencement of the semester and not later than the third week of the semester. No student shall be allowed into lectures; examination rooms or participates in activities which have not been fully paid for, except with approval of the University Management Board. In addition, five thousand, four hundred and twenty (5,420) students who were inactive had been invoiced a total of Kshs.263,740,681.
861. In the circumstances, the completeness and accuracy of the amount totalling to Kshs. 518,374,890 in respect to rendering of services could not be confirmed.

Management Response

862. One hundred and twenty-four students who were active but not invoiced are students who had returned to repeat failed units. After repeating, the students had to mark time waiting for the next available class to join. During the waiting time, no services were being rendered to them and therefore no charges.
863. Five thousand four hundred and twenty students who appeared inactive were those who had completed the final examination in September the previous year and proceeded to external attachment but could not be assessed in time for graduation in December. They had to wait for the next December to graduate. In the meantime, the inactive students were charged graduation fees. However, the students had also not cleared their previously charged tuition fees and therefore the total balances (previous tuition together with graduation fees) were Kshs 263,740,681.
864. The figure of Kshs 518,374,890 reported for rendering services was for the services rendered to active students during the financial year under consideration.

Committee Observations

865. The Committee observed that the matter had since been addressed.

Committee Recommendation

866. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

17. Inconsistency in issue of receipts

867. Analysis of the receipts maintained in the University's financial management system indicated that there were receipts generated without a proper sequence of unique receipt numbers all amounting to Kshs.383,770,181.50. Further analysis of the receipt revealed that some of the receipt numbers were duplicated.
868. In the circumstances, the completeness and accuracy of the Kshs.433,325,436 in respect to rendering of services could not be confirmed.

Management Response

869. The Sage Expressions system which is being used for receipting sometimes repeats the receipt serial numbers but skips the next serial number in very rare cases only when there is power instability/interruption. Whenever a receipt number is duplicated, it is usually cancelled and reissued. However, the University is currently piloting a new system "TuSoft system" that will be fully used for receipting. This system doesn't allow duplication of receipts numbers even with power instability/interruptions.

Committee Observations

870. The Committee observed that the matter had since been addressed.

Committee Recommendation

871. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

18. Doubtful recovery of outstanding balances

872. The statement of financial position reflects KES 1,073,200,754 in respect to trade and other receivables which includes KES 1,181,471,074 in respect to outstanding students' fees. However, a comparison of invoices with the graduation list revealed that there were 828 students who had graduated with outstanding balances totalling to Kshs.10,728,677.00 contrary to Section 3; (iv) of the Technical University Charter, statute no. XXXVII on Award of Degrees, which provide that no student shall be awarded the bachelor's degree unless: the student shall have paid such fees to the University as may be determined by the Council.
873. In the circumstances, the recoverability of the Kshs.10,728,677 is doubtful.

Management Response

874. Sometimes there are delays in fees payments especially by those students who are being sponsored by various charity organizations as well as those relying on Constituency Development Fund bursaries among others. However, the University withholds certificates for those who have graduated with fees balances and only releases the certificates upon full clearance of the outstanding fees. The university is also considering other means of recovering the outstanding fees from the graduates with is

not limited to appointing a debt recovery agent and liaison with other government agencies in order to recover the debts.

Committee Observations

875. The Committee observes that the university did not enforce debt collection methods other than withholding certificates.

Committee Recommendation

876. The Committee recommends that the university produces a fee debt management and collection policy, within three months of adoption of this report.

19. Irregular charge of rental expenditure

877. The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses which as disclosed in note 6(c) to the financial statement. The amount includes Kshs.4,850,172 relating to land rates and rental expenses of which Kshs.487,049 is legal charges arising out of non-payment of rent. The expenditure was charged under land rates and rental expenses. However, there were no budgetary provisions for legal penalties under this expenditure item. This is contrary to section 44 (2)(a) of the Public Procurement and Assets Disposal Act 2015 which provides that an Accounting Officer shall ensure that procurements of goods, works and services of the public entity are within approved budget of that entity. In the circumstances, the University is in breach of the law.

Management Response

878. In most cases, University has not been able to immediately fully settle its financial obligations as and when they fall due. This is because of the financial constraints it has been facing occasioned by inadequate funds. The legal charges were paid together with the rent demanded by the landlord and was charged rental expenses budget line since the penalties and legal charges was in regard to collection of rent. The university has since moved out of the premises and terminated the rental contract.

Committee Observations

879. The Committee observed that the matter had since been addressed to satisfaction.

Committee Recommendation

880. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

20. Irregular procurement of telephone and airtime expenses

881. The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses, as disclosed in Note 6(c) to the financial statements which includes an amount of Kshs 21,971,573 in respect of communication, supplies and services. A review of documents revealed that the management procured airtime totalling to Kshs.1,788,813 and mobile phones at a cost of Kshs.251,500 through direct procurement using imprests. This is contrary to Section 103(2)(a) of the Public Procurement and Asset Disposal Act,2015 which provides that a procuring entity may use direct procurement if goods, works or services are available only from a particular

supplier or contractor or a particular supplier or contractor has exclusive rights in respect of the goods, works or services and no reasonable alternative or substitute exists

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

Management Response

883. The university issues airtime credits to head of departments/units and other users in essential areas for effective communication. The terms of service for the Top Management provides for mobile phone handset for the office bearers to ease communication and facilitate for the robust use of modern form of communication. The University has been facing acute financial challenges caused mainly by underfunding. This has resulted in delay of payment to our suppliers who often insist on payment before delivery. The items were procured using imprest to avoid making payments for essential items before the items are delivered. The management shall ensure that it adheres to the requirements as per the Public Procurement and Asset Disposal Act, 2015 when procuring such items.

Committee Observations

884. The Committee observes that the university issued imprests for purchase of airtime and handsets to individuals, rather than directly engaging with mobile service providers that the senior staff already use.

Committee Recommendation

885. The Committee recommends that the Accounting Officer henceforth directly pays telephone allowances due to entitled staff, through the payroll.

21. Non-remittance of statutory payments and other staff deductions

886. The Committee observes that the matter was recurring from previous financial years and reiterates its recommendations.

22. Direct procurement of goods and services

887. The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses as disclosed in note 6(c) to the financial statements, which includes an amount of Kshs.16,315,963 spent on procurement of goods and services through direct cash purchases by members of staff issued with imprests to facilitate the purchases. The goods and services were not inspected, contrary to Section 48 of the Public Procurement and Asset Disposal Act, 2015 and were not taken in charge in the stores.

888. In the circumstances, the propriety, occurrence and authenticity of the Kshs.16,315,963 has not been confirmed.

Management Response

889. The University has been facing acute financial challenges caused mainly by underfunding. This has resulted in delay of payment to our suppliers who often insist on payment before delivery. The items were procured using imprest to avoid making payments for essential items before the items are delivered. The bulk of the purchases were made for the donor financed research projects with strict timelines, highly perishable laboratory reagents for exams, procurement in the field for research projects and low value goods as per the PPDA Matrix. The university shall ensure that it adheres to the Public Procurement and Asset Disposal Act, 2015.

Committee Observations

890. The Committee observes that despite varied field research requirements and the uniqueness of each, the Accounting Officer did not demonstrate to auditors a breakdown of all purchases for verification.

Committee Recommendation

891. The Committee recommends that Auditor General confirms the list of all purchases and reports in the subsequent audit.

23. Grounded motor vehicles

892. The statement of financial position as at 30 June, 2021 reflects Kshs.5,439,698,356 in relation to property plant and equipment which includes Kshs.71,629,618 for motor vehicles. Physical verification of the motor vehicles revealed that three vehicles of undetermined value were non-functional and had been grounded. The management did not provide explanation for not servicing or disposing the motor vehicles.
893. In the circumstances, value for money on these motor vehicles may not be realized.

Management Response

894. The grounded motor vehicles shall be evaluated and those found unserviceable shall be considered for disposal in accordance to the existing Public Procurement and Asset Disposal Act.

Committee Observations

895. The Committee observed that the matter had since been addressed to satisfaction.

Committee Recommendation

896. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

24. Operationalized bank accounts

897. The statement of financial position reflects Kshs.17,362,274 in respect of cash and cash equivalents as disclosed in Note 9 to the financial statements which includes 5 bank account balances totalling Kshs.2,532,176 which have remained unutilized over the period under audit however, attracted bank charges of Kshs.24,465. No explanation was provided for the dormant accounts which were attracting charges.
898. In the circumstances, the Management did not realize value for money.

Management Response

899. These 5 bank accounts were inherited from the defunct Kenya Polytechnic and were opened for various purposes under the guidelines and in consultation with the parent Ministry. However, the University continues to expand and attract new grants and long-term projects that require stand-alone bank accounts. These accounts had been reserved for such purposes and currently are in active use.

Committee Observations

900. The Committee observed that the matter had since been addressed.

Committee Recommendation

901. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

25. Lack of proper segregation of duties

902. The University uses TuSoft ERP and Examination Data Processing System (EDPS) for examination management. Analysis of the audit trail from the TuSoft ERP and the user privileges established that there is no proper segregation of duties as there are employees who have roles which should ordinarily be segregated such as creating and deleting records.
903. In the circumstances, lack of strong internal controls would result to increase of system risks.

Management Response

904. The university Management took immediate action on the audit recommendations and have since ensured that the internal controls are strengthened regarding segregation of duties for users of the two mentioned systems in order to manage the system risks.

Committee Observations

905. The Committee observed that the matter had since been addressed.

Committee Recommendation

906. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

26. Lack of system integration

907. The University uses Sage Expressions for accounting and TuSoft ERP and Examination Data Processing System (EDPS) for examination management. Review of these systems established that receipts and examination data are manually uploaded into these systems. Further, after reviewing audit logs it was noted that lack of integration results to errors which are rectified by deletion of records. No evidence of management reviews for system logs were provided hence posing a risk to unauthorized activities on the use of these systems. This exposes the University to human error as a result of manual intervention.
908. In the circumstances, Lack of proper controls would result to inaccurate and unreliable systems.

Management Response

909. The university management has been reviewing its system with a view to implementing the audit recommendations. Currently the university is in the process of integrating its systems to minimize manual interventions.

Committee Observations

910. The Committee observed that the matter had since been addressed.

Committee Recommendation

911. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

27. Lack of a fixed asset register

912. The Note 7 to the financial statements reflects a property, plant and equipment net book value of Kshs.5,439,698,356 comprising of seven (7) classes of fixed assets. However, the management did not provide an updated fixed asset register to support the balances on specific class of assets and for standard assets, an asset registers to indicate the financier, tag number, serial number, model number, date of delivery, payment voucher number and the acquisition value.
913. Further, for land and buildings, a register to indicate the mode of acquisition, category of land, land registry number, certificate number, document of ownership held, size of land, acquisition date, registration date, encumbrances, planning status and the cost of acquisition was not provided for audit. In addition, for motor vehicles a register to indicate the financier, engine number, chassis number, tag number, year of purchase, payment voucher number and the acquisition value was also not provided for audit
914. In the absence of an updated asset register, it was not possible to confirm the effectiveness of controls over fixed assets, status, accuracy, completeness and existence contrary to The National Treasury Circular and template, No. 5/2020 dated 25/02/2020.
915. The management is therefore in breach of the circular.

Management Response

916. The university assets were last valued in May 2012 by Syagga & Associates Ltd. The university is considering revaluations of its assets and subsequently update its asset register in the prescribed format as required by the National Treasury Circular and template, No. 5/2020 dated 25/02/2020. The university has advertised tender for Asset Valuation tagging and management in the FY 2023/2024 vide Tender No.TUK/T/07/2023/2024.

Committee Observations

917. The Committee observes that the management had demonstrated tender advertisement for valuation and tagging of all assets, to enable update of the register.

Committee Recommendation

918. The Committee recommends that accounting officer puts an asset register in place and ensures that the actual valuation and tagging exercise is completed within six months of adoption of this report by the House.

3.13 JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY (JKUAT)

919. Prof. Victoria Ngumi, EBS, Vice-chancellor and Accounting Officer, accompanied by;
- i) Mr. Robert Kinyua - Deputy Vice- Chancellor
 - ii) Ms. Mary Ngugi - Chief Finance Officer
 - iii) Ms. Kellen Njiru - Chief Procurement Officer
- Appeared before the Committee and adduced evidence on the audited accounts of JKUAT, on 26th April 2023.

3.13.1 Audited Financial Statements for Financial Year 2018/19

1. Undisclosed material uncertainty on going concern

920. The statement of financial performance reflects a deficit of Kshs.57,728,576 (2018: Deficit of Kshs.581,575,113). The statement of financial position reflects current liabilities amounting to Kshs.6,406,125,048 which exceeds the current assets amount of Kshs.4,263,668,177 resulting in a negative working capital of Kshs.2,142,456,871. Consequently, the University may not meet its obligations when they fall due. In particular, Management has not remitted pension deductions and employer pension contributions totalling to Kshs.1,402,159,179 and Pay as You Earn (PAYE) tax amounting to Kshs.1,413,710,612 deducted from employees' salaries and due to the Kenya Revenue Authority (KRA) as at 30 June, 2019. This is contrary to Section (4) of the Employment Act Cap 226 of 2007 and the income tax (PAYE) rules which provides that before the tenth day of every month, all amounts of tax which the employer has deducted during that month be remitted to the Authority. Further, Management has not paid audit fees amounting to Kshs.17,400,000 to the Office of the Auditor-General for the audit services offered in the last over four (4) years. In the circumstances, the University is technically insolvent and cannot meet its short-term obligations as and when they fall due. Management has not disclosed this fact in the financial statements.

Management Response

921. The University has been operating under heavy financial constraints in the last five years. This was mainly occasioned by a drastic reduction in recurrent capitation grants to the University from the year 2013/2014 to the year under audit, cumulatively amounting to Kshs.2.8 billion. Unfortunately, the reduction coincided with implementation of the 2010-2013 Collective Bargaining Agreement (CBA) resulting in a drastic increase in personnel costs by approximately Kshs.30M per month (Kshs.360M p.a). Further reductions in budgetary allocations in subsequent years led to the University experiencing severe cash-flow challenges, thus being unable to meet its obligations as they fell due and subsequent accumulation of pending bills. In 2017, there was a further increase in personnel costs following the implementation of the 2013-2017 Collective Bargaining Agreement (CBA).
922. Despite these changes, government funding remained very low and insufficient covering only 37% of the recurrent budget and only 62% of payroll costs in the year under audit. The funding deficit also resulted in accumulation of pending bills including

- statutory remittances such as pension contributions, PAYE and staff payroll deductions, audit fees as well as outstanding payments to various suppliers of goods and services.
923. The University submitted budget estimates of Kshs.12.28 billion, consisting of recurrent budget of Kshs.9.854 billion and development budget of Kshs.2.072 billion for 2018/2019, for consideration and funding by the GoK. The proposed budget was to be financed by Capitation grants of Kshs.6.155 billion and AIA of KShs.6.124 billion. The University received government grants of Kshs.3.12 billion, being recurrent capitation grant of Kshs.2.9 billion and development grants of Kshs.187 million in the year while AIA generated Ksh.4.879 billion.

Committee Observations

924. The Committee observes that the matter was reminiscent of that of underfunding of the university. Capitation provided was inadequate and the university had limited diversification options. The Committee notes that there were efforts to review capitation provided to universities through a presidential working party.

Committee Recommendation

925. The Committee reiterates its recommendation that as the Ministry of Education leads efforts towards review of capitation through the Differentiated Unit Cost (DUC) model, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

2. Unsupported trade and other receivables

926. As disclosed under Note 10 to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs.3,847,208,334. The balance includes long outstanding receivables totalling Kshs.175,578,258 and Kshs.5,155,533 relating to sundry debtors and loan defaulters respectively. However, details and analysis of those advances to the loanees were not availed for audit review. In the circumstances, the accuracy, and completeness of trade and other receivables of Kshs.3,847,208,334 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

Management Response

927. The sundry debtors arose from services rendered to various institutions and JKUAT's share of fees for programmes jointly offered between JKUAT and other colleges, as well as staff members. University undertook reconciliations with the institutions, and made aggressive follow up efforts to collect the amounts that have remained outstanding for long periods. Additionally, the University engaged the services of a debt collector to follow up on old debts by pursuing the debtors to ensure that amounts receivable are collected and banked promptly. The University is aggressively pursuing the outstanding debts. Internal controls such as implementation of IT systems were set up to avoid further build-up of debts.

Committee Observations

928. The Committee observes that the matter had since been addressed s.

Committee Recommendation

929. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

3. Inaccuracy of trade and other payables

930. As disclosed under Note 12 to the financial statements, the statement of financial position reflects trade and other payables of Kshs.5,408,307,975. Included in the balance is student fee prepayments of Kshs.731,840,576. A review, on a sample basis, of the student fee prepayments schedule and the individual student fee statements revealed that there existed an unreconciled variance of Kshs.10,625,361 between the two sets of records. In the circumstances, the accuracy, completeness and validity of trade and other payables balance of Kshs.5,408,307,975 reflected in the statement of financial position as at 30 June, 2019 could not be ascertained.

Management Response

931. The University implemented a new student management system in January 2019 for greater efficiency of student management across the University. There were customization challenges at the initial project implementation stage, hence the variance of Kshs.10,625,361 in the initial reports. The student management system was further customized and aligned to University processes, to correspond to each detailed student record. A thorough reconciliation of each student record was also undertaken and the reports are now consistent with each student's academic status. This matter was confirmed and closed in the subsequent audit.

Committee Observations

932. The Committee observes that the matter had since been addressed satisfactorily.

Committee Recommendation

933. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

4. Unsupported payments to former staff

934. As disclosed under Note 5(i) to the financial statements, the statement of financial performance reflects personal emoluments balance of Kshs.4,713,998,678. The balance includes salary payments totalling Kshs.3,899,950 paid to four (4) officers who had already exited the University. No satisfactory explanation was given why these former officers were retained in the payroll, why the amount was paid or how the amounts of overpayments will be recovered. In the circumstances, the propriety of Kshs.3,899,950 for the year ended 30 June, 2019 paid to staff who had exited the University could not be ascertained.

Management Response

935. The University had made payments to staff who exited service in the year arising from internal control weakness. The University aggressively pursued the former staff who had left the institution and also issued demand letters, thus leading to substantial recovery of the amount. Internal systems were also reviewed and strengthened to ensure prompt communication and more efficient management processes to avoid recurrence.

Committee Observations

936. The Committee observes that management was lax in its internal control. Despite making some recoveries, sums still outstanding were not aggressively pursued as alleged by management. Case in point is one lecturer who was currently at the University of Nairobi despite management alleging that she was untraceable.

Committee Recommendation

937. The Committee recommends that the Accounting Officer recovers amounts outstanding, within three months of adoption of this report, failure to which those responsible for the loss be surcharged.

5. Budget control and performance

938. The statement of comparative budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.8,908,698,366 and Kshs.7,811,804,354 respectively resulting to an under-funding of Kshs.1,096,894,012 or 12% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.8,659,201,379 and Kshs.7,869,532,930 respectively resulting to an underfunding of Kshs.789,668,449 or 9 % of the budget. Management has attributed the underfunding to the restructuring of the education sector in the last three (3) years. The under-funding has affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

939. The University had a total revenue budget of Kshs.8,908,698,366 for the financial year 2018/2019 against an actual amount earned of Kshs.7,811,804,354 resulting in an under collection by Kshs.1,096,894,012.
940. The under-achievement of revenue was attributed to challenges in the business environment specifically, the reduction in anticipated revenues from fee paying students following the restructuring of the education sector which resulted in reduced numbers of students qualified for admission to the fee-paying programmes. The University has since introduced cost cutting and restructuring measures to ensure optimal service delivery.

Committee Observations

941. The Committee observes that the matter had since been addressed satisfactorily.

Committee Recommendation

942. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

6. Compliance with National Cohesion and Integration Act, 2008

943. Review of staff ethnicity data indicated that the University had 45% of its staff members from one ethnic community. This is in contravention of Section 7 (2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community. Report of the Auditor-General on Jomo Kenyatta University of Agriculture and Technology for the year ended 30 June, 2019 4 In the circumstances, the Management is in breach of the law.

Management Response

944. The University was keen on achieving the ethnic diversity as per the National Cohesion and Integration Commission guidelines. However, as observed the huge numbers of staff were from the surrounding community and were in the lower grades (grades 1-4) whereby the university was not able to attract staff from other regions considering the low salary scales. More staff from the neighbourhood were thus absorbed for the low skilled and less technical assignments.
945. The University has endeavoured to bridge the ethnicity gap by appointing staff from marginalized communities and has embraced affirmative action in its recruitment processes to onboard staff from marginalized groups while filling various positions. The University is committed to full adherence to legislation and shall continue to enhance ethnic representation in its recruitment processes.

Committee Observations

946. The Committee observes that all public institutions are expected to abide by the constitution and the National Cohesion and Integration Act and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

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

7. Delay in project completion

i. Erection of Perimeter Wall

948. As previously reported in 2017/2018, under Note 8 to the financial statements, is work-in-progress balance of Kshs.866,143,822. Included in this balance is an expenditure amounting to Kshs.50,698,799 relating to a contract entered into in 2012 for the proposed erection of a perimeter fence along the road leading to the University main entrance at Juja at a contract sum of Kshs.68,836,283. A review of the project status and physical verification of the project in January, 2020 during the audit revealed that the fence stalled at foundation level yet Kshs.50,698,799 or approximately 73.6% of the contract sum had been paid at the time of the audit.

ii. Construction of a New Administration Block

949. Included in the work in progress balance of Kshs.866,143,822 reflected under Note 8 to the financial statements is Kshs.20,792,815 being additional costs on the construction of the new administration block. Examination of records revealed that on 21 January, 2013, Management entered into the contract for the construction of an administration block for a period of seventy-two (72) weeks at a contract sum of Kshs.285,919,713. However, the contract was extended from 21 June, 2014 to 6 December, 2014 while the contract sum was varied to Kshs.348,366,919 representing an increase of Kshs.62,447,206 or 22% of the original contract sum. By 30 June, 2019, the administration block had not been completed and the value of works reflected under

work in progress was Kshs.236,479,695. However, Management did not provide, for audit review, the extension of contract period and approval of the variations that exceeded the 15% allowable level of the then applicable Public Procurement and Disposal Act, 2005. Further, no explanation has been availed by Management on how and when it intends to complete the building and put it into the intended use.

iii. Construction of Water Bottling Plant

950. Included in the property, plant and equipment balance of Kshs 9,451,295,072 reflected under Note 8 to the financial statements is the proposed water bottling project in which records available indicate that Kshs.15,334,599 has been spent on the project. However, verification of the project in January, 2020 revealed that the project is not in use and the plant has never been functional despite the fact that Kshs.15,334,599 has already been spent towards operationalizing the project. Management has not given satisfactory explanation on the lack of operationalization of this project. In the circumstances, it has not been possible to confirm whether the amount spent on the three projects is a proper charge to public funds and whether the public will get value for money on funds spent.

Management Response

951. On erection of perimeter wall, the University undertook to carry out a beautification exercise in 2012 to create visibility of the main University entrance from the Thika Road highway. Since the University is located a distance from the main highway, the beautification exercise aimed at improving visibility, access, drainage as well as lighting since it is the major entrance from the highway. Proper lighting would also enhance security of both local and international students, staff and reduce occurrence of security incidences at the university gate. Construction of the perimeter wall was also in response to the many insecurity incidences targeting the students as they accessed and left the university. The insecurity resulted in loss of lives and property arising from incidences meted towards students i.e. muggings, stabbings, assaults and death, which would have been minimized, or eliminated altogether. Despite its anticipated benefit, the project was halted by a court order. At this stage, the foundation had been laid, part of the drainage system setup, walkways constructed, concrete walls erected and grills mounted. Due to the nature of the project, much of the work was at foundational level especially with the topology and soils which constituted a significant proportion of the contract sum. The sums also constituted demobilization costs as well as the cost of materials on site at the point of demobilization. To avoid escalation of costs, the University negotiated with the contractor to demobilize the project, a process which was concluded. The University has not incurred any other costs on erection of the perimeter wall due to the demobilization. The matter was now undergoing a mediation process.
952. On construction of new administration block, the University embarked on the project in January 2013 at a contract sum of Kshs.285,919,713. There were variations to the project resulting in an amended Contract sum of Kshs.348,366,919 representing an increase of Kshs.62,447,206 or 22%.
953. The project was being undertaken with funding from development capitation grants. The slow pace of execution was due to reduction in budgetary allocations in subsequent years. There were additional improvements to the project which were necessary for proper functionality of the building but omitted from the initial project design, which were duly approved key among them was a ramp, enhanced water storage, among others. The contract variations were also within the 25% provision allowable for

construction projects outlined in the Public Procurement and Asset Disposal Act, 2015 Section 139 4(e) which prescribed that the cumulative value of all contract variations does not result in an increment of the total contract price by more than twenty-five per cent of the original contract price. As observed the project completion is approximately 80% by work value and outstanding portions are currently being addressed, within available funds. The University intends to complete the building in the current year, subject to availability of funds and put it to its intended use.

954. On the water bottle plant, the project was jointly funded by Japan International Cooperation Agency (JICA) and the University. The project was initiated for the purpose of providing bottled water to the University community. The amounts were expended in construction of the facility and installation of equipment. However, the University development allocations have been inadequate and insufficient for full completion of the plant. The University has strived to raise funds to finance the project, but has not been able to progress due to the current financial challenges. The project has since been transferred to JKUAT Enterprises, a subsidiary of the University, for completion and operationalization.

Committee Observations

955. The Committee observes that the perimeter wall which was part of the beautification process was a matter under judicial consideration. The university had committed to complete the remaining 20% of works on the administration block within available funds in the current financial year, while the water bottling plant had stalled due to inadequate exchequer releases as counterpart funding.

Committee Recommendation

956. The Committee recommends that the university expedites settlement of the judicial process on the wall, completes the administration block and sources for funds for operationalization (including options for commercialization through public private partnership) for the water bottling plant, within six months of adoption of this report by the House.

8. Long outstanding debts- student debtors

957. Review of records availed revealed student debtors of Kshs.3,480,489,652 out of which balances totalling to Kshs.743,477,690 had been outstanding for more than four (4) semesters. Management did not disclose the measures taken to ensure prompt collection of the debts. Consequently, the internal control effectiveness in giving an assurance on full recoverability of the student's debts cannot be confirmed.

Management Response

958. As observed by the Auditor General, the student debtors of Kshs.3,480,489,652 out of which balances totaling Kshs.743,477,690 had been outstanding for more than four (4) semesters.
959. The University undertook a thorough analysis and reconciliation of each long outstanding student balance at departmental and college levels in order to verify and validate each student's academic status and outstanding amount thereof, with an aim of recovering the same. This has facilitated follow-up of outstanding fees. Further, the University also implemented a new student management system, which ensures that students self-report and trigger subsequent billing thus eliminating any overstatement

and or understatement. This improved the earlier process which billed students enmasse irrespective of their previous academic status. The University has continued to clean up and adjust the student debtors balances thereby eliminating erroneously captured amounts in previous years and is constantly reviewing its systems to ensure efficient processes.

Committee Observations

960. The Committee observes that the University was in the process of cleaning up the outstanding balances

Committee Recommendation

961. The Committee recommends that the Accounting Officer settles all the outstanding balances within six months of adoption of this report by the House.

9. Long outstanding payables

962. The Committee observes that the matter was related to that of material uncertainty to going concern, discussed in the previous financial year, and reiterates its recommendation.

3.13.2 Audited Financial Statements for Financial Year 2019/20

1. Undisclosed material uncertainty on going concern

963. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

2. Long outstanding receivables

964. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

3. Budgetary control and performance

965. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

4. Officers in acting positions

966. Examination of payroll and human resources records revealed thirteen (13) officers had been appointed in acting capacity and paid acting allowances for more than six (6) months. This is 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. No explanation has been provided by Management on why the posts have not been filled or the officers confirmed to the posts. In the circumstances, the University Management is in breach of the Law.

Management Response

967. The University has endeavoured to fill the said positions substantively but faced budgetary constraints in the period, with only 63.5% being financed by Recurrent capitation in the year. The University engaged the staff on acting positions in order to facilitate the functions and activities of the offices awaiting budgetary provisions to meet the higher emoluments.
968. However, with the lifting of the freeze, the University is making the following efforts to engage Senior Heads of Departments on contract terms, in an attempt to encourage

dynamism and as a way of cost cutting. The University has since filled some positions and will advertise more positions and fill them in the current year subject to availability of funds.

969. The University Management prepared a policy document for engagement of Senior Head of Non-teaching Departments on contract terms and some officers have so far been appointed on a fixed contract term of five (5) years. The University Management has since appointed substantive members such as Principals of Colleges and heads of administrative units. The University is committed to gradually filling the vacancies and aims to ensure that these positions are advertised and positions filled substantively within budgetary provisions.

Committee Observations

970. The Committee observes that the university was in breach of the law.

Committee Recommendation

971. The Committee recommends that the university makes the substantive appointments within three months of adoption of this report by the House.

5. Non-compliance with National Cohesion and Integration Act, 2008

972. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

6. Delay in project completion; perimeter wall, water bottling plant and new administration block

973. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

3.13.3 Audited Financial Statements for Financial Year 2020/21

1. Inaccuracies in personal emoluments expenditure

974. The statement of financial performance and Note 5(i) to the financial statements reflects personal emoluments expenditure of Kshs.5,259,174,673. This amount includes staff salaries amount of Kshs.2,732,437,175 and casual workers wages amount of Kshs.2,879,023. However, the personnel emoluments amount varies with the payroll amount of Kshs.4,772,246,230 resulting to an unreconciled variance of Kshs.486,928,443. In the circumstances, the accuracy and completeness of staff costs of Kshs.5,259,174,673 could not be confirmed.

Management Response

975. The personal emoluments figure in the financial statements included all payments to active staff during the year. The cumulative personnel costs of Kshs.5,259,174,673 in the financial statement also related to approved emoluments to staff who had served in previous years. These staff had exited the payroll at the time of payment due to retirement, resignation, termination or demise, but who qualified for the remuneration of 2017-2021 CBA salary arrears, gratuity and their final dues. Since these staff are no longer active members, their payments are not processed through the payroll since they have exited the university. Also included are payments to staff engaged on locum as well as payment to adjunct lecturers.
976. The personnel costs of KShs. 486,928,443 consists of:

- Employer pension contribution of Kshs.433,956,878
- Employer NSSF contribution of Kshs.6,105,200
- Group life insurance premiums costs for the year of Kshs.32,133,592
- Casual workers of Kshs.2,879,023
- Other Payments not in Payroll (Locum, CBA Arrears & Final Dues for exited staff) of Kshs.11,853,750

Committee Observations

977. The Committee observed that the matter had since been addressed satisfactorily.

Committee Recommendation

978. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

2. Inaccuracies in inventories balance

979. The statement of financial position and Note 9 to the financial statements reflects inventories balance of Kshs.22,261,093. However, review of the records revealed unexplained variances amounting to Kshs.1,181,652 between the financial statement and inventory reports in respect of various items of inventory. In the circumstances, the accuracy and completeness of inventories balance of Kshs.22,261,093 could not confirmed.

Management Response

980. The University undertook physical verification of inventory as at 30th June 2021 for the year which corresponded to the inventory balance of Kshs.22,261,093 in the financial statements. This comprised stocks relating to stationery, fuel, medical drugs, food items and other consumables used in the University. The financial statements figure therefore corresponds to the inventory balances in respect to various items of inventory compiled at the closure of the financial year as per attached analysis and June 2021 inventory stock sheets and therefore, there was no variance.

Committee Observations

981. The Committee observed that the matter had since been addressed satisfactorily.

Committee Recommendation

982. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

3. Inaccuracies in trade and other receivables

983. The statement of financial position and Note 10 to the financial statements reflects a balance of Kshs.2,872,875,194 in respect of trade and other receivables. Included in the balance is an amount of Kshs.14,287,012 in respect of transport, medical and other costs for services offered by the University to Jomo Kenyatta University of Agriculture and Technology (JKUAT) Enterprises Limited which is a wholly owned subsidiary. However, the subsidiary's statement of financial position reflects trade and other payables of Ksh.2,568,182 owed to the University resulting to an unreconciled variance of Kshs.11,718,830. Further, the receivables balance includes an amount of Kshs.201,140,451 due from various entities that have been outstanding for over one (1)

which included amounts of Kshs.2,758,109, Kshs.1,172,928, Kshs.2,525,600 and Kshs.3,565,696 due for over three (3) years from a Housing Co-operative, a local bank, car loans defaulters, smart harvest project, and an institute respectively. In addition, the university made a 10% provision of bad debts amount of Kshs.319,208,355 which was calculated on the gross trade and other receivables balance of Kshs.3,192,083,549. However, no report was provided for audit on the University's review and assessment of the trade and other receivables. In the circumstances, the accuracy, completeness and recoverability of debtors amounting to Kshs.2,872,875,194 could not be confirmed.

Management Response

984. A reconciliation was undertaken and the amount presented in the University books of accounts were in agreement with the invoices issued to JKUAT Enterprises Limited. The University is engaging with the subsidiary to resolve the matter, and align records.
985. On the long outstanding debtors, the University engaged the services of a debt collector to follow up on old debts by pursuing the debtors to ensure that amounts receivable are collected and banked promptly. The University is aggressively pursuing the outstanding debts. Additional internal mechanisms such as implementation of IT systems for better management of student academic progression were set up to avoid further build-up of debts. Further, the University also made a provision for doubtful debts, to ensure adequate coverage of its total debt amount.

Committee Observations

986. The Committee observes that the matter had since been addressed to the satisfaction of auditors.

Committee Recommendation

987. The Committee recommends that university reconciles the unreconciled variance of Kshs.11,718,830 with JKUATES within one month of adoption of this report, and institutes measures to collect its receivables within six months.
988. Further, the Committee recommends that the university to impound and dispose off motor vehicles of its car loan defaulters if they cannot service their dues, within three months of adoption of this report. The Committee reprimands the Accounting Officer for not placing caveats and withholding logbooks of the motor vehicles, and she be held liable for recovery should the sums be unrecoverable.

4. Understatement of trade and other payables

989. The statement of financial position and Note 12 to the financial statements reflects a balance of Kshs.6,417,860,273 in respect of trade and other payables. Review of the statement of financial position of Jomo Kenyatta University of Agriculture and Technology Industrial Park Limited, a wholly owned subsidiary of the University, reflects a trade and other receivables balance of Kshs.125,100,000 owed by the University. The debt arose from funds transferred to the University by the Company in 2019. However, the transfers were not disclosed in the University's financial statements under trade and other payables. Management explanation that the cash injections were University's compensation for contribution in undertaking joint projects was not supported by any documents. In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.6,417,860,273 could not be confirmed.

Management Response

990. The amounts of Kshs.125,100,000 received from JKUAT Industrial and Technology Park Ltd related to funds transfers to the University, being advance payments on share of proceeds generated after undertaking various projects. The funds received were duly recognized and disclosed in the University financial statements during the periods received. The University is engaging with the subsidiary to align records.

Committee Observations

991. The Committee observed that the matter had since been addressed.

Committee Recommendation

992. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

5. Failure to submit consolidated financial statements

993. The University wholly controls investments in Jomo Kenyatta University of Agriculture and Technology Industrial Park Ltd. However, the financial statements submitted for audit were not consolidated with statements for the Company as required by IPSAS 35. In the circumstances, the financial statements did not comply with International Public Sector Accounting Standards (IPSAS 35).

Management Response

994. Although the University owns the subsidiary, JKUAT Industrial and Technology Park, the subsidiary has an independent management structure that is separate from the operations of the University and is therefore not controlled by the University.

Committee Observations

995. The Committee observes that the matter had since been addressed to the satisfaction of auditors.

Committee Recommendation

996. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

6. Budgetary control and performance

997. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7. Unresolved prior year matters

998. The Committee observes that the matters were recurring from the previous financial year and reiterates its recommendation on the same.

8. Irregular placement of officers in acting capacity

999. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

9. Irregular placement of officers in higher grades

1000. Review of the human resource master roll, the payroll data and the University's staff establishment revealed that thirty (30) members of staff have been engaged at higher

grades than the approved staff establishment resulting to overpayment of salaries by Kshs.4,157,538 contrary to Section 1.5.1 of the Human Resources Policies and Procedures which require the Head of Department or Section Head to refer to the approved staff establishment during the determination of vacancies and posting. In the circumstances, Management was in breach of the law.

Management Response

1001. The University management undertook a revision of the Staff Establishment and harmonized designations and grades in the Staff Approved Establishment with the Staff Appointment and Promotion policies. Therefore, the designations of the affected staff were amended to correspond to the revised establishment and HR policy documents in the current period. The 30 staff are catered for in the approved establishment and hence no overpayment of their salaries

Committee Observations

1002. The Committee observes that management admitted to the irregularity and attempted to sanitize post-facto.

Committee Recommendation

1003. The Committee recommends that the Accounting Officer recovers all sums paid irregularly within six months of adoption of this report.

10. Overpayment of basic salaries

1004. Review of the basic pay rates outlined in the 2013-2017 Collective Bargaining Agreement of Kenya Universities Staff Union (KUSU), Universities Academic Staff Union (UASU), and Kenya Union of Domestic Hotels, Educational Institutions, Hospitals and Allied workers (KUDHEIHA) and the basic amounts paid by the University revealed a variance of Kshs.8,043,360 resulting from payment to members of staff above the salary ranges prescribed for their grades during the year under review. In the circumstances, Management was in breach of the law.

Management Response

1005. The approved Salary Scales applied in 2020/2021 are standardized for all public Universities. These salary scales were implemented across sister Universities such as University of Nairobi, Kenyatta University, Egerton University, Moi University among others. The staff were paid a basic salary that is commensurate to the approved salary ranges applicable to their grades. Further, the salary scales formed a basis for the 2017-2021 CBA salary reviews by the Salary and Remuneration Commission (SRC) in 2019. The university therefore adopted the Approved the basic pay rates standardized for all public universities.
1006. Some of the affected staff were correctly placed in accordance with JKUAT's staff training policy where members of staff are rewarded upon successful completion of their training.

Committee Observations

1007. The Committee observed that the matter had since been addressed.

Committee Recommendation

1008. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

11. Unremitted statutory deductions

1009. The statement of financial position reflects trade and other payables balance of Kshs.6,417,860,273. The balance includes an amount of Kshs.5,454,532,982 in respect of sundry creditors. The creditors include unremitted statutory deductions in respect of pension deductions and contributions by employer, Pay As You Earn (PAYE) and other third-party deductions from employees of Kshs.1,937,426,915, Kshs.2,214,877,493 and Kshs.191,095,236 respectively totalling Kshs.4,343,399,643. Further, the sundry creditors balance includes balances due to general suppliers and other contractors totaling Kshs.1,111,133,339 out of which balance totalling to Kshs.196,310,940 have been outstanding for more than one (1) year. Management did not provide an explanation for non-remittance of statutory deductions and non-settlement of long outstanding creditors. In the circumstances, Management was in breach of the law.

Management Response

1010. As observed, the University was not able to remit all the statutory deductions as stipulated as the University has been operating under heavily constrained cash flow conditions in the last six years. This was occasioned by high cost of training materials, laboratory reagents, workshop and studio materials, practical field courses as well as training equipment for the highly technical courses offered at the University. Additionally, there are significant costs of engaging and maintaining the highly skilled and specialized teaching and technical personnel for training and research in technical fields.
1011. Despite the increased KUCCPS students admissions to our technical programmes, the University has been receiving inadequate budgetary allocations which are not sufficient to meet the training cost. Further, drastic reduction in the number of self-sponsored students and anticipated internally generated revenues, has resulted in accumulation of trade payables with the University being unable to settle amounts owed to various creditors as and when they fall due.
1012. On its part, JKUAT instituted cost-cutting measures across all areas of operation to reduce costs. Further, the University continues to engage various creditors and has proposed liquidation of some University assets in order to settle the accrued payables, and is awaiting approvals.
1013. As a lasting solution, the University continues to appeal for full implementation of the Differentiated Unit Cost funding model in order to meet running costs associated with training in our highly technical courses offered. Once implemented, this would result in improved cash flows and ensure timely settlement of amounts owed to all creditors.

Committee Observations

1014. The Committee observes that sums due for pension had since been settled while deductions to KRA had been reduced by Kshs. 2.4 billion while suppliers had been paid up to FY 2020/21.

Committee Recommendation

1015. The Committee recommends that the Accounting Officer settles all dues owed within one year of adoption of this report by the House.

12. Delay in project completion; perimeter wall, water bottling plant and new administration block

1016. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

13. Delayed implementation of the Enterprise Resource Planning software

1017. The University awarded tender No. JKUAT/22/2017-2018 to a software firm for the supply, configuration, testing and commissioning of a web-based University Enterprise Resource Planning (ERP) system through a contract dated 23 July, 2018 at a contract cost of Kshs.51,040,000. The contract was to be executed in four phases.
1018. Further, an addendum dated 1 April, 2019 changed the implementation of the project from phase form to module form as per the modules contained in each phase. The addendum also extended the main contract agreement period for three (3) months to run from 1 April, 2019 up to 30 June, 2019. As at the time of audit, the contractor had only implemented phase II Student Management Module, Students' Academic Module, Students Finance, Project Management Module. Hotels and Accommodation Management Module and Staff and Student Web Portal. At the time of audit, the firm had raised invoices amounting to Ksh.21,373,000 which is approximately 42% of the total Report of the Auditor-General on Jomo Kenyatta University of Agriculture and Technology for the year ended 30 June, 2021 8 implementation cost. Review of the implementation revealed that both phase I and II were behind the implementation schedule as indicated in the above table. Phase III and phase IV of the system have not been implemented. No explanation was provided for the delayed installation of the software. In the circumstances, the University may not have obtained value for money on funds spent on the ERP system.

Management Response

1019. As observed by the Auditor General, the University embarked on an ERP project in July 2018 to automate its major operations through the tender awarded to ABNO Software to supply, configuration, testing and commissioning of a web-based University Enterprise Resource Planning (ERP) system.
1020. The implementation of the project began as planned in the agreed project implementation schedule for the various phases. Between November and December of 2018, the system was piloted. During implementation, the University noted that some of the modules, though requiring modifications to fit the JKUAT environment, had sufficient features to support the University operations, while others required major customizations to make them suitable to the JKUAT environment.
1021. Due to the delays in delivering some of the modules as per the user requirements, the University mutually agreed with the vendor to proceed with 12 out of 24 modules mainly on student management, where the vendor had made good progress towards meeting user requirements. The 12 modules are fully implemented and in use. Payment was also pegged on completed modules to guarantee the interests of the University and ensure maximum value is derived from investment in the ERP.

Committee Observations

1022. The Committee observes that the matter was deemed settled as the university paid for 12 modules which were operational. The balance was mutually terminated.

Committee Recommendation

1023. The Committee recommends that the matter be closed.

14. Irregular procurement of graduation coverage services

1024. During the 35th and 36th graduation ceremonies held in November, 2020 and March, 2021 respectively, the services of a local media house was directly procured for provision of live coverage at a contract price of Kshs.7,900,000. Review of the procurement records revealed that the media house was not prequalified to offer the services contrary to the provisions of Section 103 of the Public Procurement and Asset Disposal Act, 2015 on when a procuring entity may use direct procurement. In the circumstances, Management was in breach of the law.

Management Response

1025. The University sourced for quotations from three media houses namely; Citizen TV, NTV and KTN Home, for the graduation coverage in adherence to the Public Procurement and Asset Disposal Act, 2015 as stipulated in Sec. 106-2(d). The Graduation Committee settled for Standard Media Group for the provision of live coverage of the 35th Graduation that was aired on KTN Home Television. The quotations from the three media houses are attached.
1026. The University therefore followed the procurement procedure in accordance with provisions of the Public Procurement and Asset Disposal Act, 2015.

Committee Observations

1027. The Committee observes that the university failed to follow provisions of the law requiring pre-qualification of entities, the lowest bid being awarded from the limited pool of service providers notwithstanding.

Committee Recommendation

1028. The Committee recommends that the the university henceforth adheres to requirements of the law.

15. Students graduating with outstanding fees balances

1029. Review of students' debtors lists for the year under review and the University's graduation list held in December, 2020 and April, 2021 revealed that five hundred and fifty-seven (557) students graduated with unpaid fee balances amounting to Kshs.22,165,274. This was against the University's fee payment policy that requires bonafide list of eligible students compiled by Academic Affairs Registrar in consultation with the student finance office for a student to sit for university examinations. In the circumstances, Management was in breach of the University's fee payment policy.

Management Response

1030. The University has instituted several measures to recover outstanding amounts from students who may have graduated with fee balances. A thorough reconciliation of each student's academic status was undertaken at Campus, College and departmental levels to ascertain the accurate status. Additionally, physical checks requiring all students to seek financial clearance before collection of academic certificates were introduced thus

ensuring payment of outstanding amounts. The university is also in the process of engaging the services of a debt collector to recover outstanding amounts from students who may have exited in previous years with fee balances.

1031. In addition, the JKUAT fee policy has been reviewed to support enhanced internal controls at all levels, and ensure timely fee collection thus eliminating a recurrence of students graduating with fee balances in future.

Committee Observations

1032. The Committee observed that the matter had since been addressed satisfactorily.

Committee Recommendation

1033. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

16. Accrued fees balances

1034. Review of the student balances at the beginning of the financial year under review indicated that four thousand two hundred and seventy-four (4,274) students were invoiced. The students had outstanding fees balances amounting to KShs.221,771,120 from the previous financial year. However, Management did not provide evidence of measures taken to enforce collection of fees. In the circumstances, it was not possible to confirm existence of effective internal controls to guarantee collection of outstanding students fees.

Management Response

1035. Management reiterates its response issued above.

Committee Observations

1036. The Committee observes that the matter had since been addressed as management produced a fee policy and automated their systems using the Enterprise Resource Planning software.

Committee Recommendation

1037. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

3.14 THE UNIVERSITY OF NAIROBI (UON)

1038. Prof. Stephen Kiama, Vice-Chancellor and Accounting Officer, accompanied by;
i) Mr. Andrew Mbuku - Ag. Director Facility Management
ii) Mr. Stephen Kimeli - Ag. Director Finance
Appeared before the Committee and adduced evidence on the audited accounts of UON, on 3rd May 2023.

3.14.1 Audited Financial Statements for Financial Year 2018/19

1. Going concern uncertainty

1039. The University reported a deficit of Kshs. 1,299,488,000(2018: Kshs.1,405,315,000) increasing the accumulated deficit from Kshs. 496,794,000 as at 30 June, 2018 to Kshs. 1,796,281,000 as at 30 June, 2019. Further, the statement of financial position reflects

current liabilities amounting to Kshs. 7,368,350,000 while the current assets amounted to Kshs. 5,457,850,000 resulting to a negative working capital of Kshs. 1,910,500,000 (2018: Kshs. 1,435,749,000). The University was therefore unable to meet its financial obligations when due.

1040. In addition, as reflected in Note 52 to the financial statements, the University was unable to remit statutory deductions amounting to Kshs. 4,692,423,000 which included Pay As You Earn (PAYE) and Value Added Tax (VAT) of Kshs. 2,283,357,000; National Hospital Insurance Fund Kshs. 7,020,000; national Social security Fund Kshs. 2,287,000; University of Nairobi Pensions Contributions Kshs. 2,399,027,000 and Higher Education Loans Board Kshs. 732,000. Tax offences and non-remittance of statutory deductions attract punitive penalties and interest.
1041. In the circumstances, the University is technically insolvent and its continued operations as a going concern will depend on the support from the Government, donors and creditors. The material uncertainty relating to going concern has not been disclosed in the financial statements.

Management Response

1042. The University suffered from the budget cuts (ie from Ksh 6.26 billion in FY 2016/2017 to Ksh 4.5 billion in FY 2017/2018 and to 4.6 billion in FY 2018/2019) and reduced module II revenues due to the drop in performance of KCSE of 2016 to 2018 as compared to the previous years, which affected the Financial performance in FY 2018/2019. Moreover the University continued to pay enhanced salaries from the implemented 2013-2017 CBA which was not fully funded by the government.
1043. In FY 2018/2019 the University implemented governance reforms and austerity measures which included non-renewal of post retirement contracts for teaching staff. These austerity measures resulted in savings which contributed to the improved deficit reported from 1.4 billion (FY 2017/2018) to 1.2 billion.
1044. The University of Nairobi Council and Executive board developed several strategies in form of reforms which were carried out to stop the University from sliding further into crisis.
1045. These reforms included financial, academic and Governance reforms with a view to align operations and reduce operating costs. To achieve this the management suspended external trainings in favour of internal trainings, reduced wage bill through natural attrition and suspension of new recruitments, closure of extra mural centers and developing innovative ways to reduce operation costs. Other reforms included merging of departments and units to optimize human resource utilization.
1046. The University is exploring various ways to get more income from its assets including possibility of leasing out some.

Committee Observations

1047. The Committee observes that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options. The Committee notes that there were efforts to review capitation provided to universities through a presidential working party.

Committee Recommendation

1048. The Committee recommends that as the Ministry of Education leads efforts towards review of capitation through the Differentiated Unit Cost (DUC) model, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

2. Property, plant and equipment

1049. As previously reported, the property, plant and equipment balance of Kshs.210,385,292,000 reflected in the statement of financial position includes two parcels of land, LR. No. 11645 at Kenya Science Campus and LR. No. 22378 in Upper Kabete, all valued at 1,412,500,000 and whose ownership documents were not availed for audit verification. Although management indicated that the title documents for the two parcels of land were being pursued with the relevant Ministry, the documents had not been obtained as at 30 June, 2019.
1050. In the circumstances, the accuracy, and ownership status of the reported property, plant and equipment balance of Kshs.210, 385,292,000 could not be confirmed.

Management Response

1051. The Upper Kabete campus parcel is fully developed with administration buildings, lecture theatres, laboratories and other academic buildings. The parcel is a resultant of demarcation of the land previously held by the Director of Veterinary services. The deed plans were forwarded to the then Commission of Lands. The ministry of Lands, Housing and Urban Development later wrote to the University stating that the deed plan was not in their possession. The University obtained certified true copy of deed plan number 230060 and forwarded to the Ministry of Lands and Physical Planning on 8th May 2018.
1052. The University has been following on the issue and has written several letters to Principal Secretary on the same. The Process has slowed due to the current digitization of records at the Ministry of Lands.
1053. The Kenya Science campus parcel is substantially developed with administration buildings, academic buildings including science laboratories, lecture theaters, student hostels, and playfields and staff quarters. Further, the parcel is fenced on all sides to deter any encroachments.
1054. The parcel was handed over by the government and a letter of allotment had earlier been issued to Permanent Secretary, National Treasury. The university is pursuing revocation of said letter and reissuing of fresh letter of allotment by the National Land Commission

Committee Observations

1055. The Committee observes that the parcels had taken inordinately long to get ownership titles, and the pretext of digitalization at the lands offices was unsatisfactory.

Committee Recommendation

1056. The Committee recommends that the Accounting Officer together with the National Land Commission and Ministry of Lands ensures that the university gets ownership documentation for all its land within six months of adoption of this report.

3. Trade and other receivables

1057. The statement of financial position reflects a balance of Kshs. 4,383,186,000 under trade and other receivables. As disclosed in Note 30 to the financial statements, the balance includes an amount of kshs. 951,718,000 in respect of student's debtors. However, as previously reported, the ageing schedule of debtors availed for audit revealed that a balance of Kshs. 746,499,602 of the student debtors were outstanding for more than one year. This is contrary to Section 8.1(d) of the University's Financial Regulations which states that the university shall withhold any and all services, examination results, conferment of any degree, certificate or award until all outstanding fees are settled and further reserve the right to institute other legal recovery proceedings against students with outstanding fees and also surcharge an interest at a rate to be determined by the Council. However, there was no evidence of the measures taken to recover the debts.
1058. In the circumstances, the accuracy and recoverability of the student debtors' balance of Kshs. 746,499,602 could not be confirmed.

Management Response

1059. The Prior to the development of the Student Management Information System (SMIS) and its implementation in the Financial Year 2005/2006, fee billing and receipting was done through use of manual receipts and records maintained in manual registers and stand-alone Microsoft Access systems. During the implementation of SMIS, only fee balances were extracted from the manual records and posted as opening balances in the SMIS. The fee balances for the period prior to 2005/2006 relates to opening balances that were brought into the SMIS but cannot be matched with individual student's payment records and some do not represent actual owing by individual students as individual billing and payments were not migrated into SMIS and due to lapse of time the old records cannot be traced to help in reconciling individual students' records.
1060. Before implementation of self-billing system students could be billed in batch by the cashier. In this case if a students' status was not accurately captured they could be erroneously billed. The university noted many instances where inactive students, i.e, those students not in session either by deferment, absconding, death or had terminated their studies for various reasons were billed. In this case the batch billing led to inaccurate fee balances and portrayed huge student debtors.
1061. The university has put in place a system where students are allowed to self-bill. The rationale for self-billing was to address the data issues that arose from inaccurate fees balances. This is aimed at reducing erroneous billings previously made by the billing officers where deferred, absconded, terminated or deceased students were billed.

Committee Observations

1062. The Committee observes that the debts go as far back as FY 2005/2006 comprising Kshs. 277,364,057.21 that was categorized collectable and Kshs. 876,770,349 cannot be collected and were irreconcilable, as submitted by the Accounting Officer. Council minutes authorizing write-offs were availed but had not been effected by management.

Committee Recommendation

1063. The Committee recommends that the Accounting Officer initiates the process of writing off old irreconcilable and uncollectable debts of Kshs. 876,770,349 within one month

of adoption of this report, and intensifies efforts to recover the collectable debt of Kshs. 277,364,057.21 within six months of adoption of this report by the House.

4. Investment in CMC Holdings

1064. As previously reported and disclosed in Note 33 to the financial statements, the statement of financial position reflects a balance of Kshs 1,700,000 representing investments in CMC Holdings Limited of 125,920 Ordinary shares at Kshs 0.5 each in 1988/1989. However, CMC was delisted from the Nairobi Securities Exchange with effect from 11 February 2015, after takeover by Alfar Motors and hence ceased trading thereof. Although management, had obtained a police abstract to facilitate the process of obtaining ownership documents through the registrar of companies, their effort to liquidate the shares and re-invest have not been successful as Custody and registrars Services Ltd require proof of ownership by production of the share certificate as a precondition to transact. As a result, the University has not sold off or disposed their rights considering that CMC's management had been taken over by a private entity.
1065. In the circumstances, the accuracy, ownership rights and validity of the investment in CMC holdings of Kshs 1,700,000 could not be confirmed.

Management Response

1066. The investment of Kshs 1,700,000 and proposed dividends of KSh 2,228,784 in the Shares of CMC holdings in respect to the Ordinary Shares (5/= each face value) were confirmed by our ABSA nominee and a total amount of Kshs 3,928,704 transferred to our account.
1067. The investment in CMC holdings of Kshs 1,700,000 was liquidated and the University received the entire proceeds from Absa Bank, the nominee.

Committee Observations

1068. The Committee observed that the matter had since been addressed satisfactorily.

Committee Recommendation

1069. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

5. Budgetary control and performance

1070. The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.17,988,438,000 and Kshs.14,639,249,000 respectively resulting to underfunding of Kshs.3,349,188,000 or 19% of the budget.
1071. Similarly, the University had expenditure budget of Kshs 17,988,437,000 against actual expenditure of Kshs 16,287,406,000 resulting in net under-expenditure of Kshs 1,701,031,000 or 10%.
1072. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

1073. The under collection of Kshs 3,349,188,000 resulted from reduced Module II revenues due to the drop in performance of 2018 KCSE and this resulted in the reduced students'

- numbers qualifying for enrolment of module II programs and at the same time students were placed in private universities thus affecting this revenue stream.
1074. The University had budgeted Ksh 630 million in its Supplementary budget in FY 2018/2019 being, stalled projects; School of Pharmacy (Ksh 180 million) and Completion of Lower Kabete Hostels (Ksh 450 million) but funds were not released by the Government.
 1075. The University budgeted Ksh 400 million in FY 2018/2019 being the final phase on construction of Confucius Institute building (previous year budget was Ksh 1.2 billion). The funds were not channeled through the University accounts as budgeted. The contractor was paid directly by the donor upon completion of the work and capitalized and recorded in the university's books.
 1076. The University budgeted Ksh. 20 Million which was expected to be received from the Government and other strategic partners. There was change of sponsorship model with the sponsors preferring to give their sponsorship in-kind (give away items, advertisement space and branding materials of the value pledged to the University).
 1077. The University of Nairobi mentors Koitalel Samoei University College. In view of this the University budgeted to receive Ksh.232,977,000 as Capitation for Koitalel, from the Government. However only Kshs. 166,751,000 was released as capitation for Koitalel Samoei University College. Koitalel Samoei University College now has its own council and prepares its own budget.
 1078. The overall expenditure budget variance is 10%. The University implemented various austerity measures as per government circulars which included putting on hold capital projects resulting to the under absorption on the same during the year.
 1079. In addition the University internally generated revenues declined in the year, effectively leading to a reduction in expenses pegged on these revenues.
 1080. In respect to Research Grants and Income Generating units the expenditures of Ksh. 115,455,000 and Kshs.377,408,000 respectively are expenditures related to un-utilized funds rolled over from the previous year 2017/2018.

Committee Observations

1081. The Committee observes that despite satisfactory explanation, the University ought to review its revenue and expenditure plans periodically.

Committee Recommendation

1082. The Committee recommends that the matter be closed.

6. Stalled student accommodation hostel

1083. As previously reported, a stalled project on student accommodation hostel located at Lower Kabete Campus was undertaken by M/s N.K.Brothers in 1990 and the project stalled in 1992 after the GoK budgetary allocation ceased. The initial contract was mutually terminated in 2000. At that point in time the University owed the contractor Kshs 50,000,000 which has remained unpaid to date. The contractor has since gone to court and claimed for Kshs 50,000,000 plus interest and costs. Management had indicated that the entire project comprised of 500 bed hostels, kitchen and dining and a common room to be constructed on a piece of land measuring 126 acres (L.R. No 23616). Further, the University management indicated that they had requested for funding amounting to Kshs 450,000,000 to support completion of the stalled Lower

Kabete Campus Hostel project. During our site visit to the project, we noted that there were visible cracks in the columns and beams, chemical and physical damage on the stalled building. Completion of this stalled project would provide secure accommodation for university students who are currently seeking accommodation in surrounding areas.

1084. In the circumstances, the project's stakeholders may not obtain the value for money if the project is not complete and put to intended use.

Management Response

1085. The project was undertaken by NK Brothers Ltd in 1990 but delayed in 1992 after Government budget allocation ceased. The project is composed of 50 beds, hotels, kitchen, Dining and a common room constructed on a plot of land measuring 126 Acres of LR23616.
1086. The initial construction was mutually terminated in the year 2000 due to lack of funding.
1087. In the year 2008 the University carried out sectional completion of 220 bed capacity that is in current use, using internally generated funds. Parts of the eastern and south wing remain uncompleted. A budget estimate of Kshs. 450 Million is required to complete the project.
1088. In the FY 2018/2019 the University of Nairobi was not allocated any funds for capital development. The building committee of the University of Nairobi Council subsequently requested for funding to facilitate construction of the project in the FY 2018/2019 of Kshs. 450 Million as estimated.
1089. As to the Kshs. 50 Million owed to the construction (NK Brothers) the matter is an ongoing court case. The University does not owe the contractors any obligation or debt relating to the project since the contractor has already been compensated his dues from the National Treasury.

Committee Observations

1090. The Committee observes that long delayed completion of the hostel compounded the congestion problem faced by students. It joins the long list of stalled government projects that the Committee has addressed under the general observations and recommendations chapter of this report.

Committee Recommendation

1091. The Committee recommends that Treasury allocates sums required for the completion of the project in the next financial year, and confirms settlement of Kshs. 50 million to the contractor within one month of adoption of this report.

7. Stalled construction of school pharmacy

1092. The University engaged a construction company under tender no. UON/51/2010 on 1st October 2011 for the construction of the proposed school of pharmacy building at the college of health Services at a cost of Kshs.152,903,393. As per the Internal Audit report of 12 April 2018, the project period was set for ninety-seven (97) weeks with the expected completion date being in August 2012. The report further revealed that the construction had been carried out on the basement, ground and first floors and that the building was 90% complete.
1093. However the building could not be occupied as the sewerage system had not been connected due to lack of an appropriate way leave.

1094. Further, with the completion of the construction works has been delayed by eight (8) years. The handing over report and the practical completion certificate for the works done was not provided. Further, evidence of the extension of contract period and renewal of performance bonds which have since expired was not provided.
1095. In the circumstances, value for money may not be obtained if the project is not completed and put to intended use.

Management Response

1096. The sewer connection to the project had since been completed to the Nairobi County's main Sewer line following agreement with the Nairobi Hospice management to have it pass through their plot.
1097. The delay of the project completion is lack of funds. The project was designed to be carried out in phases and could only be usable after a substantive percentage of the whole project was done. The work awarded and carried out is only about 15% of the entire project. Lack of funds forced changes to be made to the original work plan. This is because certain services such as electricity power supply, water reticulation and sewerage operation cannot be successfully carried out partially.
1098. The University has been unable to complete the project due to cash flow problems and they had not had any development funds allocation towards the same over the years. The project architect however gave a partial completion certificate in 2016 for works successfully completed.

Committee Observations

1099. The Committee observes that 90% of phase 1 had been completed and the management had no reason not to fund the remaining 10% from internally generated resources over the years, cash flow problems notwithstanding.

Committee Recommendation

1100. The Committee recommends that management prioritizes and completes the 10% remaining in phase 1 of the project and put the building to use within one year of adoption of this report by the House.

3.14.2 Audited Financial Statements for Financial Year 2019/20

1. Going concern uncertainty

1101. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

2. Property, plant and equipment

1102. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

3. Trade and other receivables

1103. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

4. Investment in CMC holdings

1104. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

5. Budgetary control and performance

1105. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

6. Stalled student accommodation hostel- Lower Kabete campus

1106. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7. Proposed construction of school of pharmacy

1107. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

3.14.3 Audited Financial Statements for Financial Year 2020/21

1. Undisclosed material uncertainty in relation to going concern

1108. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

2. Inaccuracies in the financial statements; unsupported adjustments

1109. The Management submitted financial statements on 30 September, 2021 and re- submitted revised financial statements on 30 August, 2022. However, review of the revised financial statements revealed that various balances were adjusted but were not supported with journal vouchers to explain the adjustments from the initial reported balances.
1110. In the circumstances, the accuracy of the adjusted balances in the financial statements could not be confirmed.

Committee Observations

1111. The Committee observed that the reconciliations had since been done .

Committee Recommendation

1112. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

3. Inaccuracies in the financial statements; balances in the trial balance not recorded in the financial statements

1113. Review of the trial balance revealed credits from three (3) accounts and debits from four (4) accounts totaling to Kshs.9 The adjustments made in the financial statement submitted on the 30th August 2022 was as a result of transactions updated in the system

by the time we were presenting the first draft on 30 September 2021. These transactions have now been explained.

Management Response

1114. The three (3) bank accounts with credit balance of Ksh 9,221,875 and the four (4) accounts with debit balance of ksh. 6,096,902 appeared in the initial trial balance supporting the first draft before adjustments were made. These bank accounts had been closed and the balances in the accounts transferred to other accounts. The ledger balances for these accounts were later reconciled to nil balances. Hence the reason why they did not appear in the list of bank accounts because they had been closed at the close of the year (June 30, 2021).

Committee Observations

1115. The Committee observed that the reconciliations had since been done.

Committee Recommendation

1116. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

4. Inaccuracies in the financial statements; balances omitted from the statement of cash flows

1117. Examination of records revealed that cash flows from dividends and sale of shares totaling to Kshs.7,564,756 were not included in the statement of cash flows. In the circumstances the accuracy of the statement of cash flows could not be confirmed.

Management Response

1118. The cash flow statement was amended and the items for Cash Proceeds from CMC shares and dividends from CMC and EABL included and this is availed to the auditor for verification.

Committee Observations

1119. The Committee observes that the reconciliations had since been done.

Committee Recommendation

1120. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

5. Inaccuracies in the financial statements; uncleared balances in the trial balance

1121. Examination of records revealed that the trial balance reflects uncleared balances totaling to Kshs.2,993,214,528 relating to six (6) consolidating accounts for balances, three (3) suspense accounts, foreign payments and cheques clearance accounts. In

addition, the amounts were not supported with the supporting documentations on what they represent and they could not be traced in the financial statement. No explanation was provided for the failure to clear the balances.

1122. In the circumstances, the accuracy of the financial statement could not be confirmed.

Management Response

1123. The University has over the years operated a highly decentralized reporting system in line with its structure. Arising from this the University behaved like conglomerate company comprising of six Colleges and three Units/Departments that were regarded as distinct companies hence each having its own ledger. Each company's ledger would therefore be consolidated into the consolidated company to produce the consolidated Trial Balance for purposes of preparing the financial statements.

1124. The GL accounts with series 999999**** are system generating control accounts triggered by the consolidation exercise of the various companies' ledgers into the consolidated company. These control accounts act as reserves of the performance of the various companies and are eliminated upon the preparation of the consolidated financial statements since the surplus or deficit will be derived from the statement of performance.

1125. The GL accounts with series 5006*****are Research Grants accounts used to record receipts and payments for research activities. These act as funds accounts representing various donors and their associated research activities. There was a system error in naming control accounts as suspense accounts but this has been corrected.

Committee Observations

1126. The Committee observes that the reconciliations had since been done.

Committee Recommendation

1127. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

6. Inaccuracies in the financial statements; variances between the financial statements and the trial balance

1128. The Statement of financial position reflects a balance of Ksh. 1,211,336,000 in respect of payables from exchange transactions which as disclosed in note 38 to the financial statement, includes a total amount of ksh. 958,007,000 with respect to UON payables, UNES payables, KUCCPS and Federation of Kenya Employers. However, these amount varies with the total amount of Ksh. 816,828,155 reflected in the general ledger and trial balance for the same items. No explanation was provided for the variance of ksh. 141,178,845

1129. In the circumstances the accuracy and completeness of the payables from exchange transactions could not be confirmed.

Management Response

1130. The financial statements were adjusted to reflect the correct position of the payables as at 30 June 2021 and there was no variance between the trial balance and the reflected amounts in financial statements.

Committee Observations

1131. The Committee observes that the reconciliations had since been done.

Committee Recommendation

1132. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

7. Incomplete assets register

1133. The statement of financial position and as disclosed in Note 34 to the financial statements reflects property, plant and equipment balance of Kshs.207,728,358,000. However, examination of the assets register revealed that details of asset name, class and type, date of purchase, acquisition cost and depreciation for each individual asset were not indicated.
1134. Further, as previously reported, the property, plant and equipment balance of Kshs.207,728, 358,000 includes three parcels of land, all valued at Kshs.17,085,000,000 whose ownership documents were not provided for audit.
1135. In addition, as disclosed in Note 4(iv) to the financial statements, the University adopted the cost model as its accounting policy on motor vehicles, Computers, Furniture and Equipment and academic gowns. Contrary to the cost model and Paragraph 67 of IPSAS 17, the University had not revised the useful lives and residual values of its non-current assets amounting to Ksh 4,749,243,000 during the year under review which includes fully depreciated assets totalling to Kshs.1,156,777,000, which were still in use.
1136. In the circumstances, the accuracy, valuation and ownership status of the reported property, plant and equipment could not be confirmed.

Management Response

1137. The University policy on depreciation provides that all assets acquired will charge full depreciation in the year of purchase and none in the year of disposal. The University maintains an Assets Register in Excel and this would be automated to capture details of individual assets and depreciation. However, the management will going forward provide comprehensive depreciation schedules and to provide detailed depreciation reports.
1138. The two parcels of land in Upper Kabete campus and Kenya Science campus have been detailed in the previous financial year responses.
1139. The University's policy on management and valuation of non-current assets provides for review of non-current assets and their useful lives from time to time. The last revaluation was done in the year ended 30 June 2017. The university notes that some non-current assets have been fully depreciated but remain in use and therefore acknowledge that these assets need to be revalued to reflect the same. Management commits to consider revising the accounting policy to include de-recognition of property, plant and equipment as well as adjust for useful lives of such assets.

Committee Observations

1140. The Committee observes that the response is satisfactory as the assets register was now in place and plans for valuation in motion.

Committee Recommendation

1141. The Committee recommends that the Accounting Officer undertakes the valuation of the outstanding assets within three months of adoption of this report by the House.

8. Unreconciled cash and cash equivalent; transaction in closed bank accounts

1142. Review of the bank reconciliation statements of closed bank accounts revealed direct debits and credits totalling to Ksh. 8,671,184 and receipts in the cashbook not in the bank statement totalling to Ksh. 10,827,457 relating to two(2) bank accounts in Absa Bank. These balances were outstanding at the time of closure of the bank accounts. However, management did not provide an explanation on how and when these items were cleared.
1143. Further, the bank reconciliation statement for bank account number 0775053984 and 0775012927 had cashbook adjustments totalling to Ksh. 2,207,161 whose supporting documentations were not provided for audit.
1144. In addition, review of bank accounts closure instructions revealed that four (4) bank accounts in Absa Bank closed in the year under review were not supported with the cashbooks, bank reconciliations statements and bank statements to confirm the transfer of funds upon closure.

Management Response

1145. The bank reconciliation statements of the closed bank accounts had direct debits totaling to Kshs.8,671, 184 and receipts in the cash book not in the bank statements totalling to Kshs.10,827,456.65 which were reconciled and cleared against the unrepresented cheques amounting to ksh. 6,259,967.47 and receipts in bank not in cashbook of ksh. 10,428,417.70. In addition, reconciliations of the reconciling items was done and new reconciliation statement presented to the auditors for review.
1146. The cash book adjustments in Bank account 0775053984 & 0775012927 amounting to 2,207,167 relate to fees collection of Kshs 2,231,250 receipted vide receipt 396822 in the cashbook debited as Kshs 2,163,750 and 67,500 vide batch entry 9931-1 and 9947 respectively. Bank charges of Kshs 24,089.45 which were credited in the cashbook as 23,400.65 and 688.80 vide batch entry 9930-1 and 9934-1 respectively.

Committee Observations

1147. The Committee observes that the reconciliations had since been done.

Committee Recommendation

1148. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

9. Unreconciled cash and cash equivalent; long outstanding balances in the bank reconciliation statements

1149. Examination of a bank reconciliation statement for the year ended 30 June, 2021 revealed a long outstanding unrepresented cheque dated 2 September, 2020 of ksh. 11,087,742 for the Criss project account. Additional bank reconciliation statements reflect

- a receipt in the cashbook dated 28 June, 2021 of Ksh. 25,000,000 not reflected in the bank statement under the endowment account and receipts in the cashbook not reflected in the bank statement amounting to Ksh. 2,125,505 with some dated July 2020. The bank reconciliation statement also reflects direct credits not in the cashbook amounting to ksh. 27,646,201 and debits in the bank statement not in the cashbook amounting to ksh. 427,946 dated September 2020.
1150. In addition, examination of the cashbooks and the bank statements revealed payments totalling to ksh. 63,118,616 made in August, 2010 which constitute of general payments of ksh. 61,415,800 and UON application amount of ksh. 1,702,816 made from two bank accounts but not recorded in the cashbooks.
1151. Review of the cashbooks and bank statements also revealed payments totalling to Ksh. 123,404,628 paid to general payments, CESSP operations and UON application accounts which were not presented to the bank as at 30 June 2021. The aging analysis revealed that the entries date back to January, 2017.
1152. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of ksh 1,363,287,000 could not be confirmed.

Management Response

1153. The Unpresented item of Kshs 11,087,742 appearing in the Criss project account was cleared on the 13th July 2021. The receipt in the Endowment cashbook dated 28th June 2021 amounting to Kshs 25,000,000 was an interbank transfer from our KCB IGU A/C number 1104698676 to the Absa Bank Endowment account number 2034715907. The amount cleared through a credit entry to the bank account on 1st July 2021.
1154. The receipts in cash book amounting to Kshs 2,125,505 relates to unidentified student deposits of which Kshs 1,135,354.85 were identified and cleared from the direct credits of the same bank account and receipts amounting to Kshs 987,150.15 were reversed from the cashbook.
1155. Out of the unidentified direct credits of Kshs 27,646,201.30, Kshs 1,135,354.85 were identified from the receipts in cash book in the same bank account. The balance of Kshs 26,510,846.45 were recorded in the cashbook vide batch entry 18387-1.
1156. The direct debits of ksh 427,946.00 are reversals of fee payments made through the Merchant cards. A total of Ksh 341,946 was identified and reversed from the cashbook as Kshs 249,139.80 and 92,806.20 vide batch entry 18379-1 and 18380-1. We are pursuing the bank to avail the details of the card beneficiaries for the remaining transaction of Kshs 86,000.00 to facilitate reversals.
1157. Out of the payments made from the general payments bank account amounting to Kshs 61,415,800.00 Kshs 778,693.50 were identified and cleared from the existing unpresented cheques, Kshs 52,435,532.70 were recorded in the cashbook and the balance of Kshs 8,201,574.60 remained outstanding and is being cleared in the current financial year.
1158. While the payments from the UoN application bank account amounting to Kshs 1,702,816.00, Kshs 804,199.85 were recorded in the cashbook, Kshs 283,069.00 were identified and cleared from the existing unpresented cheques and Ksh. 615,548.45 remained outstanding and cleared in the current financial year.
1159. The general payment account 0948245515 had Unpresented cheques amounting to 82,567,712.96 and direct debits of Kshs. 81,789,019.47 and Kshs 778,993.50. During the audit exercise the reconciling items were cleared against each other. An updated reconciliation was presented to the auditors for review.

1160. Unpresented cheques amounting to Kshs 28,545,046.97 in the CESSP Operations 2032770803 reversed to creditors.
1161. Unpresented cheques amounting to Kshs 12,291,868.45 for UON application account 1177475707 Kshs 283,069 cleared against direct debits while Kshs 12,008,803 .95 was reversed to creditors.

Committee Observations

1162. The Committee observed that the reconciliations had since been done satisfactorily.

Committee Recommendation

1163. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

10. Unsupported clearance of bank overdraft

1164. The statement of financial position and Note 41 to the financial statements reflects Nil bank overdraft, However, note 36 to the financial statements submitted on 30 September, 2021 reflected a bank overdraft amount of ksh 21,902,000. The supporting documents indicating how the bank overdraft was cleared and the National Treasury Authority to overdraw the bank accounts were not provided for audit.
1165. In the circumstances, the accuracy and completeness of the nil bank overdraft balance could not be confirmed.

Management Response

1166. The bank overdraft amount of ksh. 21,902,000 that was reflected in the financial statements on 30th September 2021 were in relation to payments that were made in the cashbook but were not cleared through the bank. The actual bank balances did not show any bank overdraft and the payments made in the cashbook were reversed.
1167. A revised reconciliation statement was presented to the auditors for verification. Therefore no authority from the National Treasury was necessary.

Committee Observations

1168. The Committee observes that the reconciliations had since been done.

Committee Recommendation

1169. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

11. Unsupported general fund balance

1170. The statement of financial position and the disclosure in Note 47 to the financial statement reflects a general fund balance of Kshs.16,061,015,000. However, schedules showing the donated and grant assets, date of purchase, purchase price, accumulated depreciation, depreciation for the year and net book values relating to the balance of Kshs.16,061,015,000 were not provided for audit.

1171. Further, the statement of changes in net assets for the year under review reflects general fund depreciation on donated and grant assets totalling to Kshs.38,734,000. The accounting policy adopted by the University for reflecting depreciation on donated or grant assets as general fund is inconsistent with the requirements of IPSAS 17(64) and IPSAS1(115) which recognizes depreciation as a revenue item.
1172. In the circumstances, the accuracy of the general fund balance of Kshs.16,061,015 could not be confirmed.

Management Response

1173. The purpose of the General Fund as disclosed in the financial statements under Note xiv Nature and purpose of reserves, is to record capital development capitation received from GoK, assets donated by GoK and Donors of Research activities. The University has not been recognizing these donations of assets as revenue hence using the matching concept of accounting the depreciation of the donated assets have been charged to this fund where the initial transaction was recorded when the asset was received.
1174. We take note of the development of IPSAS 17(64) and IPSAS 1(115) on the treatment of depreciation as a revenue charge, however we seek to defer amending the financial statements to give room for more consultation with your office on the best way to handle the impact of this on prior years since related deferred income was not initially recognized.
1175. The balance of Ksh 16,060,504,000 is a carrying amount in this fund over several years since inception of the University of the Capital Development Capitation received from GoK, assets donated by GoK and assets from Donors of Research activities. Each financial year during audit additions are presented to your officers for verification and in this year under audit the donated assets were Ksh 28,614,000 and the supporting schedules are attached for your verification.

Committee Observations

1176. The Committee observes that the reconciliations had since been done satisfactorily.

Committee Recommendation

1177. The Committee recommends that the Accounting Officer complies with IPSAS standards in his reporting, and henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

12. Unreconciled receivables from exchange transactions

1178. The statement of financial position reflects a balance of Kshs.2,143,419,000 with respect to receivables from exchange transactions. However, as disclosed in Note 32 to the financial statements, the student's welfare authority-receivables had a balance of Kshs.87,617,000 in the previous year and a nil balance during the year under review. No documentation was provided to confirm how this balance was cleared.
1179. Further, the balance includes sundry debtors totaling to Kshs.440,522,000 and according to the supporting schedules provided for audit review, the sundry debtors balance includes an amount of Kshs.7,783,531 owed by Technical University of Kenya relating to the year 2014. However, the Technical University of Kenya financial statements as at 30 June, 2021 reflects an amount of

Kshs.10,486,450 as payable to University of Nairobi resulting to an unexplained variance of Kshs .2,702,919.

1180. Similarly, the sundry debtors include outstanding staff advances of ksh.2,424,595 which ought to have been recovered or accounted for on or before 30 June, 2021. The ageing analysis provided revealed that some staff advances have been outstanding since 2012, contrary to the provisions of Regulation 4.9(c) of the University of Nairobi financial regulations 2016. No explanation was provided for delay in collecting the long outstanding debts.
1181. In the circumstances, the accuracy and recoverability of the receivables from exchange transactions could not be confirmed

Management Response

1182. The debtors of Ksh 87,617,000 were eliminated upon consolidation in accordance with IPSA 35(40)(C) which requires to eliminate in full intra economic entity assets, liabilities ,net assets/equity, revenue, expenses and cash flows relating to transactions between entities of the economic entity (surpluses or deficits resulting from intra economic entity transactions that are recognized in assets, such as inventory and fixed assets ,are eliminated in full).
1183. The University of Nairobi SWA provides catering services primarily to students but also provides catering services to support internal operations in various departments. The Kshs 87,617,000 were internal debts owed by the University departments to SWA and which were also reflected as receivables by SWA. On consolidation of the University Financial Statements these were reflected as receivables by SWA and as payables to SWA of the same amount. The net effect of this was zero in the consolidated financial statement, and therefore providing a cancelling effect. In the schedule provided, it shows both the debtor and creditor that cancel out. In the year ended 30 June 2021, the University also underwent rapid restructuring and the change saw abolishment of colleges to faculties. This restructuring affected the internal finance obligations and recognition of the internal debtors and creditors.
1184. The University is pursuing The Technical University of Kenya to collect the entire debt.
1185. The outstanding staff advances amounting to ksh. 2,424,595 were advances reflected in the advance system which, during its inception, was not integrated with our accounting system sage 300 which is used to produce the financial statements. After thorough investigations of the advance system it was noted that all the outstanding amounts were system imports which had been issued and cleared manually but remained in the system. They were later cleared in the system as well

Committee Observations

1186. The Committee observes that only receivables owed by the Technical University of Kenya were still outstanding.

Committee Recommendation

1187. The Committee recommends that the Accounting Officer ensures complete collection of outstanding receivables within six months of adoption of this report.

13. Unreconciled payables from exchange transactions

1188. The statement of financial position reflects payables from exchange transactions balance of Kshs.1,211,336,000 which as disclosed in Note 38 to the financial statements includes a balance of Kshs.37,580,000 relating to KUCCPS. However, the debtor's statement from KUCCPS reflects a balance of Kshs.47,220,000 owed by the University resulting to an unreconciled variance of Kshs.9,640,000.
1189. Similarly, the payables balance includes UNES payables amounts amount of Ksh. 245,692,000. However, University of Nairobi Enterprise Services Limited financial statements as at 30 June, 2021 reflects a corresponding balance of ksh. 210,456,318 resulting to an unexplained variance of ksh. 35,234,682.

Management Response

1190. During the year the University recognized an expenditure totaling Kshs 47,220,000 for KUCCPS. A payment of Kshs 9,640,500 was paid on 14th January 2021 resulting to the outstanding amounts of Kshs 37,579,500.
1191. Note 38 to the financial statements was updated to reflect the audited UNES payables amount Kshs 245,691,000.

Committee Observations

1192. The Committee observed that the matter had been settled to satisfaction.

Committee Recommendation

1193. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

14. Unsupported trust and endowment funds

1194. The statement of financial position and as disclosed in Note 44 to the financial statements reflects trust and endowment funds balance of Kshs.199,626,000. However, analysis of the supporting schedules reflects a total amount of Kshs.195,866,421 resulting to an unexplained variance of Kshs.3,759,579. In addition, the trust funds include dormant balances brought forward totalling to Kshs. 16,292,000, whose accuracy and existence could not be confirmed. Further, the policy documents or Memorandum of Understanding of the trust and endowment funds was not provided for audit.
1195. In the circumstances, the accuracy and completeness of the trust and endowment funds balance could not be confirmed.

Management Response

1196. The balance of Kshs.199,626,000 agrees with the supporting schedules and are attached for your review.
1197. The funds that appear to be dormant are funds that are meant to support academic activities that relate to awards and prizes. The sponsors have not advised the University to apply the funds to any award.
1198. The policy documents or memorandum of understanding for the trust and endowment funds were secured in the University's strong room several years ago when the funds were established. The retrieval process took a bit longer but now the documents available for verification.

Committee Observations

1199. The Committee observes that the matter had been settled to satisfaction.

Committee Recommendation

1200. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

15. Unsupported revenue from exchange transactions

1201. The statement of financial performance reflects revenue from exchange transactions amount of Kshs.4,439,706,000 which includes a total amount of Kshs.594,015,000 and Kshs.3,455,397,000 from module I and module II respectively. However, only revenue of Ksh. 273,358,513 and Ksh. 1,795,104,665 of module I and II respectively was supported with invoices resulting to an unsupported revenue of Kshs.320,656,487 and ksh. 1,660,292,335 from module I and module II respectively.

1202. In the circumstances, the accuracy and completeness of revenue from exchange transactions could not be confirmed.

Management Response

1203. The University prepares its financial statements on accrual accounting basis and hence revenue reported is also as accrued. Fees is collected mainly at the start of the Academic year while students register for courses during the semester that sometimes at the end of a semester when they about to sit exams. The University has been collecting and recognizing fees as revenue, with 30th June of each year as a cutoff date. The revenue of Kshs.320,656,487 and ksh. 1,660,292,335 from module I and module II respectively were fees paid by students upon billing hence recognized as revenue and included in the total revenue of Kshs 4,439,706,000.

Committee Observations

1204. The Committee observes that the matter had been settled to the satisfaction.

Committee Recommendation

1205. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

16. Understatement of accommodation, catering and other income

1206. The statement of financial performance and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.256,758,000 with respect to revenue from accommodation, catering and other incomes. An analysis of the supporting schedule for rental income for commercial billboards in comparison with the lease terms revealed that the University recognized a performance security deposit for one of the properties as income, yet the amount of ksh. 2,100,000 was refundable at the end of the lease period. The lessee had not failed to perform their obligation, thus there was no justification for recognition of the deposit as revenue.

1207. In the circumstances, the accuracy of accommodation, catering and other income amount of ksh. 256,758,000 could not be confirmed.

Management Response

1208. As reflected in note 12 the total of Ksh 256,758,000 excludes the Security deposit paid by Marr Petroleum properties amounting to Kshs 2,100,000 which was reflected as deposit payable in note 38.

Committee Observations

1209. The Committee observes that the matter had since been resolved.

Committee Recommendation

1210. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

17. Non-disclosure of student prepayments

1211. During the year under review, the University did not report any balance relating to student payables including prepayment of student fees. However, re-computation of the student balances at the end of the year under review, established that there was an amount of ksh. 1,892,200,562 from 29,029 students which was either school fees overpaid or paid in advance.

1212. In the circumstances, the accuracy of the financial statements could not be confirmed.

Management Response

1213. The University's Academic year and Financial year are not synchronized. Fees is collected mainly at the start of the Academic year while students register for courses during the semester that sometimes cuts across Financial years. The University has been collecting and recognizing Fees as revenue with 30th June of each Year as a cutoff date.

1214. The number of prepayments by Students is now disclosed in the Financial Statements and this was confirmed by the auditors who were on the ground during the audit of FY 2021/2022.

Committee Observations

1215. The Committee observes that the matter had since been resolved.

Committee Recommendation

1216. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

18. Unreconciled transactions between Student Management Information System (SMIS) and Sage System

1217. The statement of financial performance reflects an amount of ksh. 4,439,706,000 with respect to total revenue from exchange transactions. Analysis of the system revealed that student related revenue was collected using the SMIS which was integrated with KCB and ABSA bank while reporting was done in Sage system. Comparison of invoices

maintained by the two systems revealed that, there were 43,439 invoices amounting to Kshs.397,276,211 that were only captured in sage system and 32,040 invoices amounting to Kshs.371,032,042 that were only captured in SMIS.

1218. Further analysis of fees collection and invoice data from SMIS for module I and II students revealed an unexplained 6,909 missing receipt numbers and 122 missing invoice identification numbers. Management attributed the missing invoice numbers to the system which did not support auto- generation of unique identification numbers if a transaction halted before completion.
1219. In the circumstances, the accuracy and completeness of revenue from exchange transactions could not be confirmed.

Management Response

1220. The Student management information system (SMIS) keeps students records for Fee payments, Course registration, Examination among other records. The fees for Module II students are structured and costed per unit cost/year/semester. This enables students register for courses they are able to pay for at a particular semester/year. To facilitate this the University introduced self-registration for students which generates and invoice capturing the unit cost and administrative charges for the semester.
1221. Course registration in SMIS (Invoicing) traverses financial years according to the load of the student and semester progress over time. This means the invoicing in SMIS may differ with that in Sage since the accounting programme capturing revenue when service is rendered and aligning with the financial year.
1222. The University in the FY 2020/2021 migrated Government Sponsored Students (Module I) from manual invoices to self-billing. This has ensured only students who are on session are billed and fees for the same is recognized in the financial statements.

Committee Observations

1223. The Committee observes that the matter had been settled to the satisfaction of auditors, as management had now availed extracts of the two systems which had been verified.

Committee Recommendation

1224. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

19. Irregular payment of allowances

1225. The statement of financial performance and Note 14 to the financial statements reflects an amount of Kshs.9,474,684,000 with respect to salaries and wages. Examination of records revealed that there were fifty-three (53) and another six(6) staff members in various job groups whose entertainment and responsibility allowance were above the stipulated salary structures provided by the Collective Bargaining Agreement, 2013-2017, resulting to an over payment of Ksh.2,314,998 and Ksh 258,709 respectively.
1226. Further, the allowances was paid contrary to Article 230(4)(b) of the Constitution of Kenya, 2010 and Part C.2 (1) of the Human Resource Policies and Procedures Manual for the Public Service which empowers the Salaries and Remuneration Commission to advise the National and County Governments on the remuneration and benefits of all public officers.

1227. In the circumstances, the accuracy and completeness of salaries and wages amount of Kshs.2,573,707 could not be confirmed.

Management Response

1228. The Entertainment allowance is a Senior management allowance paid to the University management as approved by the University council.
1229. The allowance is therefore not provided for by the CBA 2013-2017. Attached is the approved senior management allowances report and a list of the 53-management staff with the offices held against their names.
1230. The six (6) staff are members of University Management having been appointed as such by the University Council. Their responsibility allowance is based on negotiation with the University Council which is the appointing authority for such officers. The University Council approves payment to management based on the Public Service Commission guidelines and not Collective Bargaining Agreements (CBA) scales since the University management staff are not unionisable. Please find attached appointment letters supporting payment of responsibility allowances.

Committee Observations

1231. The Committee observes that the matter had since been resolved as the Accounting Officer had submitted requisite documentation supporting the payments.

Committee Recommendation

1232. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

20. Budgetary control and performance

1233. The Committee observes that the matter was recurring from the previous financial years, and reiterates its recommendation on the same.

21. Loss making income generating activities

1234. The statement of financial position and as disclosed under Note 48 to the financial statements reflects accumulated loss from income generating activities and parallel programs totalling to Kshs.770,204,000. Examination of records revealed that the income generating activities under UNES Limited made a total loss of Kshs.106,989,000 during the year under review.

Management Response

1235. The management had devised strategies to turn around all its income generating units.

Committee Observations

1236. The Committee observes the loss attributable to UNES had since been reversed to profitability.

Committee Recommendation

1237. The Committee recommends that the Accounting Officer ensures that all income generating activities profitable, and as such submits a business plan for this purpose to the Committee within six months of adoption of this report by the House.

22. Unauthorized bank accounts

1238. The Examination of records provided revealed that the University opened and operated one hundred and fourteen (114) bank accounts in Kenya Commercial Bank, Absa and Cooperative Banks that do not form part of the five (5) main bank accounts authorized by the Council. Further, The National Treasury authority to open and operate the bank accounts as required under Section 28(1) of the Public Finance Management Act, 2012 was not provided for audit.
1239. In addition, examination of records revealed that although the University Council vide a meeting held on 14 January, 2021 authorized closing of all excess bank accounts, out of one hundred and six (106) excess bank accounts, the University had closed only ninety (90) bank accounts as at 30 June, 2021. No explanation was provided for failure to close all the excess bank accounts.
1240. In the circumstances, Management was in breach of the law.

Management Response

1241. All the bank accounts were the accounts of the university that were opened due to the dynamic nature and periodic needs of the university during its growth trajectory over the years since inception.

Committee Observations

1242. The Committee observes that the matter had since been resolved as the Accounting Officer had made satisfactory explanation.

Committee Recommendation

1243. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

23. Stalled student accommodation hostel- Lower Kabete campus

1244. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

24. Proposed construction of school of pharmacy

1245. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

3.15 THE UNIVERSITY OF NAIROBI PRESS

1246. Prof. Stephen Kiama, Vice-Chancellor and Accounting Officer, accompanied by;
- i) Mr. Andrew Mbuku - Ag. Director Facility Management
 - ii) Mr. Stephen Kimeli - Ag. Director Finance
- appeared before the Committee on 3rd May 2023.
1247. The Vice-chancellor requested the Committee to accord him six months to revamp operations of the unit, which were currently shut down. The Committee acceded to this request and will submit its report on the University of Nairobi Press in its next report to the House.

3.16 KENYA UTALII COLLEGE

1248. Prof. Charles Musyoki, Principal and CEO, accompanied by;
- i) Mr. Bernard Chepkwony - Finance Manager
 - ii) Ms. Selestine Njagi - Legal Officer
- Appeared before the Committee to adduce evidence on the audited accounts of the college, on 22nd March 2023.

3.16.1 Audited Financial Statements for the Financial Year 2018/19

1. Receivables from exchange transactions

1249. Included in receivables from exchange transactions balance of Kshs. 287,628,455 as at 30 June 2019 is an amount of Kshs. 195,075,085 out of which receivables totalling Kshs. 186,126,539 or 95% were aged between one and eight years and the remainder of Kshs. 6,153,518 and Kshs. 2,795,028 were owed by former staff and insolvent entities respectively.
1250. In addition, the existence and valuation of these debts could not be established as no letter of confirmation were issued by the debtors acknowledging the debts.

Management Response

1251. The College has now implemented a policy where deposit is paid upfront before services are offered unlike before especially for Government institutions who are the majority with long outstanding debts. The College has also made a proposal to the council to write off bad debts for the insolvent entities and former staff.

Committee Observations

1252. The Committee observes that the college was awaiting Treasury approval to write off long outstanding bad debts.

Committee Recommendation

1253. The Committee recommends that Treasury grants approval to write off verified long outstanding debts within three months of adoption of this report.

2. Receivables from non-exchange transactions

1254. The statement of financial position as at 30 June ,2019 reflects receivables from non-exchange transactions totalling Kshs. 131,273,553. The balance includes receivables totalling Kshs. 116,205,822 which have been outstanding for between four and seven years. The measures taken by management to recover the old outstanding debts have not been disclosed.

Management Response

1255. The College reiterated its response to the query above regarding receivables from exchange transactions.

Committee Observations

1256. The Committee observes that the college was awaiting Treasury approval to write off long outstanding bad debts and reiterates its recommendation above.

Committee Recommendation

1257. The Committee recommends that the Accounting Officer obtains Treasury approval to write off the long outstanding sums within three months of adoption of this report by the House.

3. Inaccurate statement of cash flows

1258. The statement of cashflows for the year under review reflects Kshs. 107,956,788 net cashflows from operating activities. The balance includes working capital adjustments referred to as increase/Decrease of current assets and Liabilities among other adjustments in note 20. The accuracy of the two adjustments amounting to Kshs. 32,801,472 and Kshs. 398,113,805 denoted as net change in receivables and net change in payables respectively could not be confirmed.

Management Response

1259. The working capital adjustment is as a result of changes in current Assets and Current Liabilities in the statement of financial position. An amount of Kshs. 32,801,472 represent the net change of the receivables.

Committee Observations

1260. The Committee observes that the matter was now resolved as auditors had confirmed that the statements were now accurate.

Committee Recommendation

1261. The Committee recommends that the Accounting Officer henceforth complies with accounting standards.

4. Going concern status

1262. During the year under review, the college reported a deficit of Kshs. 430, 649, 313, an increase of Kshs. 30,984,121 from the deficit of Kshs. 399,665,192 incurred in 2018/19, and thereby increased the accumulated operational losses to Kshs. 1,548,454,359 as at 30 June, 2019. Further, the statement of financial position reflected current liabilities totalling Kshs. 4,193,744,059 and current assets totalling Kshs. 636,481,449 as at 30th June, 2019 resulting to a negative working capital of Kshs. 3,557,262,610. Therefore, the college was technically insolvent.
1263. In addition, the trade and other payables from exchange transactions balance totalling Kshs 4,009,142,299 as at 30th June 2019, includes accrued interest totalling Kshs 3,678,447,764 payables to the Government of Kenya (GOK), as further disclose in note 17 to the financial statements. The balance is equivalent to 92% of the total trade and other payables from exchange transactions balances. In the circumstance, the College's ability to settle bills when they fall due appears doubtful.

Management Response

1264. The college was advanced a loan of Kshs 140 million by the Government of Kenya in February 1996 to refurbish the Utalii Hotel. The accumulated interest as at 30th June 2019 stood at Kshs. 3,678,447,764. Utalii hotel being a training laboratory for the college, its profitability is highly compromised by high operational costs due to its orientation as a training unit hence the college is unable to pay the principal amount, accrued interest and penalties.
1265. The college has written several appeal letters to the National treasury through the Ministry of Tourism and Wildlife to either waive or write-off the interest and penalties accrued on the loan given or convert the principal amount to a grant.
1266. The Payables of Kshs 4,009,142,299 include the accrued interest of GOK loan of Kshs 3,678,447,764, once KUC is granted waiver on interest and penalties and the principal is converted to Grant the liabilities will reduce significantly.

Committee Observations

1267. The Committee observes with concern that a government-to-government loan of Kshs. 140 million had accrued interest to the tune of Kshs. 3,678,447,764 as at end of FY 2018/19. The loan was advanced by the then Catering Levy Trustees (now Tourism Fund) through Treasury in 1996 and the college was unable to service the debt satisfactorily.

Committee Recommendation

1268. The Committee recommends that within six months of adoption of this report, Treasury and the Tourism Fund writes off the interest amount of Kshs. 3,678,447,764 at as at the end of the financial year. The college to continue servicing the principal amount.

5. Failure to implement integrated financial information management requirement

1269. The National Treasury Circular No. 19/15, dated 18, August, 2015, required state corporations to Link IFMIS and other public financial management systems as

appropriation so as to improve record keeping and enhance monitoring and evaluation. Executive order No.2 of 2018 requires all state corporations to employ full use of e-procurement by 1st Jan 2019

1270. The college had as at 30th June 2019 not implemented the integrated financial information management (IFMIS) system or linked its enterprise Resource planning (ERP) System with IFMIS.

Management Response

1271. The integrated financial information management (IFMIS) system is used in the mainstream Government and county Government and not Semi-Autonomous Government Agencies (SAGAS) especially training Institutions. The college has written to the National Treasury for a waiver on this requirement. Further, we have requested the national Treasury to come and audit the existing Navision ERP system and advice if it meets the requirements that are in IFMIS system. Also the college has an IFMIS number that is used for responding to RFP from ministries procurement needs.

Committee Observations

1272. The Committee observes that the matter had now been settled as the auditors were satisfied with the explanation, as the college was now in compliance by using the Navision ERP system.

Committee Recommendation

1273. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

6. Inadequacies at Mombasa campus

1274. The facilities at Mombasa campus indicated that the campus did not have a qualified librarian. The library is managed by staff picked by the Acting Director of studies in charge of the campus. The library was in poor condition not befitting the reputation of the college. In addition, the kitchen at the campus lacked the training equipment equivalent to that available at the Nairobi campus. The anomaly raised doubt on whether training standards set for both campuses were the same.

Management Response

1275. Kenya Utalii College had a branch at Mombasa Island which was closed following the breakout of Covid 19 disease. Due to low student admission and high operating cost the College made the decision to close down the campus permanently.

Committee Observations

1276. The Committee observes that the matter had now been overtaken by events as the Mombasa campus had since been closed in 2020.

7. High employee cost

1277. The expenditure of Kshs. 393,550,677 on employee cost reflected in the financial statements represent 49% of the total revenue amounting to Kshs. 802,957,952 received by the college during the year under review. The ration exceeded the recommended threshold of 35% prescribed in regulation 26(1) of the public Finance management (National Government) regulation, 2015.
1278. Excessive use of Funds on personnel emoluments constraints funding for service delivery and development projects and may eventually hinder the college from attaining its mandate.

Management Response

1279. In the financial year 2018/2019 total number of staff both at the college and the Hotel were 534 and currently the number has reduced to 398. The management had since reviewed with the help of SCAC the HR instruments such as organization structure, career guidelines, HR policy and procedures manual and staff establishments. This had been approved by the Ministry of Tourism, Wildlife and heritage. They were now awaiting final approval from SCAC. Once received the approved staff establishment would give guide on the maximum number of staff per department and this will sort out all the staffing issues.

Committee Observations

1280. The Committee observes that the matter had now been resolved.

Committee Recommendation

1281. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

8. Incomplete students access control system

1282. Delivery and installation of the student access control system began in September 2010 under tender NO KUC/33/2009/2010 awarded to a local company at a cost of Kshs 3,897,967. The amount paid as at 30 June 2018 was Kshs 1,183,390. The works were largely completed but had not been commissioning due to unresolved issues in the contract agreement which the supplier had not resolved as at 30th June 2019, including delivery of access control license registered under the college and signing of a service level agreement for the system.

Management Response

1283. The project was undertaken between September 2010 and June 2011. The project was duly completed and as regards the hardware perspective all that was to be delivered and installed was done and are in good condition.
1284. However, the server installed with the software of the system developed some challenges which lead to the software installed in the server being reformatted. It's important to note that currently the system is in good working condition and servicing the library very well.

1285. Moreover, the college was withholding Kshs. 700,000 for the contractor awaiting re-installation of the software

Committee Observations

1286. The Committee observes that the project had taken inordinately long to complete and some modules were still outstanding, awaiting re-installation of the software.

Committee Recommendation

1287. The Committee recommends that the Accounting Officer ensures re-installation of the software for full operationalization of the system, within three months of adoption of this report.

9. Misallocation of development grant

1288. The Ministry disbursed Kshs. 200 million in 2016/2017 financial year to the college for development of a new training building. Available information indicates that Kshs. 100 million was deposited in a Call bank account and Kshs. 40,261,605 was spent on several activities identified in records to include consultancy services, permit from the county Government, technical evaluation retreat, and advertisements for procurement of construction services. The remainder amounting to Kshs. 59,738,395 was spent on recurrent expenses without the approval of the college council and National Treasury.
1289. As at 30 June, 2019 construction of the training building appeared not to have commenced as no such project was identified during the audit, reported in the financial statements for the year under review.
1290. Management may have breached the terms of the grant and section 48 1(c) of the Public Finance Management Act, 2012 which stipulates that grants be used to finance programs in the integrated development plan.

Management Response

1291. The Individual Training Kitchen Laboratory block (ITK) is ongoing, and is at around 95 % to completion.
1292. The college Council took disciplinary action on the concerned staff. The officers who breached the Public Finance Management Act, 2012 have since been terminated. The college is now adhering to the public Finance Management Act, 2012.

Committee Observations

1293. The Committee observes that the matter had now been resolved.

Committee Recommendation

1294. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

10. Unconfirmed regularity of legal expenses

1295. The college engaged a legal firm to provide arbitration services between the college and a firm of architects. The contract sum amounting to Kshs. 458,612 was paid on 25 September, 2018 following receipt of an advance fee note from the Arbitrator. However, the nature of the arbitration undertaken by the law firm was not revealed in the fee note.

- Further, there was no record to show that the office of the Attorney General was consulted on the matter as provided by Section 5(1) of the Attorney General Act, of 2012 and the Head of public service Circular No OP. CAB .39A.
1296. Additionally, there was no record of professional opinion from both the Head of the procuring unit as required by section 84 (1) of the public procurement and Asset Disposal Act, 2015.
1297. In view of these omissions the validity of the expenditure amounting to Ksh.458, 612 has not confirmed.

Management Response

1298. The law firm m/s Kiragu wathuta and advocates, was among the prequalified law firms for provision of legal services for financial year 2018-2019 and the management engaged their services to carry out the assignment. The fee notes were consequently paid over the FY that followed.
1299. Legal Services is one of the professions with regulated fee for services rendered.
1300. The management going forward, provides a professional opinion to any payment for the services and goods supplied.

Committee Observations

1301. The Committee observes that the matter had now been resolved.

Committee Recommendation

1302. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

11. Uncertainties regarding Ronald Ngala Utalii College

1303. Kenya Utalii College, Coast branch was established vide Cabinet Memo Ref: CAB.58/4A of 18 September, 2007 at REA Vipingo site on 60 acres of land donated by REA Vipingo Plantations Limited.
1304. The development of the College was thereafter transferred from Kenya Utalii College to Catering and Tourism Development Levy Trustees (now Tourism Fund) and further, a change of name to Ronald Ngala Utalii College was initiated without Cabinet approval. By a Gazette Notice No. 3478 of 25 March, 2010, the then Tourism Minister established Ronald Ngala Academy and in notices carried in the Kenya Gazette on 6th August 2010 and 5th November 2010 appointed several persons to the board of directors established for that Academy. However, the appointments were nullified in 2012 alongside those of other tourism agencies by the new Minister for Tourism.
1305. Audit verification has since revealed that the Tourism Fund is constructing buildings on the donated land even though the Fund does not possess the ownership documents for the land. On the other hand, the Kenya Utalii college has valued the land at Kshs. 250 million and included it in the financial statements for the year under review. However, the buildings under construction have not been accounted for in the books of Kenya Utalii College or those of the Tourism Fund.
1306. In view of these issues, the ownership of the Academy and accountability for public funds expended by the Tourism Fund on the ongoing developments has not been clarified.

Management Response

1307. Kenya Utalii college –Nairobi owns the 60 –acres site donated by REA Vipingo Company limited and it has reported in the financial statement the value of the land at Kshs 250 million is captured in the college’s records. The Developments therein are being carried out by Tourism Fund, and the college believes immediately they complete they will hand over to the college which they hope that the name shall continue to be Ronald Ngala Utalii College.

Committee Observations

1308. The Committee observes that the matter needed clarification from the Ministry of tourism in liaison with the college and the Tourism Fund.

Committee Recommendation

1309. The Committee recommends that the Cabinet Secretary responsible for tourism ensures that the memorandum of understanding clarifying ownership of the developments being undertaken on the land are signed, within three months of adoption of this report.

3.16.2 Audited Financial Statements for Financial Year 2019/20

1. Trade and other payables

1310. The statement of financial position reflects a balance of Kshs.4,970,688,767 under trade and other payables from exchange transactions which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.4,060,280,428 in respect of accrued GoK interest. The accrued GoK interest represents 82% of the total trade and other payables from exchange transactions balance of Kshs.4,970,688,767 and has remained unsettled for considerable period of time.
1311. Under the circumstances, the College’s ability to settle bills when they fall due appears doubtful.

Committee Observations

1312. The Committee observes that the matter was a result of a loan of Kshs. 140 million advanced by the Government of Kenya in February 1996 to refurbish the Utalii Hotel, and had been discussed in the previous financial year’s report.

Committee Recommendation

1313. The Committee reiterates its recommendation under the same matter.

2. Receivables from exchange transactions

1314. The Committee observes that the matter was a recurring issue and had been discussed in the previous financial year’s report. The Committee reiterates its recommendation.

3. Receivables from non-exchange transactions

1315. The Committee observes that the matter was a recurring issue and had been discussed in the previous financial year’s report. The Committee reiterates its recommendation.

4. Material uncertainty to going concern

1316. The Committee observes that the matter was still related to the loan of Kshs. 140 million advanced by the Government of Kenya in February 1996 to refurbish the Utalii Hotel, and had been discussed in the previous financial year's report. The Committee reiterates its recommendation.

5. Budgetary controls and performance

1317. During the year under review, the College had an expenditure budget of Kshs.1,087,286,786 but spent Kshs.1,339,418,551 resulting to an over expenditure of Kshs.252,131,765 or 23%. The over expenditure has not been supported by a supplementary budget or authorization by the College Council.

Management Response

1318. The college was given a loan of 140M to refurbish Utalii Hotel. The interest for the loan in the year 2019/20 is kshs. 381,832,664 which is not budget for but reported in the financial statements. The college has continued to follow up for the accumulated interest to be written off and principal Loan to be converted to grant by writing to the National Treasury through the ministry of Tourism in an effort to improve the college's working capital. The loan interest charge for the year of Ksh. 381,832,664 is not budgeted for hence the variance.

Committee Observations

1319. The Committee observes that the amount was provisioned for interest for the Kshs. 140 million loan discussed previously, and was not actual expenditure.

Committee Recommendation

1320. The Committee reiterates its recommendation that interest accruing to the loan be written off by the Treasury and the Tourism Fund, and struck off the college's books.

6. Ronald Ngala Utalii College

1321. The Committee observes that the matter was a recurring issue and had been discussed in the previous financial year's report. The Committee reiterates its recommendation.

7. Loan from Government of Kenya

1322. The Committee observes that the matter was a recurring issue and had been discussed in the previous financial year's report. The Committee reiterates its recommendation.

8. Non-remittance of statutory deductions

1323. During the year under review, the College failed to remit Value Added Tax (VAT) deductions amounting to Kshs.241,972 to the Kenya Revenue Authority. This is in contrary to Sections 37 and 130 of the Income Tax Act which require VAT to be remitted by the twentieth day of the month following the charge. Further, failure to remit statutory deductions on a timely basis may attract interest and penalties.
1324. Consequently, the Management was in breach of the law.

Management Response

1325. The college had since paid up the Value added tax (VAT) and continues to pay statutory Obligations on time so as to avoid penalties.

Committee Observations

1326. The Committee observes that the matter was now settled.

Committee Recommendation

1327. The Committee recommends that the Accounting Officer henceforth complies with provisions of the law in deduction and remittance of statutory deductions.

3.16.3 Audited Financial Statements for Financial Year 2020/21

1. Unsecured car and house loans

1328. The statement of financial position as at 30 June, 2021 reflects a staff loans fund balance of Kshs.22,628,774, as disclosed in Note 21 to the financial statements. Included in the balance is a loan scheme principal advances amount of Kshs.10,518,860 which relates to car and house loan principal amount outstanding as at 30 June, 2021. However, Management did not provide for audit the log - books and title deeds which were used as security for loans amounting to Kshs.3,373,393, contrary to the provisions of the College's car and house loan rules and regulations of 1998 that require staff house and car loans be secured. In addition, two (2) staff members had not made any repayments on their loans amounting to Kshs.995,347 for a period of more than one (1) year and Management did not provide evidence of efforts made to recover the outstanding amounts.
1329. In the circumstances, the recoverability of the debts of Kshs.22,628,774 as at 30 June, 2021 could not be confirmed.

Management Response

1330. The log books for the staff vehicles purchased from the scheme account were in custody of Kenya Utalii College. The loan balance of Kshs 995,347 relates to Mr Mwakai Sio car loan balance of Kshs.920,735.71. Mr Sio took the college to court and he was paid vide court decree. The management is reviewing the housing loan attributable to Mr Moses Lesaibile of Kshs 74,611.29 to determine the correct balance from his loan file.

Committee Observations

1331. The Committee observes that the college had previously lacked a loan and mortgage policy. They also lacked legal representation amongst its staff and ran the two schemes haphazardly. The Committee is concerned that the loanees may proceed to take loans with other financial institutions since their titles had not been encumbered. The Committee was further concerned that management was yet to take full custody of the subject titles.

Committee Recommendation

1332. The Committee recommends that the Principal Secretary reprimands the Accounting Officer for laxity and further recommends that the Accounting Officer should within three months of the adoption of this report by the House take full custody of titles of

outstanding loans and places a caveat on them, considering charges on titles could not be feasibly backdated.

2. Long outstanding receivables

1333. The Committee observes that the matter was a recurring issue and had been discussed in the previous financial year's report. The Committee reiterates its recommendation.

3. Material uncertainty related to going concern

1334. The Committee observes that the matter was a recurring issue and had been discussed in the previous financial year's report. The Committee reiterates its recommendation.

4. Budgetary control and performance

1335. The Committee observes that the matter was a recurring issue and had been discussed in the previous financial year's report. The Committee reiterates its recommendation.

5. Unresolved prior year matters

1336. The Committee observes that the matters were those outstanding from the previous financial years. The Committee reiterates its recommendations to the various matters.

6. Non-recovery of salary advance

1337. During the audit, it was noted that the College had issued salary advance to some of its staff in the year 2017/2018, 2018/2019 and 2019/2020 totalling to Kshs.314,000. Management however failed to recover the said amounts within the stipulated time frame of 8 months as provided in the College's Human Resource Manual. Further, the College issued salary advances amounting to Kshs.393,000 from the year 2011/2012 to the year 2019/2020 to various employees which had not been recovered as at 30 June, 2021 contrary to Section 3.9.7 of the College's human resource manual. In the circumstances, Management was in breach of the human resource manual.

Management Response

1338. The college paid salary advance to members of staff as indicated as per the policy. When applying for the advance, the employee is required to get two guarantors. In case of default, the Guarantors will bear the responsibility of paying for the advances. The listed employees had exited the Corporation and their guarantors have not been deducted. Demand letters have been done to said staff to help the corporation recover the salary advance issued to them. So far the college has recovered Kshs 287,500 and the balance outstanding is Kshs 105,570.88.

Committee Observations

1339. The Committee observes that the college had previously lacked proper salary advance policy and was going after guarantors after letting the debtors clear with the institution without settling their dues.

Committee Recommendation

1340. The Committee recommends that the Principal Secretary reprimands the Accounting Officer for this laxity and further recommends that the balances owing be settled within three months of adoption of this report.

7. Lack of contract agreement for fuel supplies

1341. Review of procurement records revealed that there was no contract agreement between a local fuel company and the College for supplies totaling Kshs.3,976,554 during the year under review, contrary to Section 135(2) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall enter into a written contract with the person submitting the successful tender based on the tender documents and any clarifications that emanate from the procurement proceedings. In the circumstances, Management was in breach of the law.

Management Response

1342. The management sought the services of vivo energy because of accessibility between the college and nearest shell petrol station. Initially, fueling of motor vehicles for the college was done by cash. In order to instill controls decided to use Fuel cards so as to monitor and minimize fraud. In the process, the college entered into a mutual agreement with vivo and they had now signed a contract agreement with shell.

Committee Observations

1343. The Committee observes that the matter had since been settled as the college had produced the contract agreement.

Committee Recommendation

1344. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the PFM Act 2012 and section 13 of the Public Audit Act, by providing supporting documentation and explanations to the Auditor General on time.

8. Variance between payroll summary (PAYE deductions) and the accounting system generated report

1345. The payroll summary provided for audit review indicated that Management had deducted a total of Kshs.93,649,762 as Pay as You Earn (PAYE) from the employees of the College in the year under review. Further, the summary report provided by the College which was generated from the accounting system reflected a total PAYE deduction of Kshs.57,672,609 thereby leading to unexplained variance of Kshs.35,977,153. It is not clear why the management is not using the same system to deduct all the statutory deductions and chooses to use a different system for PAYE deductions. In the circumstances, the reliability of the PAYE reports generated from the two systems could not be confirmed.

Management Response

1346. The College invested in an ERP system which has a Finance module and Human Resource Module. The human resource module generates a report on PAYE which is used by the finance department to make payments to respective service providers. The master report of Payroll gives the correct and combine figures from Human resources department.

Committee Observations

1347. The Committee observes that the true status would be verified in subsequent audits.

Committee Recommendation

1348. The Committee recommends that the auditors reconcile the figures in the audit of the college's accounts for the FY 2021/22.

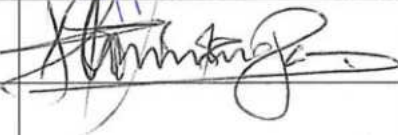
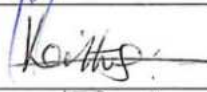
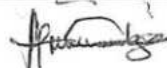
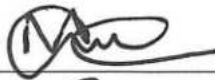
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HON. WANAMI WAMBOKA, MP
CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND
EDUCATION

DATE: 20TH JUNE, 2023

ADOPTION OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION REPORT ON THE ACCOUNTS OF VARIOUS GOVERNMENT AGENCIES (TRAINING COLLEGES/ INSTITUTIONS)

We, the Honourable Members of the Public Investments Committee on Governance & Education (PIC-G&E), do hereby affix our signatures to this 2nd Report on Accounts of various governance agencies (Training Colleges/ Institutions) to affirm our approval and confirm its accuracy, validity and authenticity;

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

MINUTES OF THE 6TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 8TH MARCH, 2023 IN COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDINGS, AT 0930 HOURS

PRESENT

- | | | |
|---|---|------------------|
| 1. Hon. Jack Wanami Wamboka, MP | - | Chairperson |
| 2. Hon. Lesuuda Josephine Naisula, OGW, MP- | | Vice-chairperson |
| 3. Hon. Mark Muriithi Mwenje, MP | | |
| 4. Hon. Sigei Francis Kipyegon, EBS, MP | | |
| 5. Hon. Ondieki Alfa Miruka, MP | | |
| 6. Hon. Wamacukuru James Githua Kamau, MP | | |
| 7. Hon. Chiforomodo Mangale Munga, MP | | |
| 8. Hon. Bisau Maurice Kakai, MP | | |
| 9. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 10. Hon. Nzambia Thuddeus Kithua, MP | | |
| 11. Hon. Shadrack Mwiti Ithinji, MP | | |
| 12. Hon. Karitho Kiili Daniel, MP | | |

ABSENT WITH APOLOGY

1. Hon. Kirima Moses Nguchine, MP
2. Hon. Bonaya Mumina Gollo, MP
3. Hon. Tonui Joseph Kipkosgei, MP

IN-ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Mohamed Jimale | - | Clerk Assistant II |
| 3. Mr. Victor Fundi | - | Clerk Assistant III |
| 4. Ms. Eunice Liavuli | - | Research Officer III |
| 5. Ms. Faith Chepkemai | - | Legal Counsel |
| 6. Mr. Edwin Mwebi Machuki | - | Fiscal Analyst III |
| 7. Mr. Collins Mahamba | - | Audio Recording Officer |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|-----------------------|---|----------------------------|
| 1. Ms. Mercy Muasya | - | Director of Audit |
| 2. Mr. Samuel Waweru | - | Ag. Director of Audit |
| 3. Ms. Sharon Wangari | - | Deputy Director of Audit |
| 4. Mr. Evans Obote | - | Senior Investments Officer |
| 5. Mr. Felix Itonge | - | Liaison Officer |

COMMISSION FOR UNIVERSITY EDUCATION

- | | | |
|-----------------------|---|--|
| 1. Prof. Mike Kuria | - | Commission Secretary/ CEO |
| 2. Mr. Francis Gakuya | - | Accountant , Commission for University Education |
| 3. Ms, Linah Kiptoo | - | Commission for University Education |

THE JOMO KENYATTA FOUNDATION

- | | | |
|----------------------|---|------------------------------------|
| 1. Mr. David Mwaniki | - | Managing Director/ Board Secretary |
|----------------------|---|------------------------------------|

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/016: PRELIMINARIES

The Chairperson called the meeting to order at 9.30 am with a word of prayer and thereafter invited all present to introduce themselves. The Chairman noted that the Committee had scheduled several agencies to appear before it to respond to audit queries contained in reports of the Auditor General on the financial statements for the last three (3) financial years (FY) running up to 2020/21.

The agenda was confirmed as listed hereunder on the proposal of Hon. Rebecca Tonkei, MP and secondment of Hon. Sigei Kipyegon, EBS, MP;

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Meeting with State Corporations on Audit Reports;
 - i) Commission for University Education
 - ii) Jomo Kenyatta Foundation
 - iii) Kenya Utalii College
 - iv) Kenya Literature Bureau
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/017: CONFIRMATION OF MINUTES

1. Minutes of the 1st sitting held on Friday 17th February 2023 at 9.30 am were confirmed as a true record of proceedings having been proposed by the Hon. Nzambia Kithua, M.P. and seconded by the Hon. Rebecca Tonkei, M.P.
2. Minutes of the 2nd sitting held on Friday 17th February 2023 at 2.30 p.m. were confirmed as a true record of proceedings having been proposed by the Hon. Sigei Kipyegon, EBS, M.P. and seconded by the Hon. Nzambia Kithua, M.P.
3. Minutes of the 3rd sitting held on Friday 18th Saturday 2023 at 9.30 a.m. were confirmed as a true record of proceedings having been proposed by the Hon. Bisau Maurice Kakai, M.P. and seconded by the Hon. Sigei Kipyegon, EBS, M.P.
4. Minutes of the 4th sitting held on Friday 18th Saturday 2023 at 2.30 p.m. were confirmed as a true record of proceedings having been proposed by the Hon. Bisau Kakai, M.P. and seconded by the Hon. Rebecca Tonkei, M.P.
5. Minutes of the 5th sitting held on Friday 18th Saturday 2023 at 2.30 p.m. were confirmed as a true record of proceedings having been proposed by the Hon. Chiforomodo Munga, M.P. and seconded by the Hon. Sigei Kipyegon, EBS, M.P.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/018: MATTERS ARISING

There were no matters arising.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/019: MEETING WITH VARIOUS GOVERNMENT INSTITUTIONS ON CONSIDERATION OF AUDIT QUERIES CONTAINED IN

REPORTS OF THE AUDITOR GENERAL
FOR FYS 2018/19 – 2020/2021

The secretariat informed the meeting that Kenya Literature Bureau and Kenya Utalii College had requested rescheduling of their appearance due to absence of both Chief Executive Officers. The Committee acceded to their requests and directed that they appear on 22nd March, 2023.

1. Commission for University Education

The Following matters were deliberated on as per the Auditor General's qualified opinion and various conclusions arrived at:

The Auditor General informed the meeting that they had not received submissions from Commission for University Education regarding the years under review 2018/19 to 2020/2021 and the matters remained unresolved.

Committee Resolution

The Committee directed that –

- (i) The Commission submits their responses to the Office of the Auditor General and resolve the outstanding issues before re-appearance.

2. The Jomo Kenyatta Foundation

FY 2018/2019 - Report of the Controller and Auditor General on the Accounts of The Jomo Kenyatta Foundation for the year ended 30th June 2019.

Going concern uncertainty

The statement of financial position reflects that the current liabilities of Kshs. 281,772,000 exceeded the current assets of Kshs. 247,282,000 resulting in a negative working capital of Kshs. 34,490,000. The Foundation may therefore be unable to meet its financial obligations as and when they fall due. In addition, the Foundation also recorded a net loss of Kshs. 176,799,000 (20218; Kshs 118,368,00) thereby decreasing the retained earnings from Kshs. 438,000 as at 30 June 2018 to a deficit of Kshs 192,361,000 as at 30 June 2019. The Foundation is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption that its will continue to receive financial support from Government and creditors. The material uncertainty relating to going concern has not been disclosed in the financial statements.

Management Response

The Foundations' financial performance decreased in the year under review due to the decline in turnover attributed to change in Government policy in the book industry i.e purchase of one book per subject and end-to-end delivery by publishers, a cost earlier borne by booksellers. This resulted in loss of revenue from public schools which was 80% of our market. The Foundation came up with new strategies to take care of the changes in the market dynamics, aligned the Strategic Plan to "Big Four" Initiatives and SDG's during the review of strategic plan. This has enabled us secure more contracts with the Government of Kenya through the Ministry of Education worth over Ksh. 1.3 billion from the new competency based curriculum (CBC) and Class 5 and 6 titles. The said strategies are bearing fruit and JKF's performance improved in the subsequent years as presented below on profitability trend. Therefore, our going concern is not in question and the Foundation is not experiencing any financial difficulties at the moment.

Committee Observations and Findings

- (i) The Committee observed that the concern was addressed due to their return and profitability.
- (ii) The Committee therefore marked the matter as resolved.

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs. 1,075,520,000 and Kshs. 436,800,000 respectively resulting to an underfunding of Kshs. 638,640,000 or 59% of the budget. Similarly, the Company's expenditure amounted to Kshs. 613,679,000 against an approved budget of Kshs. 1,029,087,000 resulting to an underexpenditure of Kshs. 415, 408,000 or 40% of the budget. The underfunding and underperformance affected the planned activities and the performance of the company.

Management Response

Jomo Kenyatta is a commercial parastatal and does not receive any funding from exchequer. All revenue is derived from sale of books and other publications. The expenditure varies depending on the level of performance in the market. In the year under review JKF realized lesser revenue than budgeted. The budget is meant for planning purpose and is closely monitored but is bound to vary depending on the level of performance arising in variance between the estimates and actual.

Committee Observations and Findings

1. The Committee observed that the concern was not addressed as a result it was overtaken by event and that the financial year was closed.
2. The Committee therefore marked the matter as resolved.

Investment in Call Deposits

As disclosed in Note 17 to the financial statements, the statement of financial position reflects an amount of Kshs.850,000 in respect of call deposits held at a local bank. This is contrary to The National Treasury Circular Ref. DMD 4/02 'H' (630 of 26 March, 2018 which directed all State Corporations and SAGAs to invest surplus funds in Treasury Bills or Treasury Bonds directly through the Central Bank of Kenya.

Management Response

The figure of Ksh 850,000 was a collateral for bid bond guarantee issued to our customers in normal business i.e Ministry of Health Ksh 750,000 and KASNEB Ksh. 100,000 for print works given to the Foundation and was not a call deposit for surplus. Hence the Foundation did not contravene the National Treasury Circular

Committee Observations and Findings

1. The Committee observed that the concern was not addressed;
2. The management did not submit supporting documents on time and the auditors needed to scrutinize them. The Committee therefore marked the matter as unresolved.

FY 2019/2020 - Report of The Controller and Auditor General on the Accounts of The Jomo Kenyatta Foundation for the year ended 30th June 2020

Committee Observations and Findings

The Committee observed that the Auditor General issued an unqualified opinion.

FY 2020/2021 - Report of the Auditor General on the Accounts of the Jomo Kenyatta Foundation for the year ended 30th June 2021.

Committee Observations and Findings

1. The Committee observed that the Auditor General issued a qualified opinion;
2. The management submitted supporting documents late and it did not allow for the Auditor General to examine and make a determination.
3. The Committee therefore marked the matters as unresolved and directed that the Jomo Kenyatta Foundation reappears before the Committee on Wednesday 22nd March, 2023.

3. Auctioneers Licensing Board

The Auditor General's Office has confirmed that the management of the Board had not submitted any supporting documents in advance, regarding the financial years under review and it therefore did not allow the office to make an opinion other than what was already in their report.

Committee Resolution

The Committee marked the matter as unresolved and directed that the Auctioneers Licensing Board reappears before the Committee on Wednesday 22nd March, 2023.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/020: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 12.05 pm, to reconvene at 2,30 p.m at the same venue.

SIGNED.......... DATE 15/3/23.....
(CHAIRPERSON)

MINUTES OF THE 7TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 8TH MARCH, 2023 IN COMMITTEE ROOM 7 MAIN PARLIAMENT BUILDING, AT 1400 HOURS

PRESENT

- | | | |
|---|---|------------------|
| 1. Hon. Jack Wanami Wamboka, MP | - | Chairperson |
| 2. Hon. Lesuuda Josephine Naisula, OGW, MP- | | Vice-chairperson |
| 3. Hon. Mark Muriithi Mwenje, MP | | |
| 4. Hon. Sigei Francis Kipyegon, EBS, MP | | |
| 5. Hon. Ondieki Alfa Miruka, MP | | |
| 6. Hon. Wamacukuru James Githua Kamau, MP | | |
| 7. Hon. Chiforomodo Mangale Munga, MP | | |
| 8. Hon. Bisau Maurice Kakai, MP | | |
| 9. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 10. Hon. Nzambia Thuddeus Kithua, MP | | |
| 11. Hon. Shadrack Mwititi Ithinji, MP | | |
| 12. Hon. Karitho Kiili Daniel, MP | | |

ABSENT WITH APOLOGY

1. Hon. Kirima Moses Nguchine, MP
2. Hon. Bonaya Mumina Gollo, MP
3. Hon. Tonui Joseph Kipkosgei, MP

IN-ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Mohamed Jimale | - | Clerk Assistant II |
| 3. Mr. Victor Fundi | - | Clerk Assistant III |
| 4. Ms. Eunice Liavuli | - | Research Officer III |
| 5. Ms. Faith Chepkemoi | - | Legal Counsel |
| 6. Mr. Edwin Mwebi Machuki | - | Fiscal Analyst III |
| 7. Mr. Collins Mahamba | - | Audio Recording Officer |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|-----------------------|---|--|
| 1. Ms. Mercy Muasya | - | Director of Audit |
| 2. Mr. Samuel Waweru | - | Ag. Director of Audit |
| 3. Ms. Sharon Wangari | - | Deputy Director of Audit |
| 4. Mr. Evans Obote | - | Senior Investments Officer |
| 5. Mr. Felix Itonge | - | Liaison Officer, Office of the Auditor General |

KENYA INSTITUTE OF SPECIAL EDUCATION

- | | | |
|-----------------------|---|---|
| 1. Dr. Norman Kiogora | - | Director |
| 2. Anthony Mwangi | - | Finance Manager, Kenya Institute of Special Education |

HIGHER EDUCATION LOANS BOARD

- | | | |
|------------------------|---|---|
| 1. Mr. Charles Ringera | - | CEO, Higher Education Loans Board |
| 2. Mr. Silas Owiti | - | Assistant Director, University Fund Board |

KENYA INSTITUTE OF CURRICULUM DEVELOPMENT

- | | | |
|------------------------------------|---|-----------------------------------|
| 1. Prof. Charles Ochieng' Ong'ondo | - | Chief Executive Officer/ Director |
| 2. Dr. S. M. Katino | - | Deputy Director |
| 3. Mr. Isaiah Malanga | - | Accountant |
| 4. Mr. Alfayo Onger | - | Legal Officer |
| 5. Mr. Nicholas Mwanthi | - | Accountant |

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION (NACOSTI)

- | | | |
|------------------------|---|---|
| 1. Prof. Walter Oyawa | - | Chief Executive Officer/ Director General |
| 2. Mr. Gideon K Kirimi | - | Finance Manager |
| 3. Ms. Lourine Okello | - | Procurement Manager |

AUCTIONEERS LICENSING BOARD

- | | | |
|---------------------------|---|---------------------|
| 1. Hon. Kenneth Cheruyoit | - | Executive Secretary |
| 2. Mr. Elijah Wekesa | - | Procurement Officer |
| 3. Mr. Isiah Malanga | - | Accountant |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/021: PRELIMINARIES

The Chairperson called the meeting to order at 2.30 pm with a word of prayer and thereafter invited all present to introduce themselves. The agenda was adopted as listed hereunder on the proposal of Hon. Maurice Kakai, MP and secondment of Hon. Nzambia Kithua, MP. Agenda on confirmation of minutes of previous sitting and matters arising were deferred to the next sitting;

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Meeting with State Corporations on Audit Reports;
 - i) KNEC
 - ii) KISE
 - iii) HELB
 - iv) KICD
 - v) NACOSTI
 - vi) Auctioneers Licensing Board
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/022: MEETING WITH VARIOUS GOVERNMENT INSTITUTIONS ON CONSIDERATION OF AUDIT QUERIES CONTAINED IN REPORTS OF THE AUDITOR GENERAL FOR FY 2018/19 – 2020/2021

1. Kenya Institute of Special Education

FY 2018/2019 and FY 2019/2020 - Report of the Auditor General on the Accounts of the Kenya Institute of Special Education (KISE) year ended 30th June 2019 and the year ended 30th June 2020 confirmed that there were no audit queries.

FY 2020/21- The Auditor General raised queries regarding long outstanding fee arrears and reconciliation with partner organizations. Management confirmed having written to Treasury requesting write-offs of the outstanding fees since there were no certificates of students held for the same, while they had also written to their counterpart organizations confirming balances for reconciliations.

2. Higher Education Loans Board

The Auditor General confirmed having not received the agency's response in advance, to enable the Office to make an opinion.

Committee Resolution

The Committee marked the queries as unresolved and directed that the agency reappears before the Committee on Wednesday 22nd March, 2023.

3. Kenya Institute of Curriculum Development

The Auditor General's Office has confirmed that the outstanding matters for the financial years under review 2018/2019 to 2020/2021 were historical and were being addressed incrementally, being; Non-compliance with the National Cohesion and Integration Act on ethnic composition of staff.

In the FY 2020/21, there was an outstanding matter on slow completion of the Education Resource Centre.

Committee Resolution

The Committee marked the matter as unresolved and directed to undertake a field visit to KICD HQ on Tuesday 14th March, 2023 from 9.00 a.m. to tour and view the status of the construction of the Education Resource Centre.

4. National Commission for Science, Technology & Innovation (NACOSTI)

The Auditor General's Office observed that matters raised in the financial years under review 2018/2019 to 2020/2021 were recurrent, including loss of inventory, grants not received from Treasury in the financial year 2014/15 and the board not being fully constituted.

Committee Observations and Findings

- (i) The Committee observed that the DCI had recommended closure of the case of loss of inventory, while the institute should write off the pending grants from Treasury since it was long outstanding and inconceivable that it would be disbursed.

- (ii) The Committee noted that the board was now fully constituted;
(iii) The Committee also observed that the office block had since been completed and outstanding payments were a matter before legal proceedings.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/023: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 1705 hours. The next meeting will be held on 14th March 2023.

SIGNED.......... DATE 15/3/23.....
(CHAIRPERSON)

**MINUTES OF THE 31ST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE
ON GOVERNANCE & EDUCATION HELD ON THURSDAY, 25TH MAY, 2023 AT
SERENA BEACH HOTEL, MOMBASA COUNTY- AT 1000 HRS**

PRESENT

1. Hon. Wanami Wamboka, MP - Chairperson
2. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
3. Hon. Tonui Joseph Kipkosgei, MP
4. Hon. Bisau Maurice Kakai, MP
5. Hon. Tonkei Rebecca Noonaishi, MP
6. Hon. Thaddeus Nzambia Kithua, MP
7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
8. Hon. Moses Kirima Nguchine, MP
9. Hon. Mark Muriithi Mwenje, MP

ABSENT WITH APOLOGY

1. Hon. Josephine Lesuuda Naisula, OGW, MP - Vice Chairperson
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. James Wamacukuru Githua Kamau, MP
5. Hon. Chiforomodo Mangale Munga, MP
6. Hon. Bonaya Mumina Gollo, MP

IN ATTENDANCE

SECRETARIAT

- | | | |
|-------------------------|---|-----------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Mutugi | - | Clerk Assistant III |
| 3. Ms. Jane G. Ouko | - | Clerk Assistant III |
| 4. Ms. Faith Chepkemai | - | Legal Officer |
| 5. Mr. Edwin Machuki | - | Fiscal Analyst |
| 6. Ms. Eunice Liavuli | - | Research Officer III |
| 7. Mr. Derick Kathurima | - | Media Relations Officer III |
| 8. Mr. Meldrick Sakani | - | Audio Officer |
| 9. Ms. Everlyn Nyaayo | - | Secretary |
| 10. Ms. Juliet Minayo | - | Office Assistant |
| 11. Mr. Albert Atunga | - | Sergeant-at-Arms |

OFFICE OF THE AUDITOR GENERAL

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

THE NATIONAL TREASURY

1. Mr. Mark Ngechu - Assistant Director Investment

INSPECTORATE OF STATE COOPERATION

1. Ms. Grace Mwaniki- Inspector

MIN.NO. NA/DAAOSC/PIC-G&E/2023/123: PRELIMINARIES

The Chairperson called the meeting to order at 1023hrs with a word of prayer and thereafter those present introduced themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Mark Muriithi Mwenje, MP and seconded by Hon. Tonui Joseph Kipkosgei, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction:
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Consideration of the Committee's 2nd Report on examination of reports of the Auditor General on State Corporations (Training Colleges & Institutions);
4. Any Other Business, and;
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/124: CONFIRMATION OF MINUTES

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

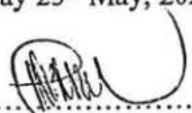
**MIN.NO.NA/DAAOSC/PIC-G&E/2023/125: CONSIDERATION OF THE
COMMITTEE'S 2ND REPORT ON
EXAMINATION OF REPORTS OF THE
AUDITOR GENERAL ON STATE
CORPORATIONS (TRAINING
COLLEGES)**

The Secretariat took members through the zero draft of the report on the following agencies;

1. Kenya School of TVET (Formerly Kenya Technical Trainers College)
2. Nairobi Technical Training Institute (NTTI)
3. Kenya Institute of Mass Communication (KIMC)
4. The Nyeri National Polytechnic
5. Dedan Kimathi Institute of Technology
6. Karatina University
7. Kirinyaga University
8. Laikipia University

MIN.NO. NA/DAAOSC/PIC-G&E/2023/126: ADJOURNMENT/ DATE OF NEXT

There being no other business, the meeting was adjourned at 1327hrs. The next meeting will be held on Thursday 25th May, 2023 at 1500hrs in the same venue.

SIGNED.......... DATE 7/6/23.....
(CHAIRPERSON)

MINUTES OF THE 9TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 15TH MARCH, 2023 IN COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDINGS, AT 0930 HOURS

PRESENT

- | | | |
|--|---|--------------------|
| 1. Hon. Jack Wanami Wamboka, MP | - | Chairperson |
| 2. Hon. Kirima Moses Nguchine, MP | | |
| 3. Hon. Sigei Francis Kipyegon, EBS, MP | | |
| 4. Hon. (Dr.) Shadrack Mwiti Ithinji, MP | | |
| 5. Hon. Bisau Maurice Kakai, MP | | |
| 6. Hon. Mark Muriithi Mwenje, MP | | |
| 7. Hon. Ondieki Alfa Miruka, MP | | |
| 8. Hon. Chiforomodo Mangale Munga, MP | | |
| 9. Hon. Nzambia Thuddeus Kithua, MP | | |
| 10. Hon. Karitho Kiili Daniel, MP | | |
| 11. Hon. Tonui Joseph Kipkosgei, MP | | |

ABSENT WITH APOLOGY

- | | | |
|--|---|-------------------------|
| 1. Hon. Lesuuda Josephine Naisula, OGW, MP | - | Vice-chairperson |
| 2. Hon. Bonaya Mumina Gollo, MP | | |
| 3. Hon. Wamacukuru James Githua Kamau, MP | | |
| 4. Hon. Tonkei Rebecca Noonaishi, MP | | |

IN-ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Mohamed Jimale | - | Clerk Assistant II |
| 3. Mr. Victor Fundi | - | Clerk Assistant III |
| 4. Ms. Eunice Liavuli | - | Research Officer III |
| 5. Mr. Edwin Mwebi Machuki | - | Fiscal Analyst III |
| 6. Mr. Collins Mahamba | - | Audio Recording Officer |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|-----------------------|---|--|
| 1. Mr. Samuel Waweru | - | Ag. Director of Audit |
| 2. Ms. Sharon Wangari | - | Deputy Director of Audit, Education Sector |
| 3. Mr. Isaac Ngayai | - | Deputy Director of Audit |
| 4. Mr. Evans Kauna | - | Principal Auditor |
| 5. Mr. Felix Itonge | - | Principal Auditor/Liaison Officer |
| 6. Ms. Jane Chege | - | Principal Auditor |
| 7. Ms. Anna Obudho | - | Auditor |

KENYA TECHNICAL TRAINERS COLLEGE (KTTC)

- | | | |
|------------------------------|---|-------------------------|
| 1. Dr. Edwin Tarno | - | Chief Executive Officer |
| 2. Mr. Thomas M. Kituyi | - | Deputy Principal |
| 3. Ms. Elizabeth Wangaruro | - | Finance Officer |
| 4. Mr. Paul Kingangi Njuguna | - | Internal Auditor |

THE NAIROBI TECHNICAL TRAINING INSTITUTE (NTTI)

- | | | |
|--------------------------|---|-----------------------|
| 1. Mrs. Glory K. Mutungi | - | Chief Principal |
| 2. Mr. Clement Amuahuma | - | Chief Finance Officer |
| 3. Mr. Maxwell Gitonga | - | Finance Officer |

COUNCIL OF LEGAL EDUCATION (CLE)

- | | | |
|----------------------------|---|--|
| 1. Ms. Mary M. Mutugi, OGW | - | Ag. Secretary/ Chief Executive Officer |
| 2. Ms. Eonah Kerubo Oyori | - | Legal Counsel |
| 3. Ms. Ignazia Kaimba | - | Manager Internal Audit |
| 4. Mr. Duncan Nalweya | - | Principal Finance, Accounts Officer. |

KENYA INSTITUTE OF MASS COMMUNICATION (KIMC)

- | | | |
|---------------------|---|------------------------|
| 1. Mr. Peter Wakoli | - | Ag. Director/ CEO |
| 2. Ms. Jane Kariuki | - | Chief Internal Auditor |

INSPECTORATE OF STATE CORPORATIONS

Ms. Anne Mwaure

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/021: PRELIMINARIES

The Chairperson called the meeting to order at 9.45 am with a word of prayer and thereafter invited all present to introduce themselves.

The agenda was confirmed as listed hereunder on the proposal of Hon. Chiforomodo Munga, MP and secondment of Hon. Sigei Kipyegon, EBS, MP;

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Meeting with State Corporations on Audit Reports;
 - i) Kenya Technical Trainers College
 - ii) The Nairobi Technical Training Institute (NTTI)
 - iii) Council of Legal Education (CLE)

iv) Kenya Institute of Mass Communication (KIMC)

4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/022: CONFIRMATION OF MINUTES

1. Minutes of the 6th sitting held on Wednesday 8th March, 2023 at 9. 30 a.m. were confirmed as a true record of proceedings having been proposed by the Hon. Sigei Kipyegon, EBS, M.P. and seconded by the Hon. Chiforomodo Munga, M.P.
2. Minutes of the 7th sitting held on Wednesday 8th March, 2023 at 2. 30 p.m. were confirmed as a true record of proceedings having been proposed by the Hon. Karitho Kiili Daniel, M.P. and seconded by the Hon. Chiforomodo Munga, M.P.
3. Minutes of the 8th sitting held on Wednesday 8th March, 2023 at 2. 30 p.m. were confirmed as a true record of proceedings having been proposed by the Hon. Bisau Maurice Kakai, M.P. and seconded by the Hon. Sigei Kipyegon, EBS, M.P.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/024: MEETING WITH VARIOUS GOVERNMENT INSTITUTIONS ON CONSIDERATION OF AUDIT QUERIES CONTAINED IN REPORTS OF THE AUDITOR GENERAL FOR FY 2018/19 – 2020/2021

1) KENYA TECHNICAL TRAINERS COLLEGE(KTTC)

The CEO, Mr. Dr. Edwin Tarno, led his team in responding to audit queries;

a) Missing Certificate of Lease

Committee Observation

The loss of the original certificate of lease exposes the land to the risk of being grabbed since it is not in the possession of the College.

Committee Recommendation

The National Treasury and Economic planning and Ministry of Foreign Affairs to fast track and make effort to recover the original lease certificate.

2) NAIROBI TECHNICAL TRAINING INSTITUTE (NTTI)

The CEO, Mrs. Glory K. Mutungi, led his team in responding to audit queries;

Budgeting Control and Performance

The CEO submitted that the Nairobi Technical Training Institute (NTTI) is a Government Institution under Ministry of Education, State Department for Vocational and Technical Training. In line with Technical and Vocational Education Training (TVET) Act of 2013, whose mandate is to offer knowledge for social economic development in business, science and technology. The Institute receives full support from Government through grants, training equipment and personnel. In addition, the Institute was started as a technical school in 1952, and in 1989, was converted to a Technical

Training Institution after the country adopted changes to the 8.4.4 system of education. It offers courses at three levels i.e. Artisan; Certificate and Diploma both in Technical and Business related disciplines.

Committee Observation

The Committee thereafter noted the financial performance of NTTI in period under consideration. Underperformance affected the planned activities and may have impacted negatively on service delivery to the stakeholders and the public.

Committee Resolution

The Committee therefore marked the matter as resolved.

Weak Information Technology Environment

Review of Information Technology (IT) controls and IT environment of the Institute revealed that the ICT Support Department lacked essential set-ups to mitigate various possible risks related to the Institute ICT structure as follows: (i) The remote hosting of the Ultimate ERP System was done at the vendor servers thereby posing a risk of unauthorized access to sensitive data; and (ii) There was minimal space in the server room with no proper ventilation and temperature regulation thereby posing a risk of system failure. The Institution did not have a licensed and genuine anti-virus thereby posing a risk of malicious software propagation throughout the network which could be harmful.

Committee Resolution

The Committee marked the matter as resolved.

Establishment and Functioning of the Internal Audit Function

Committee Observations

The Committee observed that the lean team in the internal audit function was an indication of a weak internal control system that poses a risk to the lawfulness and effectiveness in the use of public resources.

Committee Resolution

The Committee marked the matter as resolved.

3) COUNCIL OF LEGAL EDUCATION (CLE)

The CEO, Ms. Mary M. Mutugi, OGW responded to audit queries as follows;

Cash & Cash Equivalents

Committee Observations

- (i) This was a reconciliation issue that made it impossible to guarantee the accuracy and dependability of the cash and cash equivalents balance. The reconciliation must be completed expeditiously; otherwise, the amount is suspect for misuse.

- (ii) The committee observed further that the deposits could not be confirmed and the management reported that they couldn't provide for the names of the depositors. The management was advised to upgrade their payment system to capture all student details.
- (iii) Lack of procurement support documents for vehicle repairs violates Regulation 174 of the Public Procurement & Asset Disposal Regulations, 2020, regarding procedure for maintenance of motor vehicles, plant and equipment.

Committee Resolution

The Committee resolved that CLE to reappear for further examination by the Committee on the following –

- (i) Schedule of persons owed outstanding amounts as examination fees held in the council's bank accounts;
- (ii) Analysis of staff ethnic composition, in compliance with the National Cohesion and Integration Act, 2008;
- (iii) Staff organizational structure, contingent (in-post vs establishment) and their qualifications in each department;
- (iv) Pre- and post-inspection reports of vehicles repaired at a cost of Kshs.643,984 in the FY 2020/21;
- (v) Evidence of insurance service providers being listed in other government agencies pre-qualification lists, procured by the council at a cost of Kshs. 792,997 in the FY 2020/21; and the law providing for this.

4) KENYA INSTITUTE OF MASS COMMUNICATION (KIMC)

The Ag. CEO, Mr. Peter Wakoli submitted as follows, in response to audit queries;

Encroachment of Land by a Private Developer

As previously reported, included in the property, plant and equipment balance of Kshs. 2,337,772,185 as at 30 June 2019 is land measuring 1.4430 hectares valued at Kshs. 1,100,000,000. However, available information indicates that part of the Institute's land used as walk path linking the Institute's catering unit, male hostel and female hostel has been encroached into by a private developer. The proposed development by the developer will cut off the male and female hostel and the catering unit, and thus will affect the students and the Institute as a whole adversely. Evidence available indicates that the matter was reported to the National Land Commission and on 31 January, 2018 the National Land Commission pronounced itself on encroachment on LR No.209/12046. The matter has been before the High Court and it is not clear the effect the ruling will have on the property plant and equipment balance of Kshs 2,337,772,185 as at 30th June 2020.

Committee Observations

The Committee observed the response as follows –

- (i) the matter was before the High Court for adjudication and later Court of Appeal as on the date of filing the submission to PIC on Governance and Education.

- (ii) the Institute owns Land measuring 1.4430 hectares or 3.5657307 acres valued at KShs. 1,100,000,000.
- (iii) there is a piece of land LR No. 209/12046 lying between Institute Boys Hostel and New Modern Catering Unit which has been encroached by a private developer.
- (iv) the National Land Commission (NLC) vide a letter dated 31st January 2018 has pronounced itself on encroachment on LR No. 209/12046 by noting as follows:
 - a) A private Developer was erroneously allocated land that is a **public Wayleave**.
 - b) That the commissioner of lands brought this fact to the knowledge of the developer.

Committee Resolution

The Committee marked the issues as resolved.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/025: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 12.25 pm, to reconvene at 2,30 p.m at same venue.

SIGNED.....



(CHAIRPERSON)

DATE

22ND MARCH 2023.

MINUTES OF THE 11TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 22ND MARCH, 2023 AT COMMITTEE ROOM 7 MAIN PARLIAMENT BUILDING, AT 0930 HOURS

PRESENT

- | | | |
|---|---|-------------|
| 1. Hon. Jack Wanami Wamboka, MP | - | Chairperson |
| 2. Hon. Kirima Moses Nguchine, MP | | |
| 3. Hon. Sigei Francis Kipyegon, EBS, MP | | |
| 4. Hon. Mark Muriithi Mwenje, MP | | |
| 5. Hon. Ondieki Alfa Miruka, MP | | |
| 6. Hon. Chiforomodo Mangale Munga, MP | | |
| 7. Hon. Nzambia Thuddeus Kithua, MP | | |
| 8. Hon. Karitho Kiili Daniel, MP | | |
| 9. Hon. Tonui Joseph Kipkosgei, MP | | |
| 10. Hon. Tonkei Rebecca Noonaishi, MP | | |

ABSENT WITH APOLOGY

- | | | |
|--|---|------------------|
| 1. Hon. Lesuuda Josephine Naisula, OGW, MP | - | Vice-chairperson |
| 2. Hon. Bonaya Mumina Gollo, MP | | |
| 3. Hon. Wamacukuru James Githua Kamau, MP | | |
| 4. Hon. Bisau Maurice Kakai, MP | | |
| 5. Hon. (Dr.) Shadrack Mwiti Ithinji, MP | | |

IN-ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | | |
|------------------------|---|-------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Fundi | - | Clerk Assistant III |
| 3. Ms. Faith Chepkemai | - | Legal Counsel |
| 4. Ms. Eunice Liavuli | - | Research Officer III |
| 5. Mr. Collins Mahamba | - | Audio Recording Officer |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|-----------------------|---|--|
| 1. Mr. Samuel Waweru | - | Ag. Director of Audit |
| 2. Ms. Sharon Wangari | - | Deputy Director of Audit, Education Sector |
| 3. Ms. Mercy Muasya | - | Director of Audit |
| 4. Mr. Isaac Ngayai | - | Deputy Director of Audit |
| 5. Mr. Evans Kauna | - | Senior Investments Officer |
| 6. Mr. Felix Itonge | - | Principal Auditor/Liaison Officer |
| 7. Ms. Jane Chege | - | Principal Auditor |
| 8. Mr. David Gakubia | - | Principal Auditor |
| 9. Ms. Lydia Awiti | - | Senior Auditor |

NATIONAL TREASURY

- | | | |
|--------------------|---|--------------------------------|
| 1. Mr. Ngecho Mark | - | Assistant Director Investments |
|--------------------|---|--------------------------------|

2. Mr. Kitaka Emmanuel - Economist

KENYA NATIONAL EXAMINATIONS COUNCIL

1. Dr. David Njengere - Chief Executive Officer
2. Mr. Milka Ngugi - Director
3. Dr. Ibrahim Otieno - Director ICT
4. Mr. Abraham K Oloo - Finance Officer

KENYA LITERATURE BUREAU

1. Mr. Victor Lomaria - Chief Executive Officer
2. Mr. Francis Mutunga - Finance Manager

KENYA UTALII COLLEGE

1. Prof. Charles Musyimi - Chief Executive Officer
2. Mr. Bernard Chepkwony - Finance Manager
3. Ms. Selestine Njagi - Legal Officer

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/29: PRELIMINARIES

The Chairperson called the meeting to order at 9.55 am with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Sigei Kipyegon, EBS, MP and seconded by Hon. Karitho Kiili Daniel, MP;

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Meeting with State Corporations on Audit Reports;
 - i) Kenya National Examinations Council
 - ii) Kenya Literature Bureau
 - iii) Kenya Utalii College
 - iv) Council for Legal Education
 - v) TVET CDACC
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/030: CONFIRMATION OF MINUTES

Minutes of the 9th sitting held on Wednesday 15th March, 2023 at 9. 30 a.m. were confirmed as a true record of proceedings having been proposed by the Hon. Chiforomodo Mangale, M.P. and seconded by the Hon. Sigei Kipyegon, EBS, M.P.

Minutes of the 10th sitting held on Wednesday 15th March, 2023 at 2. 30 p.m. were confirmed as a true record of proceedings having been proposed by the Hon. Karitho Kiili Daniel, M.P. and seconded by the Hon. Chiforomodo Mangale, M.P.

There were no matters arising.

**MIN. NO. NA/DAAOSC/ PIC-G&E/2023/031: MEETING WITH STATE CORPORATIONS
ON AUDIT REPORTS FY 2018/19 – 2020/2021**

1. Kenya National Examinations Council

The following issues marked as unresolved were brought to the attention of the committee by the office of the auditor general as follows;

a) Non- disclosure of Material Risk

Management Response

FY 2019/2020 – The Chief Executive Officer attributed growth in the deficit of their budget to the continuous growth of candidates sitting for examinations every year. He further added that the deficit would only be remedied by an increase in allocation by the national treasury.

Committee Observations and Findings

The committee stated that government should stop funding students from private schools because most of them can afford the required examination fees.

b) Work in Progress / Incomplete Building

Management Response

The Chief Executive Officer informed the committee that the Mitihani House construction project to stall due to lack of funds making them unable to pay contractors. They management also confirmed that they have since settled all the pending bills and court cases, and were hoping that the allocated Kshs.350 Million in the current financial year would help towards completion, in liaison with KTTC.

Committee Observations and Findings

The Committee resolved to visit the agency's premises on 28th March 2023 at 0930 Hours for an inspection of the stalled Mitihani House construction in presence of the management and the contractor.

c) Receivables from exchange transactions

Management Response

The Chief Executive officer submitted that certificates of candidates with outstanding dues had been released based on a court order, while some had been referred to the DCI to pursue with a school that had failed to transmit funds.

d) Irregular Expenditure on Field Inspections by Council Members

Management Response

The management submitted that the expenditures of upto Kshs. 10,324,600 which were spent by the council members for inspection visits had been approved by Treasury, and they submitted evidence.

e) Lack of ICT Strategic Committee

Management Response

The management confirmed that in addressing that issue they now have in place an ICT Steering Committee.

2. Kenya Literature Bureau

FY 2020/2021 - The following issues marked as unresolved were brought to the attention of the committee by the office of the auditor general as follows;

a) Unsupported Procurement of printing services

Management Response

The Chief Executive Officer submitted that only three firms were responsive. He tabled the tender advertisement, evaluation minutes, professional opinion, letters of notification of award and letters of acceptance of award.

b) Unauthorized Board Retreat Expenditure

Management Response

The Chief Executive Officer admitted that there was no prior approval of the retreat expenditure by the board, but had since obtained it.

3. Kenya Utalii College

FY 2019/2020 - The following issues marked as unresolved were brought to the attention of the committee by the office of the auditor general as follows;

a) Unconfirmed Outstanding Receivables

Management Response

The Principal of the College informed the committee that many of the outstanding amounts relate debts owed to them by other institutions. The management also stated that they are planning to take legal action so as to recover money owed to them. Additionally, the management sort for a waiver of the outstanding loan of Kshs. 4.2 Billion of which most of it is accrued interest from a principal amount of Kshs. 122 million. The institution has so far repaid 18 million.

b) Incomplete Students' Access Control System

Management Response

The management informed the committee that plans are underway to come up with the Students' Control System.

c) Establishment of Ronald Ngala Utalii College (FY 2018/2019)

Management Response

The management informed the committee that Utalii College has not incurred any costs in the development of the Ronald Ngala College since its inception since it was being undertaken by the Tourism Fund. The value of land in question is 60 acres with the Principal confirming to the committee that the title deed of the same was under the custody of the institution.

d) Unsecured House and Car Loans

Management Response

The management admitted that a mistake was made at the time of issuance of mortgages as there was not execution of charge documents. The management is therefore making efforts of obtaining title deeds from the staff who took the mortgage as security of the loan issued. However the Principal informed the committee that the car log books are already under their custody.

e) Non- Recovery of Salary Advance

Management Response

The management informed the committee that there are efforts being made to recover the monies lost with Kshs.287,000 out of Kshs.393,000 already repaid.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/32: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 12.30 p.m. The next meeting will be 22nd March 2023 at 2.30 pm.

SIGNED.......... DATE 12/4/23
(CHAIRPERSON)

MINUTES OF THE 14TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 29TH MARCH, 2023 AT WHITE RHINO HOTEL IN NYERI COUNTY, AT 0930 HOURS

PRESENT

- | | | |
|--|---|--------------------|
| 1. Hon. Jack Wanami Wamboka, MP | - | Chairperson |
| 2. Hon. Kirima Moses Nguchine, MP | | |
| 3. Hon. Sigei Francis Kipyegon, EBS, MP | | |
| 4. Hon. Mark Muriithi Mwenje, MP | | |
| 5. Hon. Chiforomodo Mangale Munga, MP | | |
| 6. Hon. Nzambia Thuddeus Kithua, MP | | |
| 7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP | | |
| 8. Hon. Karitho Kiili Daniel, MP | | |

ABSENT WITH APOLOGY

- | | | |
|--|---|-------------------------|
| 1. Hon. Lesuuda Josephine Naisula, OGW, MP | - | Vice-chairperson |
| 2. Hon. Bonaya Mumina Gollo, MP | | |
| 3. Hon. Wamacukuru James Githua Kamau, MP | | |
| 4. Hon. Bisau Maurice Kakai, MP | | |
| 5. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 6. Hon. Ondieki Alfa Miruka, MP | | |
| 7. Hon. Tonui Joseph Kipkosgei, MP | | |

COMMITTEE SECRETARIAT

- | | | |
|------------------------|---|-------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Fundi | - | Clerk Assistant III |
| 3. Ms. Eunice Liavuli | - | Research Officer III |
| 4. Mr. Collins Mahamba | - | Audio Recording Officer |

IN-ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

- | | | |
|---------------------|---|-----------------------------------|
| 1. Alex Ndungu | - | Deputy Director of Audit |
| 2. Peter Gitonga | - | Deputy Director of Audit |
| 3. Mr. Felix Itonge | - | Principal Auditor/Liaison Officer |

THE NATIONAL TREASURY

Mr. Mark Ngechu - Economist

THE NYERI NATIONAL POLYTECHNIC

- | | | |
|-----------------------|---|-----------------|
| 1. Mr. David M Mwangi | - | Chief Principal |
| 2. Mr. James Mungai | - | Finance Officer |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/41: PRELIMINARIES

The Chairperson called the meeting to order at 10.00 am with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Chiforomodo Munga, MP and seconded by Hon. Kirima Moses Nguchine, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of audit responses from various agencies namely;
 - i. The Nyeri National Polytechnic
 - ii. Nyandarua Institute of Science & Technology
 - iii. Nyandarua National Polytechnic
 - iv. Gatanga Technical & Vocational College
 - v. Mathioka Technical & Vocational College
 - vi. Tetu Technical & Vocational College
 - vii. Mathenge Technical Training Institute
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/042: CONFIRMATION OF MINUTES

Confirmation of minutes deferred to the next sitting.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/043: MEETING WITH VARIOUS STATE AGENCIES ON AUDIT REPORTS FY 2018/19 – 2020/2021

1. THE NYERI NATIONAL POLYTECHNIC

The following issues marked as unresolved were brought to the attention of the committee by the office of the auditor general as follows;

a) Rendering of Services and Student Fees

Management Response

FY 2018/2019 – The Principal informed the Committee that the school is in the process of procuring an ERP system to assist in accounting of school fees and all services paid.

b) Unresolved Matters in the Subsequent Financial Years

Management Response

The Principal stated that the school management is in the process of adopting a suitable accounting system so as to remedy the above issue.

c) Risk Management

Management Response

The Principal stated that the management has come up with a risk management system to address the above query.

d) Staff Ethic Diversity

Management Response

FY 2020/2021 - The Principal well aware that 30% of employees should come from other communities informed the Committee that the management is making some positive progress in addressing that issue by considering all communities during employment. He reported to the Committee that the ethnic diversity from other tribes now stands at 19 %.

It was noted that most of the agencies were appearing before committee for the first time and thus very few had cleared and filed their responses with the Office of the Auditor General.

The Committee noted that the rest of the institutions had not complied with its audit requirements including submission of responses to the auditors in advance. The Committee therefore resolved that they re-work their responses and discuss with the respective auditors before they are rescheduled to appear before the Committee.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/44: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 12.00 p.m. The next meeting will be held on notice.

SIGNED.......... DATE 12/4/23.....
(CHAIRPERSON)

MINUTES OF THE 15TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 12TH APRIL 2023 AT COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDINGS, AT 1030 HOURS

PRESENT

- | | | |
|---|---|--------------------|
| 1. Hon. Wanami Wamboka, MP | - | Chairperson |
| 2. Hon. Kirima Moses Nguchine, MP | | |
| 3. Hon. Sigei Francis Kipyegon, EBS, MP | | |
| 4. Hon. Mark Muriithi Mwenje, MP | | |
| 5. Hon. Chiforomodo Mangale Munga, MP | | |
| 6. Hon. Nzambia Thuddeus Kithua, MP | | |
| 7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP | | |
| 8. Hon. Karitho Kiili Daniel, MP | | |
| 9. Hon. Wamacukuru James Githua Kamau, MP | | |
| 10. Hon. Bisau Maurice Kakai, MP | | |
| 11. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 12. Hon. Ondieki Alfa Miruka, MP | | |
| 13. Hon. Tonui Joseph Kipkosgei, MP | | |

ABSENT WITH APOLOGY

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|--|---|-------------------------|
| 1. Hon. Lesuuda Josephine Naisula, OGW, MP | - | Vice-chairperson |
| 2. Hon. Bonaya Mumina Gollo, MP | | |

IN-ATTENDANCE

COMMITTEE SECRETARIAT

- | | | |
|------------------------|---|-------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Fundi | - | Clerk Assistant III |
| 3. Ms. Faith Chepkemai | - | Legal Counsel II |
| 4. Ms. Winnie Kiziah | - | Media Relations Officer |
| 5. Mr. Edwin Machuki | - | Fiscal Analyst III |
| 6. Ms. Georgina Okoth | - | Research Officer III |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|-------------------------|---|-----------------------------------|
| 1. Mr. Anthony K Munubi | - | Deputy Director of Audit |
| 2. Ms. Mary Musyoka | - | Senior Auditor |
| 3. Ms. Ann Musyoka | - | Principal Auditor |
| 4. Mr. Felix Itonge | - | Principal Auditor/Liaison Officer |

THE NATIONAL TREASURY

- | | | |
|------------------------|---|-----------|
| 1. Mr. Emmanuel Kitaka | - | Economist |
|------------------------|---|-----------|

TECHNICAL UNIVERSITY OF KENYA

- | | | |
|------------------------|---|-----------------------|
| 1. Prof. Francis Aduol | - | Vice Chancellor |
| 2. Dr. Moses Wamalwa | - | Academic Registrar |
| 3. Mr. Ben Sanda | - | Chief Finance Officer |
| 4. Ms. Ruth Kirwa | - | Chief Legal Officer |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/45: PRELIMINARIES

The Chairperson called the meeting to order at 10.55 am with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Tonkei Rebecca Noonaishi, MP and seconded by Hon. Sigei Francis Kipyegon, MP, with the exclusion of University of Nairobi whose Vice-chancellor had requested for a reschedule of his appearance.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of audit responses from various agencies namely;
 - i. University of Nairobi
 - ii. Technical University of Kenya
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/046: CONFIRMATION OF MINUTES

1. Minutes of the 11th sitting held on Wednesday 22nd March 2023 at 9.30 am at Parliament Buildings were confirmed as a true record of the proceedings having been proposed by the Hon. Rebecca Tonkei, M.P. and seconded by the Hon. Chiforomodo Mangale Munga, M.P.
2. Minutes of the 12th sitting held on 22nd March at 2.30 p.m. at Parliament Buildings were confirmed as a true record of the proceedings having been proposed by the Hon. Rebecca Tonkei, M.P. and seconded by the Hon. Sigei Kipyegon, EBS, M.P.
3. Minutes of the 13th sitting held on Tuesday 28th March 2023 at 9.30 a.m. at Mitihani House were confirmed as a true record of the proceedings having been proposed by the Hon. Chiforomodo Mangale Munga, MP. and seconded by the Hon. Sigei Kipyegon, EBS, M.P.
4. Minutes of the 14th sitting held on Wednesday 29th March 2023 at 9.30 a.m. in Nyeri County were confirmed as a true record of the proceedings having been proposed by the Hon. Sigei Kipyegon, EBS, M.P. and seconded by the Hon. Chiforomodo Mangale Munga, M.P.

**MIN. NO. NA/DAAOSC/ PIC-G&E/2023/047: RECEIPT OF AUDIT RESPONSES FROM
THE TECHNICAL UNIVERSITY OF KENYA**

Auditors from the Office of the Auditor General informed the committee that the University had not submitted the required audit responses for financial years 2018/ 2019 to 2021/2022. They were therefore unable to verify the responses.

The Committee resolved that the Accounting Officer re-appear on 26th May 2023, after discussing his responses with the Auditor general.

Capitation and Funding of Universities

Management Response

The Vice Chancellor stated that the university had a student population of about 11,000 with a capacity of up to 15,000 students. In response to the issue of capitation and funding of universities, he stated that money should be allocated by the government depending on the number of students admitted in the university, using the Differentiated Unit Cost model that is already provided for in the Act.

This capitation should have a fixed unit cost across the board, with an additional component proportional to cost of specific programme. This was in addition to fees paid by the students, and a proportion contributed by the university through income generating units.

He added that currently the government funds 48% of the total cost of education per student thus the reason why many universities are facing financial constraints. The figure was disbursed to universities in bulk and not per capita, based on no known criteria but historical biases. Moreover, there was no means of tracking students who progressed year on year, to vary the capitation money accordingly. This also invariably made audit of funds not qualitative.

Prof. Aduol submitted that students should be allowed to apply to join universities of their choice, as this was the best practice in developed economies, case in point the US, where the leading universities like Harvard, MIT among others, were private. Capitation money was issued to the student, who was a Kenyan anyway, not to the university, hence the issue of 'funding' of private universities should not arise. Furthermore, competition from private universities had the effect of spurring improved standards in public universities.

The Vice-chancellor added that universities could not downsize staff in pursuit of cost cutting because this would upset the staff: student ratio, which was a criterion for consideration by the Commission for University Education in approving courses and programmes.

The challenge of staff costs was compounded by the fact that the lecturer unions negotiated directly with Treasury, rather than the universities themselves, the latter of which would have to match student income vs costs.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/48: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 12.30 p.m. The next meeting will be held at 2.30 pm.

SIGNED.......... DATE 19/4/23.
(CHAIRPERSON)

MINUTES OF THE 16TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 12TH APRIL, 2023 AT COMMITTEE ROOM 7 IN PARLIAMENT BUILDINGS, AT 1400 HOURS

PRESENT

- | | | |
|---|---|-------------|
| 1. Hon. Wanami Wamboka, MP | - | Chairperson |
| 2. Hon. Kirima Moses Nguchine, MP | | |
| 3. Hon. Sigei Francis Kipyegon, EBS, MP | | |
| 4. Hon. Mark Muriithi Mwenje, MP | | |
| 5. Hon. Chiforomodo Mangale Munga, MP | | |
| 6. Hon. Nzambia Thuddeus Kithua, MP | | |
| 7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP | | |
| 8. Hon. Karitho Kiili Daniel, MP | | |
| 9. Hon. Wamacukuru James Githua Kamau, MP | | |
| 10. Hon. Bisau Maurice Kakai, MP | | |
| 11. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 12. Hon. Ondieki Alfa Miruka, MP | | |
| 13. Hon. Tonui Joseph Kipkosgei, MP | | |

ABSENT WITH APOLOGY

- | | | |
|--|---|------------------|
| 1. Hon. Lesuuda Josephine Naisula, OGW, MP | - | Vice-chairperson |
| 2. Hon. Bonaya Mumina Gollo, MP | | |

IN-ATTENDANCE

SECRETARIAT

- | | | |
|------------------------|---|-------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Fundi | - | Clerk Assistant III |
| 3. Ms. Winnie Kiziah | - | Media Relations Officer |
| 4. Ms. Faith Chepkemai | - | Legal Counsel II |
| 5. Mr. Edwin Machuki | - | Fiscal Analyst III |
| 6. Ms. Georgina Okoth | - | Research Officer III |
| 7. Mr. Jared Onyancha | - | Protocol Officer |
| 8. Mr. Albert Atunga | - | Sergeant at Arms |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|-------------------------|---|-----------------------------------|
| 1. Mr. Anthony K Munubi | - | Deputy Director of Audit |
| 2. Ms. Mary Musyoka | - | Senior Auditor |
| 3. Ms. Ann Musyoka | - | Principal Auditor |
| 4. Mr. Felix Itonge | - | Principal Auditor/Liaison Officer |

THE NATIONAL TREASURY

- | | | |
|------------------------|---|-----------|
| 1. Mr. Emmanuel Kitaka | - | Economist |
|------------------------|---|-----------|

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY

- | | | |
|------------------------|---|--|
| 1. Prof. Wambui Ngumi | - | Vice Chancellor |
| 2. Prof. Bernard Ikua | - | Deputy Vice – Chancellor Admin & Finance |
| 3. Prof. Robert Kinyua | - | Deputy Vice – Chancellor, Academics |
| 4. Ms. Mary Ngugi | - | Chief Finance Officer |

KENYATTA UNIVERSITY

- | | | |
|------------------------|---|-----------------------|
| 1. Prof. Paul Wainaina | - | Vice Chancellor |
| 2. Mr. Paul Gachanja | - | Registrar, Finance |
| 3. Mr. Mwai Samuel | - | Chief Finance Officer |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/49: PRELIMINARIES

The Chairperson called the meeting to order at 2.20 pm with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Chiforomodo Munga, MP and seconded by Hon. Kirima Moses Nguchine, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of audit responses from various agencies namely;
 - i. Jomo Kenyatta University of Agriculture and Technology (JKUAT)
 - ii. Kenyatta University
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/50: CONFIRMATION OF MINUTES

Confirmation of minutes was deferred to the next meeting.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/051: RESPONSE TO AUDIT QUERIES BY JKUAT

Auditors from the Office of the Auditor General informed the committee that the University had not submitted the required audit responses for financial years 2018/ 2019 to 2021/2022. They were therefore unable to verify the responses.

The Committee resolved that the Accounting Officer re-appear on 26th May 2023, after discussing his responses with the Auditor general.

Capitation and Funding of Universities

Management Response

The Vice – Chancellor was of the view that government should not place government sponsored students in private universities because public universities have enough capacity to accommodate all

of them. For instance the school had a total capacity of 16,000 students but only 6,000 were admitted by the government. She also noted that despite the increase in the number of students, the government had failed to increase capitation per student. Normally the government should fund up to 80% of the total cost of education per student but in reality only 43% is remitted.

Additionally she also attributed the drastic reduction of internally generated income of the university to the decline in the number of students under the self-sponsored program as this was one of their main sources of income.

The Vice – Chancellor added that Private Universities should not be funded by the government since they were basically profit oriented and were not in line with national developmental goals.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/051: RESPONSE TO AUDIT QUERIES BY KENYATTA UNIVERSITY

Auditors from the Office of the Auditor General informed the committee that the University had not submitted the required audit responses for financial years 2018/ 2019 to 2021/2022. They were therefore unable to verify the responses.

Further, the University had not prepared a write-up on the matter of capitation to students and funding of universities.

The Committee resolved that the Accounting Officer re-appear on 26th May 2023, to respond to both issues.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/52: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 4.00 pm. The next meeting will be held on 19th April 2023 at 9.30am.

SIGNED..... DATE 19/4/23.
(CHAIRPERSON)

MINUTES OF THE 17TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 19TH APRIL, 2023 AT COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDINGS, AT 1000 HOURS

PRESENT

1. Hon. Wanami Wamboka, MP - Chairperson
2. Hon. Lesuuda Josephine Naisula, OGW, MP - Vice-chairperson
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Mark Muriithi Mwenje, MP
5. Hon. Nzambia Thuddeus Kithua, MP
6. Hon. Wamacukuru James Githua Kamau, MP
7. Hon. Bisau Maurice Kakai, MP
8. Hon. Tonkei Rebecca Noonaishi, MP
9. Hon. Ondieki Alfa Miruka, MP
10. Hon. Bonaya Mumina Gollo, MP

ABSENT WITH APOLOGY

1. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
2. Hon. Kirima Moses Nguchine, MP
3. Hon. Karitho Kiili Daniel, MP
4. Hon. Chiforomodo Mangale Munga, MP
5. Hon. Tonui Joseph Kipkosgei, MP

IN-ATTENDANCE

SECRETARIAT

1. Mr. Victor Weke - Senior Clerk Assistant
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Faith Chepkemai - Legal Counsel II
4. Ms. Georgina Okoth - Research Officer III

OFFICE OF THE AUDITOR GENERAL

1. Mr. Alex Ndung'u - Deputy Director of Audit
2. Mr. Peter Gitonga - Deputy Director Of Audit
3. Ms. Ann Musyoka - Principal Auditor
4. Mr. Felix Itonge - Principal Auditor/Liaison Officer

THE NATIONAL TREASURY

1. Mr. Ngechu Mark - Deputy Director Investments

KARATINA UNIVERSITY

1. Prof. Muchai Muchiri - Vice Chancellor
2. Dr. Grace Kakiya - Ag Finance Officer
3. Dr. Humphrey Omondi - Registrar - Administration

KIRINYAGA UNIVERSITY

- | | | |
|-----------------------|---|-----------------------|
| 1. Prof. Mary Ndung'u | - | Vice Chancellor |
| 2. Mr. Peter Kagika | - | Chief Finance Officer |

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

- | | | |
|----------------------------|---|-----------------------|
| 1. Prof. P. Ndirangu Kioni | - | Vice Chancellor |
| 2. Mr. Abram Mwangi | - | Chief Finance Officer |
| 3. Mr. Rober Wathegi | - | Accountant |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/053: PRELIMINARIES

The Chairperson called the meeting to order at 10.10 am with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Tonkei Rebecca Noonaiishi, MP, and seconded by Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP;

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of audit responses from various agencies namely;
 - i. Karatina University
 - ii. Kirinyaga University
 - iii. Dedan Kimathi University of Technology
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/054: CONFIRMATION OF MINUTES

1. Minutes of the 15th sitting held on Wednesday 12nd April 2023 at 10.30 am at Parliament Buildings were confirmed as a true record of the proceedings having been proposed by the Hon. Bisau Maurice Kakai, MP. and seconded by the Hon. Rebecca Tonkei, M.P.
2. Minutes of the 16th sitting held on 12nd April at 3.00 p.m. at Parliament Buildings were confirmed as a true record of the proceedings having been proposed by the Hon. Rebecca Tonkei, M.P. and seconded by the Hon. Bisau Maurice Kakai, MP.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/055: RESPONSE TO AUDIT QUERIES BY

KARATINA UNIVERSITY

The university management submitted its responses to audit queries for the financial years ended 2019, 2020 and 2021 as follows:

a) Non- compliance with Ethnic Diversity

The Vice Chancellor informed the committee that the dominant community in the staff composition was Kikuyu, which stood at 68%. However, more efforts had now been put to remedy this situation by encouraging more people to apply for vacant positions in the institution. The dominant community now stands at 61%.

The issue was recurring in the subsequent financial years.

The Committee resolved that management should reappear on 3rd May 2023 with a breakdown of the ethnic composition of all their staff, Human Resource Policy and the list of the Marginalized and persons living with disability.

b) Loss Due to Breach of Bond Agreement

The Vice Chancellor submitted to the Committee that the involved assistant lecturer had been sponsored by the university in to pursue a PhD in Veterinary Medicine at Yangzhou University in China at a cost of Kshs. 5,662,798. On completion of his studies the Lecturer broke the bond terms which required him to continue offering services to the university or pay the total amount incurred should he abscond and instead took up a position in Kilifi County. The Lecturer committed to pay the outstanding dues but only Kshs.1,500,000 had been repaid to date.

It was resolved that the said lecturer appears before the Committee to respond to the query.

c) Recoverability of Students' Debts

The Vice Chancellor on this matter informed the committee that the university had progressively recovered students' debts from Kshs. 100.35M in FY 2019/2020 to net balances of Kshs. 90.66M as at 30th June 2022. The management also affirmed that it is planning to recover the money before the students graduate from the university.

The Committee directed the Office of the Auditor general to report the progress on the recovery of students' debts in the next financial year.

d) Part-time Lecturers Outstanding Dues

The Vice Chancellor informed the committee that a sum total of Kshs.42,100,485 has not been paid to part- time lecturers for services rendered from 2016 to 2020. He also stated that the university had already processed and paid those who had presented their claims.

The Committee directed the university management to pay the amount owed to the lecturers.

e) Unrecovered Rent Deposit

The Vice Chancellor submitted to the Committee that the university had opened a branch in Nairobi pending approval from the Council of University Education which they were later denied leading to the closure of the campus. He added that the university is committed to recovering the rent deposit of Kshs.1,670,296 from NSSF.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/056: RESPONSE TO AUDIT QUERIES BY

KIRINYAGA UNIVERSITY

The university management submitted its response to audit queries for the year ended 2019,2020 and 2021 as follows:

a) Budget Control and Performance

The Vice Chancellor stated that the university an over- expenditure of Kshs. 64,514,718 was occasioned by a deficit in their budget allocation from the Ministry of Education and extra personnel cost.

b) Use of Unapproved Bank Accounts

The Vice Chancellor informed the Committee that the Bank accounts were inherited from the former management of the institution which was a college before its transition to a university. She also added that the management wrote to the National Treasury seeking approval with no response to date.

c) Human Resource Management

The Vice Chancellor confirmed that at the time of audit out of the 235 employees in the institution, 77% of them are from the same ethnic community. This had since reduced to 71%. Additionally the management argued that most of the staff were already employed before the university transitioned from the Kirinyaga Technical Institute.

The Committee resolved that the management should reappear and submit a breakdown of all the staff in the institution and their ethnic composition.

d) Project Time Variation

The Vice Chancellor submitted that the expected completion date of the Lecture Theatre and Tuition Complex was revised from the original contract period of 52 and 78 weeks respectively to 202 weeks and 145 weeks. This was occasioned by non-remittance of development funds by the National Treasury and also the Covid19 pandemic.

e) Fiscal Responsibility Principles on Compensation of Employees

The Vice Chancellor admitted that the employee costs accounts for 73% and 69% of the total expenses and revenue respectively. Further she stated that being young universities, most of the resources are spent in recruitment thus the management will continue appealing to the government for more funds so as to solve this issue.

Opinion on Capitation of students and Funding of Universities

In her submission, the Vice Chancellor stated that it is not prudent to send students to private universities because Public universities have the capacity to accommodate all government sponsored students. Further, she added that funds advanced by the government in relation to the cost of the course per student have been on a downward trajectory with the current status at 20% for the year ended 2020.

**MIN. NO. NA/DAAOSC/ PIC-G&E/2023/057: RESPONSE TO AUDIT QUERIES BY DEDAN
KIMATHI UNIVERSITY OF TECHNOLOGY**

The university management submitted their responses to audit queries for the year ended 2019, 2020 and 2021 as follows:

a) Material Uncertainty to in Relation to Sustainability of Services

The Vice Chancellor informed the Committee that the management has reorganized teaching to improve productivity and minimize costs of teaching. This will in result to great savings on human resource. He also confirmed that these various strategies have improved the university's performance from a deficit of Kshs.56,102,502 in FY 2020/2021 to Kshs.26,931,968 in FY 2021/2022.

b) Long Outstanding Payables

The Vice Chancellor stated that the management is committed towards raising additional revenue to pay debts. He also informed the Committee that the university generates its income from payment of school fees by post graduate students, conference charges, agriculture and research.

The Committee directed the university management to increase more allocation of funds towards payment of debts.

c) Personnel Costs Due to Breach of Bond Agreement

The Vice Chancellor confirmed to the Committee that the total amount owing from the Lecturer after absconding duty is Kshs.8,542,458.42. He also added that the management filed a claim against Mr. Kitati in 30th December 2019 and that the issue was taken to court and a judgement delivered in favour of the university. The university is yet to enforce the judgement as the Lecturer in this matter is currently working in Botswana. The management is thus planning to seek more legal recourse in a superior court.

The Committee directed the management to submit Human Resource Policy of the university during the next reappearance.

d) Delayed Filling of Acting Positions

The management confirmed that only one position had been filled with the other two still in an acting capacity.

The Committee emphasized on the need to adhere to the Public Service Human Resource Policy which states that no public servant should serve in an acting capacity for more than 6 months.

e) Failure to Adhere to a Third Rule on Basic Salary.

The management confirmed the matter to be true and that most of the deductions in staff salaries arise from failure to surrender imprest on time. Additionally many reminders are sent to the staff to account for the imprest taken.

f) Delayed Completion of Academic Block

The Vice Chancellor confirmed that there has been a variation of 28% which translates to Kshs. 43,465,489 due to the delayed completion of the academic block. He further attributed the cost increase of the project to the reduced allocation of funds for the capital projects by the government.

g) Affirmative Action on Gender , Ethnicity and Regional Distribution

On the issue of gender, ethnicity and regional distribution the Vice Chancellor submitted to the Committee that the university had inherited most of staff from the former institution before its transition to the current University. He also informed the Committee that the University has now

adopted a shortlisting criterion whose aim is to encourage persons from all regions and both genders to apply for vacant posts when advertised.

The Committee directed the management to submit a list of their staff with a breakdown of all the ethnic composition, gender and PWDs working in the university.

h) Long Outstanding Receivables

The Vice Chancellor informed the Committee that the management has developed a fees debt policy to ensure that debts are collected in time and to ensure that students pay up their tuition fee before sitting for their end of semester exams.

i) Long Outstanding Payables

The Vice Chancellor stated that despite increased personnel costs and high inflation, the university has managed to reduce the payables from Kshs.324,017,295 in 2018/2019 to Kshs.252,625,511 as at 30th June 2022. Further, he stated that the management has since reduced the part-time teaching cost from an annual expenditure of 85 million to 20 million. The management also confirmed that it is committed to pay 3 million per month as a way of reducing the long outstanding payables to part-time lecturers.

j) Failure to Deduct and Remit PAYE

The Vice Chancellor confirmed that the tax exemption was intended to cushion the interns from the effects of corona virus. Upon further enquiry the management was informed that the interns are required to pay tax and that has since been rectified.

Opinion on Capitation of Students and Funding of Universities

The Vice Chancellor submitted before the Committee there has been an underfunding of public universities thus it is not prudent to fund private universities. He also added that public universities have enough capacity to admit all government sponsored students.

Further, he argued that unlike public universities, private universities are not legally bound by the Public Finance Management Act therefore this could encourage misappropriation of funds as there are no mechanisms of monitoring how the funds advanced by the government are used.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/058: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 1.55 pm. The next meeting will be held 3.00 pm in the afternoon.

SIGNED.......... DATE 4/5/23.....
(CHAIRPERSON)

MINUTES OF THE 18TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 19TH APRIL, 2023 IN COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDINGS, AT 1500 HOURS

PRESENT

- | | | |
|--|---|------------------|
| 1. Hon. Wanami Wamboka, MP | - | Chairperson |
| 2. Hon. Lesuuda Josephine Naisula, OGW, MP | - | Vice-chairperson |
| 3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP | | |
| 4. Hon. Mark Muriithi Mwenje, MP | | |
| 5. Hon. Nzambia Thuddeus Kithua, MP | | |
| 6. Hon. Wamacukuru James Githua Kamau, MP | | |
| 7. Hon. Bisau Maurice Kakai, MP | | |
| 8. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 9. Hon. Ondieki Alfa Miruka, MP | | |
| 10. Hon. Bonaya Mumina Gollo, MP | | |

ABSENT WITH APOLOGY

1. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
2. Hon. Kirima Moses Nguchine, MP
3. Hon. Karitho Kiili Daniel, MP
4. Hon. Chiforomodo Mangale Munga, MP
5. Hon. Tonui Joseph Kipkosgei, MP

IN-ATTENDANCE

SECRETARIAT

- | | | |
|------------------------|---|------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Fundi | - | Clerk Assistant III |
| 3. Ms. Faith Chepkemai | - | Legal Counsel II |
| 4. Ms. Georgina Okoth | - | Research Officer III |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|----------------------|---|-----------------------------------|
| 1. Mr. Alex Ndung'u | - | Deputy Director of Audit |
| 2. Mr. Peter Gitonga | - | Deputy Director Of Audit |
| 3. Mr. Mutai Philip | - | Deputy Director of Audit |
| 4. Ms. Ann Musyoka | - | Principal Auditor |
| 5. Mr. Felix Itonge | - | Principal Auditor/Liaison Officer |

THE NATIONAL TREASURY

- | | | |
|--------------------|---|-----------------------------|
| 1. Mr. Ngechu Mark | - | Deputy Director Investments |
|--------------------|---|-----------------------------|

MURANG'A UNIVERSITY

- | | | |
|--------------------------|---|--------------------|
| 1. Prof. Dickson Nyariki | - | Vice Chancellor |
| 2. Prof. Beatice Mugendi | - | Ag Finance Officer |

- | | | |
|------------------------|---|----------------------------|
| 3. Mr. Moffat Njoroge | - | Registrar – Administration |
| 4. Ms. Penninah Imwere | - | Legal Officer |
| 5. Mr. Victor Gichuki | - | Head of Procurement |

LAIKIPIA UNIVERSITY

- | | | |
|------------------------|---|-----------------------|
| 1. Prof. Joseph Rotich | - | Vice Chancellor |
| 2. Mr. Geoffrey Langat | - | Chief Finance Officer |
| 3. Mr. Meshack Oruako | - | Estates Manager |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/059: PRELIMINARIES

The Chairperson called the meeting to order at 3.25 pm with a word of prayer from the Hon. Wamacukuru James Githua Kamau, MP and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Tonkei Rebecca Noonaishi, MP, and seconded by Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of audit responses from various agencies namely;
 - i. Murang'a University
 - ii. Laikipia University
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/060: CONFIRMATION OF MINUTES

Confirmation of Minutes was deferred to the next sitting.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/061: RESPONSE TO AUDIT QUERIES BY MURANG'A UNIVERSITY

The university management submitted its response to audit queries for the financial years ended 2019, 2020 and 2021 as follows:

a) Long-term Investments

The Vice Chancellor informed the Committee that the management had been pursuing the former Chairperson of the Board to transfer Bamburi shares to the university account. The former Chairperson was one of the three trustees whose the shares are registered under with the other two already deceased. He also confirmed that the shares in question were worth Kshs.25,318,800.

b) Payable Exchange Transactions

The Vice Chancellor informed the Committee that the management was willing to honour the payables but no documentation had been provided to support the claims. These payables included wages, employees' gratuity and JKUAT payables all totaling to Kshs.8,458,092. The matter has been recurrent in the subsequent financial years from 2019 to 2022.

c) Property, Plant and Equipment – Freehold Land

The Vice Chancellor confirmed to the Committee that the University owned a piece of land approximated as 30.95 Ha and valued at 650 Million. The management had requested the National Land Commission to assist in establishing the boundaries as part of the land measuring 0.3 Ha had been encroached.

d) Students Debtors

The management informed the Committee that the University had come up with a debt collection policy for the collection of income including fees. He also confirmed that no student had graduated without payment of fee and that the student debtors amounting to Kshs.17,801,918 as at 30th June, 2019 belong to current students who are categorized as active, deferred or suspended.

e) Long Outstanding Receivables

The Vice Chancellor submitted to the Committee that the receivables amounting to Kshs.4,504,321 were inherited from the Murang'a College of Technology and were recorded in books. However no documentation were provided to support them thus no payments can be made. The management informed the Committee that it intended to request the University Council to write off some of these receivables.

f) Delay in Implementation of Projects

The Vice Chancellor stated that the delay in completion of the university projects had been occasioned by low funding by the national government. The projects may even take longer due to potential litigations by the contractor ending up in huge penalties due to breach of contracts. He also informed the Committee that there is encroachment on the University land thus the university is unable to make progress on the construction of a perimeter wall.

g) Non- compliance with Ethnic Diversity

The Vice Chancellor informed the Committee that the university inherited 110 staff from the Murang'a College of Technology, with 102 of them being from the Kikuyu community making the imbalance historical. In addition he stated that since its inception, the university has embraced the spirit of diversity by encouraging by advertising vacancies in the print media as well as encouraging applicants from minority groups to apply.

The Committee directed the management to provide a breakdown of all the staff recruited and their respective ethnic composition.

h) Management of Travel Expenses

In response to this matter, the Vice Chancellor informed the committee that the allowances were paid as per the Salaries and Remuneration Commission guidelines.

The Committee directed the management to supply it with the circular from the Salaries and Remuneration Commission justifying the said payments.

i) Implementation of E- procurement

The Vice Chancellor confirmed to the Committee that the university is in the process of acquiring and installing a new server with the E- procurement modules.

j) Staff on Acting Positions Beyond 6 Months

The Committee directed the Office of the Auditor General to report back on the progress of this matter in the subsequent audit report.

k) Unexplained Cash Withdrawals

The Vice Chancellor informed the committee that the university has adopted a cashless mode of payment and thus does not support cash withdrawals.

l) Unapproved Payment of Legal Fees

The Vice Chancellor stated that the university followed the procurement process and laws in engaging the services of the law firm. The management is also abiding by the law by seeking consent from the Office of the Attorney General in handling its legal matters.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/062: RESPONSE TO AUDIT QUERIES BY LAIKIPIA UNIVERSITY

The university management submitted its response to audit queries for the financial years ended 2019, 2020 and 2021 as follows:

a) Lack of Ownership Documents – Land

The Vice Chancellor stated that the university has 16 parcels of land valued at Kshs.30,588,000 in Nyahururu town which were inherited from Egerton University. The university was also awarded 5 acres of land by the defunct Municipal Council of Nyahururu. The management is working on the transfer of title of the parcels to one name under Laikipia University.

b) Receivables from Exchange Transactions

The Vice Chancellor informed the Committee that the university was facing recoverability challenges on receivables from former collaborating campuses which were closed down. He added that the university is however pursuing the matter to enable clearance of this matter.

c) Material Uncertainty (Unsustainability of Service)

The Vice Chancellor confirmed that the matter remains unresolved due to financial challenges being faced by the university and also a student admission decline since. However the university recorded an improvement in the year ended 2022 with a surplus of Kshs.8,621,628.

The Committee advised the management to devise income generating projects to sustain its operations.

d) Delay in Implementation of Projects

The Vice Chancellor informed the committee that so far 3 projects had already been completed namely lecture theatre, renovated ICT building and science laboratories with the remaining projects awaiting final accounts reconciliations with the contractors.

e) Development of an ERP – Software

The Vice Chancellor informed the committee that the modules were working at the time of handover from the contractor but later broke down. The matter is now in court awaiting determination.

The Committee directed the management to avail all contractual documents pertaining to this matter.

f) Accounts Payable

The Vice Chancellor informed the committee that the issue remains unresolved due to lack of funds. However the management is committed towards settling all debts. He also added that the University in the year ended 2021 managed to pay 41.5 Million and 89.1 million as money owed to suppliers and part time teaching costs respectively.

g) Delayed Completion of ABN Unisol Project

The management informed the Committee that the project is complete and commissioning will be done as soon as the university gets a substantive council.

Opinion on Capitation of students and Funding of Universities

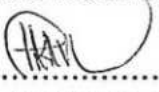
In his submission, the Vice Chancellor stated that it was not prudent to send students to private universities because Public universities have the capacity to accommodate all government sponsored students. Further, he also raised questions on how money advanced to private universities will be audited because the institutions are not bound by the Public Finance Management Act.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/063: AOB

The Committee noted that Friday 21st April 2023 had been declared a public holiday. The Committee therefore rescheduled its workshop scheduled for that day to Monday 24th April 2023.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/064: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 6.00 pm. The next meeting will be held on 24th April 2023 at 9.30 am.

SIGNED.......... DATE ^{4th} MAY 2023.....
(CHAIRPERSON)

MINUTES OF THE 19TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON MONDAY 24TH APRIL, 2023 AT HILTON GARDEN INN MACHAKOS COUNTY, AT 1030 HOURS

PRESENT

1. Hon. Wanami Wamboka, MP - Chairperson
2. Hon. Lesuuda Josephine Naisula, OGW, MP - Vice-chairperson
3. Hon. Mark Muriithi Mwenje, MP
4. Hon. Nzambia Thuddeus Kithua, MP
5. Hon. Bisau Maurice Kakai, MP
6. Hon. Tonkei Rebecca Noonaishi, MP
7. Hon. Ondieki Alfa Miruka, MP
8. Hon. Chiforomodo Mangale Munga, MP
9. Hon. Kirima Moses Nguchine, MP
10. Hon. (Dr.) Shadrack Mwiti Ithinji, MP

ABSENT WITH APOLOGY

1. Hon. Karitho Kiili Daniel, MP
2. Hon. Tonui Joseph Kipkosgei, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Bonaya Mumina Gollo, MP
5. Hon. Wamacukuru James Githua Kamau, MP

IN-ATTENDANCE

SECRETARIAT

- | | | |
|-------------------------|---|----------------------------|
| 1. Mrs. Florence Abonyo | - | Director, Audit Committees |
| 2. Mr. Victor Weke | - | Senior Clerk Assistant |
| 3. Mr. Victor Fundi | - | Clerk Assistant III |
| 4. Mr. Edwin Machuki | - | Fiscal Analyst III |
| 5. Ms. Georgina Okoth | - | Research Officer III |
| 6. Ms. Eunice Liavuli | - | Research Officer III |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|-----------------------|---|-----------------------------------|
| 1. Mr. Samuel Waweru | - | Acting Deputy Director of Audit |
| 2. Ms. Jane Chege | - | Principal Auditor |
| 3. Mr. Felix Itonge | - | Principal Auditor/Liaison Officer |
| 4. Ms. Ann Mwaura | - | Principal Auditor |
| 5. Ms. Lydia Awiti | - | Senior Auditor |
| 6. Mr. Patrick Karume | - | Audit Associate |

THE NATIONAL TREASURY

1. Mr. Ngechu Mark - Deputy Director Investments

KENYA SCHOOL OF LAW

- | | | |
|----------------------|---|----------------------------|
| 1. Dr. Henry Mutai | - | Director |
| 2. Ms. Ruth Gathoni | - | Senior Accountant |
| 3. Ms. Lucia Lulu | - | Senior HR Officer |
| 4. Mr. Kennedy Dende | - | Senior ICT Officer |
| 5. Mr. Fredrick Abea | - | Principal Internal Auditor |

UNIVERSITY OF NAIROBI ENTREPRISES & SERVICES LTD

- | | | |
|---------------------|---|-------------------|
| 1. Mr. Seith Abeka | - | Managing Director |
| 2. Mr. Absalom Agai | - | Senior Accountant |
| 3. Mr. Sam Ochieng | - | Finance Officer |

KAREN TECHNICAL TRAINING INSTITUTE FOR THE DEAF

- | | | |
|------------------------|---|-----------------------------|
| 1. Ms. Tecla Chemobo | - | Principal |
| 2. Mr. George Gachanja | - | Member, Board of Governance |
| 3. Mr. Wilfred Kimathi | - | Finance Officer |
| 4. Mr. Amos Naibei | - | Security Officer |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/064: PRELIMINARIES

The Chairperson called the meeting to order at 10.30 am with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Bisau Maurice Kakai, MP and seconded by Hon. Kirima Moses Nguchine, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of audit responses from various agencies namely;
 - i. Kenya School of Law
 - ii. University of Nairobi Enterprises & Services Ltd
 - iii. Karen Technical Training Institute for the Deaf
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/065: CONFIRMATION OF MINUTES

Confirmation of Minutes was deferred to the next sitting.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/066: RESPONSE TO AUDIT QUERIES BY KENYA SCHOOL OF LAW

The management submitted its response to audit queries for the financial years ended 2019, 2020

and 2021 as follows:

a) Prior Year Adjustment

The management identified balance of examination fees payable to CLE and Endowment Fund as erroneously recognized as income.

The Committee therefore directed the management to avail its journals to the auditors for clearance of the query.

b) Accounts Receivables and Prepayments

The Director informed the committee that a finance policy is underway for approval to ensure that this issue is resolved.

The Committee informed the Auditor to give a status report of the issue in the subsequent financial year.

c) Unremitted Statutory Deductions and Taxes

The management informed the committee that the balances appearing as liabilities in the school's books are historical and that it has following up with the Kenya Revenue Authority to ensure that the matter is resolved.

The Committee gave the management a period of one month to make sure that the issue with the KRA is resolved.

d) Irregular Payment of Meal Allowances

The management claimed that at that time the payments were made as per the Human Resource Manual. Further as part of the implementation of the new ERP system, the coordinating department has prepared a schedule of training for all staff and a request for approval of payment of allowances.

e) Non Compliance with Public Procurement and Assets Disposal Act, 2015

The management informed the committee that they used a prequalified supplier in accordance with section 95(3). The amount payable monthly for the services rendered was Kshs.340,570 which could be terminated at any time if the performance was not satisfactory.

f) Employee Costs

The Director stated that recruitment was in progress by the time the six- month mark was reached and the officer continued to execute the duties until when the process was concluded and the position was substantively filled and at that point the payment of allowance was stopped.

g) Delayed Construction Project of the Ultra- Modern Library and Moot Courts

The management informed the Committee that the delays in the completion of the project were occasioned by lack of funding. Due to that, the school was advised the project manager from Public Works to grant an extension of completion date to the contractor.

The Committee resolved to visit the school for an inspection of the project on the 27th April, 2023 and on that day the management should avail the contract document. Further the contractor was also summoned.

h) Budgetary Control and Performance

The Director attributed this query to the Covid19 pandemic which resulted to low performance below the budgeted levels especially in the areas of hospitality, training and consultancies.

i) Reconciliation of Revenue from Exchange Transactions

The management informed the Committee that the variance of Ksh.5,169,179 was occasioned by the transfer to Kenya School of Law from the State Law Department which was a draft before the audit.

The Committee directed the management to provide the auditors with the necessary documents to resolve this issue.

j) Irregular Procurement of Assets.

The management stated the IPADs were purchased under a contract whose renewal was updated in the Ministry of ICT website.

The Committee directed the management to verify the contract with the auditors and report back to the committee on 27th April, 2023.

k) Unauthorized Expenditure

The management attributed the over-expenditure to the ongoing construction of the library. Further, the money allocated in the previous year was used to pay for certificates which were produced by the contractor.

**MIN. NO. NA/DAAOSC/ PIC-G&E/2023/067: RESPONSE TO AUDIT QUERIES BY
UNIVERSITY OF NAIROBI ENTREPRISES
AND SERVICES LTD**

The management submitted its response to audit queries for the financial years ended 2019, 2020 and 2021 as follows:

a) Undisclosed Material Going Concern Uncertainty

The Managing Director informed the Committee that they had made a loss of Kshs.68,709,036. Due to this, the Board has embarked on strategies and initiatives which are aimed at reversing the negative performance. These efforts resulted to a net profit of Kshs.127,510 in the year ended 2020.

b) Overdue Trade and Other Receivables

The management stated that it's in the process of recovering receivables owed to them by writing reminders their debtors. Further, the managing director submitted that out of Kshs.81,139,076 that was outstanding as at 30th June 2019, a total of 31,885,655 has already been paid. The management also confirmed that it's in the process of following up on the debts owed to them by the NHIF and the Portland Cement which stands at Kshs.26,315,580 and Kshs.2,309,200 respectively.

c) Budgetary Control and Performance

The Management attributed the losses incurred to failure to meet revenue targets due to the Covid19 pandemic resulting to low business volumes.

The Committee directed the Office of the Auditor General to provide a breakdown of the ethnic composition of the staff in the next audit cycle.

**MIN. NO. NA/DAAOSC/ PIC-G&E/2023/068: RESPONSE TO AUDIT QUERIES BY
KAREN TECHNICAL TRAINING
INSTITUTE FOR THE DEAF**

The management submitted its response to audit queries for the financial years ended 2019, 2020 and 2021 as follows;

a) Budgetary Control and Performance

The Principal informed the Committee that in the view of importance of disclosure of property and equipment balances, the management is committed to undertake a comprehensive exercise of valuation of all assets including land once funds are available. She also added that part of the institute's land has been encroached. The institute is in the process of raising funds to erect a perimeter wall in order to secure its land.

b) Budgetary Control and Performance

The Principal stated that the income received by the institute cannot support their budget. She also attributed this query to the low funding from the government.

c) Lack of Internal Auditor and Audit Committee

The Principal confirmed to the Committee that the management is ready to put up an audit function and an audit committee in the institute as soon as funds are available.

The Committee directed that the Ministry of Finance and Planning should second auditors to the institute.

MIN.NO. NA/DAAOSC/ PIC-G&E/2023/069: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 2.11 pm. The next meeting will be held on 24th April 2023 at 3.00 pm.

SIGNED.......... DATE 4/5/23.....
(CHAIRPERSON)

MINUTES OF THE 21ST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 26TH APRIL, 2023 AT COMMITTEE ROOM 7 PARLIAMENT BUILDINGS, AT 1030 HOURS

PRESENT

1. Hon. Wanami Wamboka, MP - Chairperson
2. Hon. Lesuuda Josephine Naisula, OGW, MP - Vice-chairperson
3. Hon. Mark Muriithi Mwenje, MP
4. Hon. Nzambia Thuddeus Kithua, MP
5. Hon. Bisau Maurice Kakai, MP
6. Hon. Tonkei Rebecca Noonaishi, MP
7. Hon. Ondieki Alfa Miruka, MP
8. Hon. Kirima Moses Nguchine, MP

ABSENT WITH APOLOGY

1. Hon. Karitho Kiili Daniel, MP
2. Hon. Tonui Joseph Kipkosgei, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Bonaya Mumina Gollo, MP
5. Hon. Wamacukuru James Githua Kamau, MP
6. Hon. Chiforomodo Mangale Munga, MP
7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP

IN-ATTENDANCE

SECRETARIAT

1. Mr. Victor Weke - Senior Clerk Assistant
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Faith Chepkemai - Legal Counsel II
4. Mr. Edwin Machuki - Fiscal Analyst III
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer III

OFFICE OF THE AUDITOR GENERAL

1. Ms. Mercy Mukiri - Director of Audit
2. Mr. Samuel Waweru - Acting Deputy Director of Audit
3. Ms. Jane Chege - Principal Auditor
4. Mr. Anthony Muriuki - Principal Auditor
5. Mr. Felix Itonge - Principal Auditor/Liaison Officer
6. Ms. Ann Musyoka - Principal Auditor

THE NATIONAL TREASURY

1. Mr. Ngechu Mark - Deputy Director Investments

TECHNICAL UNIVERSITY OF KENYA

- | | | |
|------------------------|---|-------------------------|
| 1. Prof. Francis Aduol | - | Vice – Chancellor |
| 2. Mr. Kihoro Magu | - | Director Human Resource |
| 3. Mr. Ben Sanda | - | Chief Finance Officer |
| 4. Ms. Ruth Kirwa | - | Chief Legal Officer |

NATIONAL COUNCIL FOR NOMADIC EDUCATION IN KENYA

- | | | |
|-----------------------|---|--------------------------|
| 1. Mr. M. Yusuf | - | Chief Executive Officer |
| 2. Mr. Ibrahim Farah | - | Deputy Director, Finance |
| 3. Mr. Hared M. Molah | - | Senior Internal Auditor |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/078: PRELIMINARIES

The Chairperson called the meeting to order at 10.42 am with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Kirima Moses Nguchine, MP and seconded by Hon. Bisau Maurice Kakai, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of audit responses from various agencies namely;
 - i. Technical University of Kenya
 - ii. National Council for Nomadic Education in Kenya
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/079: CONFIRMATION OF MINUTES

Confirmation of Minutes was deferred to the next sitting.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/080: RESPONSE TO AUDIT QUERIES BY TECHNICAL UNIVERSITY OF KENYA

The management submitted its response to audit queries for the financial years ended 2019, 2020 and 2021 as follows:

a) Going Concern Uncertainty

The Vice- Chancellor informed the Committee that the university has been under-capitalized over the years since its existence despite the resilient efforts by council and the management. He also added that the university has on several occasions written to the parent ministry and the Treasury requesting for more funding.

b) Unsupported Long Outstanding Receivables

The management informed the committee that deposits to suppliers totaling Kshs 104,350.00, Nyayo vehicle Project Kshs 500,000.00 and dishonored cheques Kshs 562,501.00 were inherited from the books of the defunct Kenya Polytechnic only afterwards to realise that they had no doubtful to realize and the matter is yet to be deliberated by the University Council to be written on as bad debts.

The committee directed the Council to write off the receivables as bad debts.

c) Land Without Ownership Documents and Capitalized Expenditure

The Vice Chancellor informed the Committee that the university was in the process of registering the land, but then realized that part of it had been encroached. The matter was reported to the CID and anti-corruption and also the survey of Kenya and the University Council.

d) Unsupported Cash and Cash Equivalents Balance

The management stated that the student deposit savings fund, needy students fund and fixed deposit accounts were inherited from the former Kenya Polytechnic. The management has been following up with the Kenya Commercial Bank to get more information on the accounts which are now dormant.

The Committee directed that all money in those accounts should be transferred and thereafter the accounts should be closed.

e) Irregular Payment to Employees on Leave of Absence and Study Leave

The management informed the Committee that an employee P/No.AC0449 was granted leave of absence for 3 years and was erroneously paid full salary for 2 years. To correct this the officer has since paid a total of Kshs.2,470,000.

Further, it was confirmed that employee of P/No.AC0327 was on leave for post-doctoral fellowship and later failed to work on expiry of the leave. The management is also in the process of recovering 20% of the basic salary from employees who were erroneously put on full salary while on study leave outside the country.

f) Unsupported Staff Promotion Arrears

The Management informed the Committee that the bulk of the salary arrears paid in the year under review was Collective Bargaining Agreement (CBA) arrears amounting to KES 245,845,304 which were paid outside the payroll since they were paid before the end month as the University Management was under pressure from the national university unions to have the arrears paid immediately. Additionally, staff promotion arrears were for staffs who are on staff development and whose terms of engagements require that they be promoted to the next level upon successful completion of their studies. The personal files are available for audit review.

g) Unreconciled and Undescribed Statutory Deductions

The Vice- Chancellor admitted that the university has been facing financial challenges and has not been able to meet all its financial obligations promptly in full as and when they fall due. Further, the university has been making efforts to service all its debts. There has also been a regular reconciliation of outstanding taxes with the Kenya Revenue Authority.

h) Unsupported Trade and Other Payables

The Vice- Chancellor informed the committee that all the payment vouchers are always supported with primary records including invoices, claim forms and approval documents and thus the said records have been retrieved and are available for audit verification.

i) Unsupported Property, Plant and Equipment

The Vice- Chancellor confirmed that the supporting documents in respect to works in progress including interim certificates, contract agreements and the project's status report are available for audit verification.

j) Unsupported Rental Income

The management stated that the payment of Kshs.66,000 was paid to University of Nairobi translating to annul payment of Kshs.792,000. Further, the one month prepayment of Kshs.66,000 shall be adjust from the outstanding balance due to University of Nairobi.

The committee directed the management to submit all supportive documentation for all outstanding queries to the auditors for review, and re-appear before the Committee on 4th May 2023.

**MIN. NO. NA/DAAOSC/ PIC-G&E/2023/081: RESPONSE TO AUDIT QUERIES BY
NATIONAL COUNCIL FOR NOMADIC
EDUCATION IN KENYA**

The management submitted its response to audit queries for the year ended 2018, 2019,2020 and 2021 as follows:

a) Financial Year 2018/2019 & 2019/2020

The agency had a clean/ unqualified report with no issues for the two financial years.

b) Financial Year 2020/2021

Lack of a Governing Council

The Committee granted the Cabinet Secretary, Ministry of Education a period of one month to gazette members of the Council and recruit a chairperson.

MIN.NO. NA/DAAOSC/ PIC-G&E/2023/082: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 12.00 pm. The next meeting will be held on 26th April 2023 at 1.00 pm.

SIGNED.......... DATE 4/5/23
(CHAIRPERSON)

MINUTES OF THE 22ND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON WEDNESDAY 26TH APRIL, 2023 AT COMMITTEE ROOM 7 PARLIAMENT BUILDINGS, AT 1230 HOURS

PRESENT

1. Hon. Wanami Wamboka, MP - Chairperson
2. Hon. Lesuuda Josephine Naisula, OGW, MP - Vice-chairperson
3. Hon. Mark Muriithi Mwenje, MP
4. Hon. Nzambia Thuddeus Kithua, MP
5. Hon. Bisau Maurice Kakai, MP
6. Hon. Tonkei Rebecca Noonaishi, MP
7. Hon. Ondieki Alfa Miruka, MP
8. Hon. Kirima Moses Nguchine, MP

ABSENT WITH APOLOGY

1. Hon. Karitho Kiili Daniel, MP
2. Hon. Tonui Joseph Kipkosgei, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Bonaya Mumina Gollo, MP
5. Hon. Wamacukuru James Githua Kamau, MP
6. Hon. Chiforomodo Mangale Munga, MP
7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP

IN-ATTENDANCE

SECRETARIAT

1. Mr. Victor Weke - Senior Clerk Assistant
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Faith Chepkemai - Legal Counsel II
4. Mr. Edwin Machuki - Fiscal Analyst III
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer III

OFFICE OF THE AUDITOR GENERAL

1. Ms. Mercy Mukiri - Director of Audit
2. Mr. Samuel Waweru - Acting Deputy Director of Audit
3. Ms. Jane Chege - Principal Auditor
4. Mr. Anthony Muriuki - Principal Auditor
5. Mr. Felix Itonge - Principal Auditor/Liaison Officer
6. Ms. Ann Musyoka - Principal Auditor

THE NATIONAL TREASURY

1. Mr. Ngechu Mark - Deputy Director Investments

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

- | | | |
|--------------------------|---|---------------------------|
| 1. Prof. Victoria Wambui | - | Vice – Chancellor |
| 2. Mr. Robert Kinyua | - | Deputy Vice- Chancellor |
| 3. Ms. Mary Ngugi | - | Chief Finance Officer |
| 4. Ms. Kellen Njiru | - | Chief Procurement Officer |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/083: PRELIMINARIES

The Chairperson called the meeting to order at 12.30 pm with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Kirima Moses Nguchine, MP and seconded by Hon. Bisau Maurice Kakai, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - Adoption of the Agenda;
 - Confirmation of minutes of previous sittings;
 - Matters Arising
3. Receipt of audit responses from various agencies namely;
 - Jomo Kenyatta University of Agriculture and Technology.
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/084: CONFIRMATION OF MINUTES

Confirmation of Minutes was deferred to the next sitting.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/085: RESPONSE TO AUDIT QUERIES BY JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

The management submitted its response to audit queries for the financial years ended 2019, 2020 and 2021 as follows:

a) Undisclosed Financial Material Uncertainty

The Vice- Chancellor informed the Committee that the university has been operating under heavy financial constraints in the last five years. This was mainly occasioned by a drastic reduction in recurrent capitation grants to the University from the year 2013/2014 to the year under audit, cumulatively amounting to Kshs.2.8 billion. Additionally, the reduction coincided with implementation of the 2010-2013 Collective Bargaining Agreement (CBA) resulting in a drastic increase in personnel costs by approximately Kshs.30M per month (Kshs.360M per annum). Further reductions in budgetary allocations in subsequent years led to the University experiencing severe cash-flow challenges, thus being unable to meet its obligations as they fell due and subsequent accumulation of pending bills.

b) Unsupported Payments to Former Staff

The management informed the Committee that the university had erroneously made payments to staff who exited service in the course of the year arising from internal control weakness. Further the university aggressively pursued the former staff who had left the institution and also issued demand letters, thus leading to substantial recovery of the amount. Internal systems were also reviewed and strengthened to ensure prompt communication and more efficient management processes to avoid recurrence.

c) Non- Compliance with National Cohesion and Integration Act, 2008

The Vice Chancellor informed the Committee that the university is keen on achieving the ethnic diversity as per the National Cohesion and Integration Commission guidelines. However, as observed the huge numbers of staff were from the surrounding community and were in the lower grades (grades 1-4) whereby the university was not able to attract staff from other regions considering the low salary scales. She also assured the Committee that the university is committed to full adherence to legislation and shall continue to enhance ethnic representation in its recruitment processes.

d) Delay in Project Completion

- **Erection of a Perimeter Wall**

The Vice Chancellor informed stated that the beautification project was interrupted by a court case filed by a company known as Selian Holdings Limited in the year 2013. The claimants filed an application against the university, seeking an injunction restraining the university from constructing or erecting a perimeter/boundary wall, along the 35.5-meter-wide road, as this would hinder and or block access to the claimant's property. A sum total of 50 million has already been paid to the contractor.

- **Construction of a New Administration Block**

The management informed the Committee that the project was being funded from development capitation grants thus the slow pace of execution was due to reduction in budgetary allocations in subsequent years. Further, the contract variations were also within the 25% provision allowable for construction projects outlined in the Public Procurement and Asset Disposal Act, 2015 Section 139 4(e).

- **Construction of a Water Bottling Plant**

The management stated that the project was jointly funded by Japan International Cooperation Agency (JICA) and the university. The project was initiated for the purpose of providing bottled water to the university community. The amounts were expended in construction of the facility and installation of equipment. However, the university development allocations have been inadequate and insufficient for full completion of the plant.

The Committee resolved to make an inspection visit to the institution to view the three projects on 2nd April, 2023.

e) Long Outstanding Debts – Student Debtors

The management informed the Committee that the university undertook a thorough analysis and reconciliation of each long outstanding student balance at departmental and college levels in order to verify and validate each student's academic status and outstanding amount thereof, with an aim of recovering the same. This has facilitated follow-up of outstanding fees. Further, the university also implemented a new student management system, which ensures that students self-report and trigger subsequent billing thus eliminating any overstatement and or understatement.

f) Long Outstanding Payables

The management attributed the long outstanding payables to the constrained funding resulting in the inability of the university to settle amounts owed to various creditors as and when they fall due. To remedy this issue, JKUAT has continued to engage various creditors and has implemented various cost cutting measures, restructuring, as well as strived to raise funds in order to settle the payables.

g) Officers in Acting Position

The Vice- Chancellor admitted that some officers have been in acting positions for more than 6 months contrary to the Public Service Human Resource Policy because the university has been facing financial challenges thus has been unable to meet the costs of recruiting new officers to fill the 13 positions.

The Committee directed that the management resolves this issue before the next financial year.

h) Inaccuracies in Trade and Other Receivables

The Vice- Chancellor informed the Committee that the university has engaged the services of a debt collector to follow up on old debts by pursuing the debtors to ensure that the receivables are collected and banked promptly. The university is aggressively pursuing the outstanding debts. Additionally internal mechanisms such as implementation of IT systems for better management of student academic progression were set up to avoid further buildup of debts.

i) Understatement in Trade and Other Receivables

The Vice- Chancellor confirmed that the amounts of Kshs.125,100,000 received from JKUAT Industrial and Technology Park Ltd related to fund transfers to the university, being advance payments on share of proceeds generated after undertaking various projects. The funds received were duly recognized and disclosed in the university financial statements. The university is engaging with the subsidiary to align the records.

j) Irregular Placement of Officers in Higher Grades

The management stated that it undertook a revision of the staff establishment and harmonized designations and grades with the staff appointment and promotion policies therefore the 30 members of staff are catered for in the approved establishment and hence no overpayment of their salaries could arise.

k) Unremitted Statutory Deductions

The management stated that it was not able to remit all the statutory deductions as stipulated as the university has been operating under heavily constrained cash flow conditions in the last six years. This was occasioned by the high cost of training materials, laboratory reagents, workshop and studio materials, practical field courses as well as training equipment for the highly technical courses offered at the university. Additionally, there are significant costs of engaging and maintaining the highly skilled and specialized teaching and technical personnel for training and research in technical fields.

Further, as a lasting solution, the university continues to appeal for full implementation of the Differentiated Unit Cost funding model in order to meet running costs associated with training in the highly technical courses offered.

l) Delayed Implementation of the Enterprise Resource Planning Software

The management informed the Committee that due to the delays in delivering some of the modules as per the user requirements, the university mutually agreed with the vendor to proceed with 12 out of 24 modules mainly on student management, where the vendor had made good progress towards meeting user requirements. The 12 modules are fully implemented and currently in use. Payment was also pegged on completed modules.

m) Irregular Procurement of Graduation Coverage Services

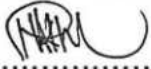
The management informed the committee that it sought the services of media coverage for the graduations held in November 2020 and March 2021. The university sourced for quotations from three media houses namely; Citizen TV, NTV and KTN Home, for the graduation coverage in adherence to the Public Procurement and Asset Disposal Act, 2015 as stipulated in Sec. 106-2(d). The Graduation Committee then settled for Standard Media Group for the provision of live coverage of the 35th Graduation that was aired on KTN Home Television.

n) Accrued Student Balances

The Vice Chancellor in her submissions to the Committee stated that the university has developed a new fee payment policy system which prevents students to sit for examinations or graduate with fee balances. She also added that by contracting a debt collector, the school has so far recovered 18 million out of the 121 million owed to the institution by the students.

MIN.NO. NA/DAAOSC/ PIC-G&E/2023/086: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 2.28 pm. The next meeting will be held on 27th April 2023 at 10.30 am, at the Kenya School of Law.

SIGNED.......... DATE4/5/23.....
(CHAIRPERSON)

MINUTES OF THE 23RD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION HELD ON THURSDAY 27TH APRIL, 2023 AT KENYA SCHOOL OF LAW IN KAREN, AT 0930 HOURS

PRESENT

1. Hon. Wanami Wamboka, MP - Chairperson
2. Hon. Mark Muriithi Mwenje, MP
3. Hon. Nzambia Thuddeus Kithua, MP
4. Hon. Bisau Maurice Kakai, MP
5. Hon. Kirima Moses Nguchine, MP
6. Hon. Karitho Kiili Daniel, MP

ABSENT WITH APOLOGY

1. Hon. Lesuuda Josephine Naisula, OGW, MP - Vice-chairperson
2. Hon. Tonui Joseph Kipkosgei, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Bonaya Mumina Gollo, MP
5. Hon. Wamacukuru James Githua Kamau, MP
6. Hon. Chiforomodo Mangale Munga, MP
7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
8. Hon. Tonkei Rebecca Noonaishi, MP
9. Hon. Ondieki Alfa Miruka, MP

IN-ATTENDANCE

SECRETARIAT

1. Mr. Victor Weke - Senior Clerk Assistant
2. Mr. Victor Fundi - Clerk Assistant III
3. Mr. Edwin Machuki - Fiscal Analyst III
4. Ms. Eunice Liavuli - Research Officer III

OFFICE OF THE AUDITOR GENERAL

1. Ms. Jane Chege - Principal Auditor
2. Mr. Felix Itonge - Principal Auditor/Liaison Officer

THE NATIONAL TREASURY

1. Mr. Ngechu Mark - Deputy Director Investments

RESJOS ENTERPRISES LTD/ CONTRACTOR

1. Mr. Lewis Kipyegon - Director Investments

STATE DEPARTMENT OF PUBLIC WORKS

1. Mr. George Omondi - Project Manager

2. Mr. Kigundu Samuel - Architect

KENYA SCHOOL OF LAW

- | | | |
|------------------------|---|----------------------------|
| 1. Dr. Henry Mutai | - | Chief Executive Officer |
| 2. Ms. Pauline Mbitho | - | Principal Legal Officer |
| 3. Ms. Mariam A Mahmud | - | Senior Procurement Officer |
| 4. Ms. Ruth Gathoni | - | Senior Accountant |
| 5. Ms. Lucia Lulu | - | Senior HR Officer |
| 6. Mr. Kennedy Dende | - | Senior ICT Officer |

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/087: PRELIMINARIES

The Chairperson called the meeting to order at 9.57 am with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Kirima Moses Nguchine, MP and seconded by Hon. Bisau Maurice Kakai, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - Adoption of the Agenda;
 - Confirmation of minutes of previous sittings;
 - Matters Arising
3. Receipt of Audit responses from various Agencies ;
 - Kenya School of Law
4. Any Other Business; and
5. Adjournment.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/088: CONFIRMATION OF MINUTES

Confirmation of Minutes was deferred to the next sitting.

MIN. NO. NA/DAAOSC/ PIC-G&E/2023/089: RESPONSE TO AUDIT QUERIES BY KENYA SCHOOL OF LAW

The management submitted its response to audit queries for the financial years ended 2019, 2020 and 2021 as follows:

a) Delayed Completion of the Ultra - Modern Library

The management informed the committee that the initial contract cost of the project was Kshs.488,704,449 which was awarded to Resjos Enterprise Ltd in the year 2013 with the completion date of the project expect to be in 2016. The project is yet to be completed up to date.

Further, the Chief Executive Officer attributed the slow completion rate of the project to lack of funds. For instance the school at some point did not receive any funds for the project for 3 years. He also

informed Committee that JKUAT Enterprises Ltd was released from the project as consultants in 2020 due to issues with the approval of the designs.

The contractor already having been paid a total sum of 374 million, the project upon completion is expected to have a total variation of 22% from the initial contract cost.

The Committee therefore directed as follows;

- i) That the completion date of the project should remain as 30th June 2023 as promised by the contactor.
- ii) That the management and the contractor should agree on a similar variation amount before the completion of the project.
- iii) That in the event the contactor delays completion of the project, he will be liable to pay liquidated damages to the school.

MIN.NO. NA/DAAOSC/ PIC-G&E/2023/090: ADJOURNMENT/ DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 2.05pm. The next meeting will be held on 3rd May 2023 at 9.30 am.

SIGNED.......... DATE 4/5/23
(CHAIRPERSON)

MINUTES OF THE 25TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON WEDNESDAY 3RD MAY, 2023 AT COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDING AT 1500 HOURS

PRESENT

- | | | |
|--|---|-------------------------|
| 1. Hon. Jack Wanami Wamboka,MP | - | Chairperson |
| 2. Hon. Lesuuda Josephine Naisula, OGW, MP | - | Vice Chairperson |
| 3. Hon. (Dr.) Shadrack Mwiti Ithinji, MP | | |
| 4. Hon. Bonaya Mumina Gollo,MP | | |
| 5. Hon. Tonui Joseph Kipkosgei,MP | | |
| 6. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 7. Hon. Bisau Maurice Kakai,MP | | |
| 8. Hon. Mark Muriithi Mwenje, MP | | |
| 9. Hon. Thaddeus Nzambia Kithua, MP | | |
| 10. Hon. Alfa Ondieki Miruka, MP | | |
| 11. Hon. Moses Kirima Nguchine, MP | | |

ABSENT WITH APOLOGY

1. Hon. James Wamacukuru Githua Kamau, MP
2. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
3. Hon. Chiforomodo Mangale Munga, MP
4. Hon. Daniel Karitho Kiili, MP

IN ATTENDANCE

SECRETARIAT

- | | | |
|----------------------|---|------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Mutugi | - | Clerk Assistant III |
| 3. Ms Jane G. Ouko | - | Clerk Assistant III |
| 4. Ms Georgina Okoth | - | Research Officer III |
| 5. Ms Eunice Liavuli | - | Research Officer III |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|------------------------|---|-------------------|
| 1. Mr. Eliud Mwongela | - | Senior Auditor |
| 2. Ms. Mercy Mukiiri | - | Director of Audit |
| 3. Mr. Felix K. Itonge | - | Principal Auditor |

THE NATIONAL TREASURY

- | | | |
|-----------------------|---|-------------------------------|
| 1. Mr. Ngalo Mark | - | Assistant Director Investment |
| 2. Ms. Florence Ngugu | - | Investment Officer |

KENYA NATIONAL INNOVATION AGENCY

- | | | |
|---------------------|---|-------------------------|
| 1. Dr. Tony Omwanza | - | Chief Executive Officer |
| 2. Ms. Mary Maina | - | Accountant |
| 3. Ms. Jane Obare | - | Human Resource Manager |

MURANG'A UNIVERSITY OF TECHNOLOGY

1. Prof. Dickson Nyatike - Vice Chancellor
2. Prof. Beatrice Mugendi - Deputy Vice Chancellor Finance

KARATINA UNIVERSITY

1. Fredrick Kangi - Former Employee

MIN.NO. NA/DAAOSC/PIC-G&E/2023/096: PRELIMINARIES

The chairperson called the meeting to order at 3.30 pm with a word of prayer and thereafter invited all present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Kirima Moses Nguchine, MP and seconded by Hon. Bisau Maurice Kakai, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of Audit responses from various Agencies;
 - Kenya National Innovation Agency
 - Murang'a University of Technology
 - Karatina University
4. Any Other Business; and
5. Adjournment.

**MIN.NO. NA/DAAOSC/PIC-G&E/2023/097: RESPONSE TO QUERIES BY
KENYA NATIONAL INNOVATION
AGENCY**

Year Ended 2019, 2020 and 2021

Auditors from the Office of the Auditor General confirmed to the Committee that all matters for the year ended 2019, 2020 and 2021 had been resolved in totality.

**MIN.NO. NA/DAAOSC/PIC-G&E/2023/091: RESPONSE TO QUERIES BY
MURANG'A UNIVERSITY OF
TECHNOLOGY**

The Committee was informed by the Office of the Auditor General that the university management had submitted their responses late making them unable to proceed. The Committee resolved that auditors look at the responses and submit a report to the Committee before the scheduled report writing.

**MIN.NO. NA/DAAOSC/PIC-G&E/2023/099: RESPONSE TO BREACH OF
BOND AGREEMENT, KARATINA
UNIVERSITY**

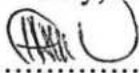
Mr. Fredrick Kaingi, a former employee at Karatina University who was in breach of a bond agreement with the university appeared before the Committee to respond to why he did not resume

work after completing his studies abroad as those were the terms of the bond agreement. Notably, the witness had already paid Kshs.1,500,000 of the total amount of 5 million.

The Committee noted that the responses from the above party were unsatisfactory and that a determination on this issue will be given when it retreats for report writing.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/100: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 4:05 pm noon. The next meeting would be held on 4th May, 2023 at 9:30 am.

SIGNED.......... DATE 7/6/23.....
(CHAIRPERSON)

MINUTES OF THE 27TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON THURSDAY 4TH MAY, 2023 IN THE MAIN CHAMBER, MAIN PARLIAMENT BUILDING AT 1430 HOURS

PRESENT

- | | | |
|---|---|-------------------------|
| 1. Hon. Wanami Wamboka,MP | - | Chairperson |
| 2. Hon. Lesuuda Josephine Naisula, MP | - | Vice Chairperson |
| 3. Hon. (Dr.) Shadrack Mwiti Ithinji, MP | | |
| 4. Hon. Moses Kirima Nguchine, MP | | |
| 5. Hon. James Wamacukuru Githua Kamau, MP | | |
| 6. Hon. Alfa Ondieki Miruka, MP | | |
| 7. Hon. Bonaya Mumina Gollo,MP | | |
| 8. Hon. Mark Muriithi Mwenje, MP | | |
| 9. Hon. Bisau Maurice Kakai,MP | | |
| 10. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 11. Hon. Thaddeus Nzambia Kithua, MP | | |

ABSENT WITH APOLOGY

1. Hon. Chiforomodo Mangale Munga, MP
2. Hon. Daniel Karitho Kiili, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Tonui Joseph Kipkosgei,MP

IN ATTENDANCE

SECRETARIAT

- | | | |
|------------------------|---|------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Mutugi | - | Clerk Assistant III |
| 3. Ms. Jane G. Ouko | - | Clerk Assistant III |
| 4. Ms. Faith Chepkemoi | - | Legal Counsel II |
| 5. Ms. Georgina Okoth | - | Research Officer III |
| 6. Ms. Eunice Liavuli | - | Research Officer III |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|------------------------|---|-------------------|
| 1. Ms. Mercy Mukiiri | - | Director of Audit |
| 2. Mr. Antony Muriuki | - | Principal Auditor |
| 3. Mr. Felix K. Itonge | - | Principal Auditor |

THE NATIONAL TREASURY

- | | | |
|--------------------------|---|-------------------------------|
| 1. Mr. Ngecho Mark Lugwi | - | Assistant Director Investment |
|--------------------------|---|-------------------------------|

TECHNICAL UNIVERSITY OF KENYA

- | | | |
|------------------------|---|-----------------------|
| 1. Prof. Francis Aduol | - | Vice Chancellor |
| 2. Mr. Ben Sanda | - | Chief Finance Officer |
| 3. Dr. Hesbon Nyagowa | - | University Registrar |

- | | | |
|-----------------------|---|--------------------------|
| 4. Dr. Moses Wamalwa | - | Academic Registrar |
| 5. Ms. Ruth Kirwa | - | Chief Legal Officer |
| 6. Mr. Kihoro Mega | - | Director, Human Resource |
| 7. Mr. David Juma | - | Ag. Chief Accountant |
| 8. Mr. Samuel Gichuki | - | Ag. Chief Accountant |

MIN.NO. NA/DAAOSC/PIC-G&E/2023/105: PRELIMINARIES

The Chairperson called the meeting to order at 2.30 pm thereafter asking those present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Moses Kirima Nguchine, MP, and seconded by Hon. Maurice Kakai Bisau, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Receipt of Audit responses from various Agencies;
 - Technical University of Kenya
4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/106: CONFIRMATION OF MINUTES

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

**MIN.NO. NA/DAAOSC/PIC-G&E/2023/107: RESPONSE TO AUDIT QUERIES
BY TECHNICAL UNIVERSITY OF
KENYA**

The management submitted its response to audit queries for the financial year 2020/21 as follows:

- **Doubtful Recovery of Outstanding Balances**

The management informed the committee that the outstanding balances were as a result of delayed fees payment mostly by students sponsored by various charity organizations as well as those relying on Constituency Development Fund (CDF).

They however stated that out of the Kshs10.7M outstanding balances, the management had managed to recover Kshs4M within a period of one year. The management also stated that it hopes to recover the remaining balances by appointing a debt recovery agent and also liaise with other government agencies.

The Committee advised that the University should be fully compliant by the next financial audit.

- **Irregular Procurement of Telephone and Airtime Expenses**

The university management had directly procured airtime worth Kshs1,788,813 and mobile phones at a cost of Kshs251,500. This is contrary to section 103(2)(a) of the public Procurement and Asset Disposal Act, 2015.

The Committee will make a determination on this matter during its report writing conference.

- **Direct Procurement of Goods and Services**

Goods and services amounting to Kshs16,315,963 had been procured through direct cash purchases by members of staff issued with imprest to facilitate the purchases. These goods and services had not been inspected, contrary to Section 48 of the Public Procurement and Asset Disposal Act, 2015 and were not taken to the stores charge.

The Committee recommended that the management should note the frequently procured items then enter into a long-term contractual agreement with suppliers of the said items and ensure prompt payments to the suppliers.

The management should also identify items that had been procured directly and submit a list of the same to the Committee to enable it to make a determination on the matter.

- **Lack of a Fixed Asset Register**

The university management did not provide an updated fixed asset register to support the balances on specific class of assets. In the absence of an updated asset register, it was not possible to confirm the effectiveness of controls over fixed assets, status, accuracy, completeness and existence contrary to the National Treasury Circular and templates, No. 5/2020 dated 25/02/2020.

The University Management submitted that the last asset valuation was done in 2012 and that it lacked capacity to conduct annual valuation as required by law.

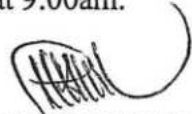
The Committee recommended that the university should:

- i) Get an expert to conduct asset valuation and serve the Committee with copies of the advertisement put up to get a valuer and other supporting documents within one week;
- ii) Leverage on technology by procuring a valuation system/software.

Further, the Committee observed that the lack of an asset register was a recurring gap in most universities and committed to make a recommendation to the Ministry of Education so as to come up with necessary measures that would assist all public universities mitigate on this gap.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/108: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 4.30 pm. The next meeting would be held on 5th May, 2023 at 9:00am.

SIGNED.......... DATE 7/6/23.....
(CHAIRPERSON)

MINUTES OF THE 28TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON FRIDAY 5TH MAY, 2023 AT JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY, MAIN CAMPUS AT 1030 HOURS

PRESENT

- | | | |
|--------------------------------------|---|--------------------|
| 1. Hon. Wanami Wamboka,MP | - | Chairperson |
| 2. Hon. Alfa Ondieki Miruka, MP | | |
| 3. Hon. Bisau Maurice Kakai,MP | | |
| 4. Hon. Tonkei Rebecca Noonaishi, MP | | |
| 5. Hon. Thaddeus Nzambia Kithua, MP | | |

ABSENT WITH APOLOGY

- | | | |
|--|---|-------------------------|
| 1. Hon. Josephine Lesuuda Naisula, OGW, MP | - | Vice Chairperson |
| 2. Hon. Daniel Karitho Kiili, MP | | |
| 3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP | | |
| 4. Hon. Tonui Joseph Kipkosgei,MP | | |
| 5. Hon. (Dr.) Shadrack Mwiti Ithinji, MP | | |
| 6. Hon. Moses Kirima Nguchine, MP | | |
| 7. Hon. James Wamacukuru Githua Kamau, MP | | |
| 8. Hon. Chiforomodo Mangale Munga, MP | | |
| 9. Hon. Bonaya Mumina Gollo, MP | | |
| 10. Hon. Mark Muriithi Mwenje, MP | | |

IN ATTENDANCE

SECRETARIAT

- | | | |
|-----------------------|---|----------------------|
| 1. Mr. Victor Mutugi | - | Clerk Assistant III |
| 2. Ms. Jane G. Ouko | - | Clerk Assistant III |
| 3. Ms. Eunice Liavuli | - | Research Officer III |

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

- | | | |
|--------------------------|---|---------------------------|
| 1. Prof. Victoria Wambui | - | Vice Chancellor |
| 2. Prof. B. W Ikua | - | Deputy Vice Chancellor |
| 3. Ms. Mary Ngugi | - | Chief Finance Officer |
| 4. Mr. Richard Wokabi | - | Chief Legal Officer |
| 5. Ms. Kellen Njiru | - | Chief Procurement Officer |

OFFICE OF THE AUDITOR GENERAL

- | | | |
|---------------------|---|---------|
| 1. Ms. Jane Muiruri | - | Auditor |
| 2. Mr. Mark Muteti | - | Auditor |

MIN.NO. NA/DAAOSC/PIC-G&E/2023/109: PRELIMINARIES

The Chairperson called the meeting to order at 10.30 am thereafter asking those present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Rebecca Tonkei, MP, and seconded by Hon. Maurice Kakai Bisau, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. **Receipt of Audit responses from JKUAT**
4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/110: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAOSC/PIC-G&E/2023/112: RESPONSE TO AUDIT QUERIES BY JKUAT

The management submitted its response to audit queries for the financial year 2018/2019 to 2020/21 as follows:

• Erection of a Perimeter Wall

The management stated that the project was interrupted by a Court case filed by a Company known as Selian Holdings Limited in the year 2013. At that time the management had already paid a total of Kshs.50,698,800 out of the total contract cost of Kshs.68,836,283. Further, the claimants filed an application against the University, seeking an injunction restraining the University from constructing or erecting a perimeter/boundary wall, along the 35.5-meter-wide road, as this would hinder and or block access to the Claimant's property. The matter was then referred to a mediation process by the court and is yet to be concluded.

The Committee directed the parties to ensure that the mediation process was concluded within a month's time to pave way for the completion of the perimeter wall.

• Construction of the New Administration Block

The management stated that the University embarked on construction of an Administration Block in January, 2013 at a sum of Kshs 285,919,713. The cumulative variations in the project as at 2019 amounted to KShs 62,447,206.00 representing 22% of the contract sum. The original contract sum of Ksh.285,909,713.00 was paid to M/S Columbia Developers Ltd and the contract was determined. The building is currently 90% complete and the University anticipates to complete the project within the shortest time possible.

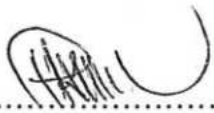
- **Construction of a Water Bottling Plant**

The management stated that the university procured an automated water purification and bottling machinery at a cost of Kshs.7,550,000 in September 2014. However, upon delivery of the equipment, there was no suitable space for its installation and testing due to the magnitude of its size.

Further after analyzing several options, it realized that there was need to construct a separate space for the plant. The university then requested for support through JICA for support in constructing a structure to house the plant. JICA's gave support of Kshs.7,285,000 towards construction of the housing for the plant. Besides, purchase of the plant, the University met the cost of labour and supervision. The total costs met by JKUAT is Kshs.11,014,677.80. Thus, so far, the project has costed Kshs.18,299,677.80. It is estimated that the project will require a further Kshs.21,080,426.20 to make it fully operational.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/113: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 1.30 pm. The next meeting would be held on notice.

SIGNED.......... DATE 7/6/2023
(CHAIRPERSON)

**MINUTES OF THE 31ST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE
ON GOVERNANCE & EDUCATION HELD ON THURSDAY, 25TH MAY, 2023 AT
SERENA BEACH HOTEL, MOMBASA COUNTY- AT 1000 HRS**

PRESENT

1. Hon. Wanami Wamboka, MP - Chairperson
2. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
3. Hon. Tonui Joseph Kipkosgei, MP
4. Hon. Bisau Maurice Kakai, MP
5. Hon. Tonkei Rebecca Noonaishi, MP
6. Hon. Thaddeus Nzambia Kithua, MP
7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
8. Hon. Moses Kirima Nguchine, MP
9. Hon. Mark Muriithi Mwenje, MP

ABSENT WITH APOLOGY

1. Hon. Josephine Lesuuda Naisula, OGW, MP - Vice Chairperson
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. James Wamacukuru Githua Kamau, MP
5. Hon. Chiforomodo Mangale Munga, MP
6. Hon. Bonaya Mumina Gollo, MP

IN ATTENDANCE

SECRETARIAT

- | | | |
|-------------------------|---|-----------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant |
| 2. Mr. Victor Mutugi | - | Clerk Assistant III |
| 3. Ms. Jane G. Ouko | - | Clerk Assistant III |
| 4. Ms. Faith Chepkemoi | - | Legal Officer |
| 5. Mr. Edwin Machuki | - | Fiscal Analyst |
| 6. Ms. Eunice Liavuli | - | Research Officer III |
| 7. Mr. Derick Kathurima | - | Media Relations Officer III |
| 8. Mr. Meldrick Sakani | - | Audio Officer |
| 9. Ms. Everlyn Nyaayo | - | Secretary |
| 10. Ms. Juliet Minayo | - | Office Assistant |
| 11. Mr. Albert Atunga | - | Sergeant- at- Arms |

OFFICE OF THE AUDITOR GENERAL

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

THE NATIONAL TREASURY

- | | | |
|--------------------|---|-------------------------------|
| 1. Mr. Mark Ngechu | - | Assistant Director Investment |
|--------------------|---|-------------------------------|

INSPECTORATE OF STATE COOPERATION

1. Ms. Grace Mwaniki- Inspector

MIN.NO. NA/DAAOSC/PIC-G&E/2023/123: PRELIMINARIES

The Chairperson called the meeting to order at 1023hrs with a word of prayer and thereafter those present introduced themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Mark Muriithi Mwenje, MP and seconded by Hon. Tonui Joseph Kipkosgei, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction:
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Consideration of the Committee's 2nd Report on examination of reports of the Auditor General on State Corporations (Training Colleges & Institutions);
4. Any Other Business, and;
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/124: CONFIRMATION OF MINUTES

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

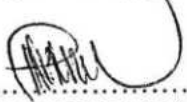
**MIN.NO.NA/DAAOSC/PIC-G&E/2023/125: CONSIDERATION OF THE
COMMITTEE'S 2ND REPORT ON
EXAMINATION OF REPORTS OF THE
AUDITOR GENERAL ON STATE
CORPORATIONS (TRAINING
COLLEGES)**

The Secretariat took members through the zero draft of the report on the following agencies;

1. Kenya School of TVET (Formerly Kenya Technical Trainers College)
2. Nairobi Technical Training Institute (NTTI)
3. Kenya Institute of Mass Communication (KIMC)
4. The Nyeri National Polytechnic
5. Dedan Kimathi Institute of Technology
6. Karatina University
7. Kirinyaga University
8. Laikipia University

MIN.NO. NA/DAAOSC/PIC-G&E/2023/126: ADJOURNMENT/ DATE OF NEXT

There being no other business, the meeting was adjourned at 1327hrs. The next meeting will be held on Thursday 25th May, 2023 at 1500hrs in the same venue.

SIGNED.......... DATE 7/6/23
(CHAIRPERSON)

**MINUTES OF THE 32ND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE
ON GOVERNANCE & EDUCATION HELD ON THURSDAY, 25TH MAY, 2023 AT
SERENA BEACH HOTEL, MOMBASA COUNTY AT 1500HRS**

PRESENT

1. Hon. Wanami Wamboka, MP - Chairperson
2. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
3. Hon. Tonui Joseph Kipkosgei, MP
4. Hon. Bisau Maurice Kakai, MP
5. Hon. Tonkei Rebecca Noonaishi, MP
6. Hon. Thaddeus Nzambia Kithua, MP
7. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
8. Hon. Moses Kirima Nguchine, MP
9. Hon. Mark Muriithi Mwenje, MP

ABSENT WITH APOLOGY

1. Hon. Josephine Lesuuda Naisula, OGW, MP - Vice Chairperson
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. James Wamacukuru Githua Kamau, MP
5. Hon. Chiforomodo Mangale Munga, MP
6. Hon. Bonaya Mumina Gollo, MP

IN ATTENDANCE

SECRETARIAT

- | | | |
|-------------------------|---|-----------------------------------|
| 1. Mr. Victor Weke | - | Senior Clerk Assistant/Lead Clerk |
| 2. Mr. Victor Mutugi | - | Clerk Assistant III |
| 3. Ms. Jane G. Ouko | - | Clerk Assistant III |
| 4. Ms. Faith Chepkemai | - | Legal Officer |
| 5. Mr. Edwin Machuki | - | Fiscal Analyst |
| 6. Ms. Eunice Liavuli | - | Research Officer III |
| 7. Mr. Derick Kathurima | - | Media Relations Officer III |
| 8. Mr. Meldrick Sakani | - | Audio Officer |
| 9. Ms. Everlyn Nyaayo | - | Secretary |
| 10. Ms. Juliet Minayo | - | Office Assistant |
| 11. Mr. Albert Atunga | - | Sergeant-at-Arms |

OFFICE OF THE AUDITOR GENERAL

1. Mr. Felix K. Itonge – liaison Officer / Principal Auditor

THE NATIONAL TREASURY

1. Mr. Mark Ngechu- Assistant Director Investment

INSPECTORATE OF STATE CORPORATIONS

1. Ms. Grace Mwaniki- Inspector

MIN.NO. NA/DAAOSC/PIC-G&E/2023/127: PRELIMINARIES

The Chairperson called the meeting to order at 1515hrs with a word of prayer and thereafter those present introduced themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Mark Muriithi Mwenje, MP and seconded by Hon. Tonui Joseph Kipkosgei, MP

AGENDA:

1. Prayers;
2. Preliminaries/Introduction:
 - i. Adoption of the Agenda;
 - ii. Confirmation of minutes of previous sittings;
 - iii. Matters Arising
3. Consideration of the Committee's 2nd Report on examination of reports of the Auditor General on State Corporations (Training Colleges & Institutions);
4. Any Other Business, and;
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/128: CONFIRMATION OF MINUTES

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

**MIN.NO.NA/DAAOSC/PIC-G&E/2023/128: CONSIDERATION OF THE
COMMITTEE'S 2ND REPORT ON
EXAMINATION OF REPORTS OF THE
AUDITOR GENERAL ON STATE
CORPORATIONS (TRAINING
COLLEGES)**

The Secretariat took members through the zero draft of the report on the following agencies:

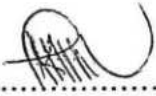
1. Murang'a University of Technology
2. Kenya School Of Law (KSL)
3. Karen Technical Training Institute for The Deaf (KTTID)
4. The Technical University of Kenya (TUK)
5. Jomo Kenyatta University of Agriculture and Technology (JKUAT)
6. The University of Nairobi (UON)
7. The University of Nairobi Press
8. Kenya Utalii College

MIN.NO. NA/DAAOSC/PIC-G&E/2023/129: AOB

The Chairperson commended members and the secretariat for a good job during the report writing period. He also informed the committee that the report once ready will be tabled before the house when it resumes from the long recess.

MIN.NO. NA/DAAOSC/PIC-G&E/2023/130: ADJOURNMENT

There being no other business, the meeting was adjourned at 1648hrs. The next meeting will be held on notice.

SIGNED.......... DATE 7/6/23
(CHAIRPERSON)