REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT SERVICE

FOR THE YEAR ENDED 30 JUNE, 2024

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT SERVICE FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Universities and Colleges Central Placement Service set out on pages 1 to 43, which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Universities and Colleges Central Placement Service as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Legal Notice No.96 of 2006 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Universities and Colleges Central Placement Service Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Audit Matter

In the audit report of the previous year, one issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not fully resolved the issue as at 30 June, 2024.

Other Information

The Board of Directors are responsible for the Other Information set out on pages iv to lv which comprise of Key Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive officer, Statement of Performance Against Predetermined Objectives for the FY 2023/2024, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Inconsistencies in Student Placement

Analysis of the Commission for University Education (CUE) approved individual University programme capacities for placement and actual placements by the Placement Service for the period 2023/2024 revealed the following inconsistencies:-

1.1. Students Over Placement

Three hundred and twenty-one (321) degree programmes in thirty-nine (39) universities had placements in excess of four thousand four hundred and fifty-three (4,453) of the CUE approved capacities as summarized below per individual University:

University	CUE Approved Capacity	Actual Placement	Over placement
1. Alupe University	270	299	29
2. Bomet University College	480	534	54
3. Chuka University	1,370	1,457	87
4. Co-operative University of Kenya	830	893	63
5. Daystar University	200	231	31
6. Dedan Kimathi University of Technology	965	1,060	95
7. Egerton University	2,170	2,263	93
8. Jaramogi Oginga Odinga University of Science and Technology	1,260	1,325	65
9. Jomo Kenyatta University of Agriculture and Technology	3,405	3,635	230
10. Kabarak University	50	53	3
11. Kaimosi Friends University	1,040	1,155	115
12. Karatina University	1,750	1,819	69
13. Kenya Methodist University	90	118	28
14. Kenyatta University	5,532	6,104	572

University	CUE Approved Capacity	Actual Placement	Over placement
15. Kenyatta University - Mama Ngina University College	50	60	10
16. Kibabii University	2,010	2,161	151
17. Kirinyaga University	800	873	73
18. Kisii University	2,925	3,099	174
19. Koitalel Samoei University College	600	693	93
20. Laikipia University	1,200	1,263	63
21. Maasai Mara University	1,390	1,527	137
22. Machakos University	1,585	1,732	147
23. Maseno University	3,410	3,595	185
24. Masinde Muliro University of Science & Technology	3,090	3,335	245
25. Meru University of Science and Technology	1,600	1,656	56
26. Moi University	2,505	2,622	117
27. Multimedia University of Kenya	1,426	1,531	105
28. Presbyterian University of East Africa	50	82	32
29. Pwani University	50	66	16
30. Rongo University	2,040	2,196	156
31. South Eastern Kenya University	820	870	50
32. Technical University of Kenya	726	793	67
33. Technical University of Mombasa	420	455	35
34. Tharaka University	500	549	49
35. Tom Mboya University	600	651	51
36. University of Eldoret	2,370	2,666	296
37. University of Embu	1,680	1,837	157
38. University of Kabianga	2,023	2,272	249
39. University of Nairobi	4,876	5,081	205
Grand Total	**58,158**	**62,611**	**4,453**

1.2. Student Under Placement

Eight hundred and seventy-one (871) degree programmes had placements lower than the average placements for the individual degree programme. This is indicative of non-equitable placement by the Service.

In the circumstances, the over and under placement of students in the various degree programmes may have impacted on the quality of learning for the affected degree programmes. Further, Universities that had student under placement did not receive equitable treatment as those over placed.

2. Challenges of New Funding Model for Higher Education

The Government adopted the New Funding Model (NFM) for higher education and effective 2023. The model shifts towards a student-centered funding approach and aims to make education more equitable, accessible, and sustainable. It emphasizes allocating resources based on financial need while addressing challenges such as affordability, inclusivity, and institutional sustainability. The Means Testing Instrument (MTI) used for assessing financial capacity of the students categorizes them into five financial bands, 1 to 5. The Instrument ensures targeted support through scholarships, loans, and household contributions. However, review of documents and interviews with the Fund Management revealed critical challenges the model is facing amongst them: -

i. Inaccurate data submission by applicants leading to distorted MTI scores;

ii. Limited public awareness leading to information gap to the intended beneficiaries;

iii. Delays in funds disbursement in the form of loans and scholarships disrupting students' ability to pay tuition fees, access accommodation, and cover living expenses;

iv. Inclusivity concerns where vulnerable groups, such as students with disabilities or those from marginalized regions, face difficulties accessing the funds they need;

v. Emerging concerns on unique challenges, such as those faced by Muslim students who require sharia-compliant financial products, further hinder inclusivity;

vi. Loan repayment burden due to high unemployment and underemployment rates make it challenging for graduates to repay their loans, increasing default rates and threatening the sustainability of the revolving fund;

vii. There is no coordination between the other government agencies dealing with the higher education students support, namely the Higher Education Loans Board and the State Department for Technical and Vocational Education and Training; and

viii. The model is not integrated with the Service system to ensure seamless tracking of students from placements in the universities to funding.

On 20 December, 2024, the High Court declared the NFM unconstitutional for being discriminatory as it violates students right to education. Further, the ruling clarified Government's responsibility in funding public universities and passing the responsibility to parents was a violation of the Constitution as the legitimate expectation of the citizens was violated.

In the circumstances, the effectiveness of the New Funding Model for higher education in supporting students funding requirements could not be confirmed.

The audit was conducted in accordance with ISSAI's 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that Internal Controls, Risk Management and Governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI's 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Placement Service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors are responsible for overseeing the Placement Service's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2024