REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KERICHO TEACHERS TRAINING COLLEGE

FOR THE YEAR ENDED 30 JUNE, 2025

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REPORT OF THE AUDITOR-GENERAL ON KERICHO TEACHERS TRAINING COLLEGE FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on the 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 the Lawfulness and Effectiveness in 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 the 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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

Qualified Opinion

I have audited the accompanying financial statements of Kericho Teachers Training College set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2025 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kericho Teachers Training College as at 30 June, 2025 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 the Basic Education Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Revenue from Rendering of Services – Fees from Students

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects revenue from rendering of services – fees from students amounting to Kshs.105,576,733. However, the billing and invoicing records and recomputed fees based on the number of active students who were in session during the year under review revealed revenue in respect of fees from students totalling Kshs.107,826,648, resulting in an unexplained variance of Kshs.2,249,915.

In the circumstances, the accuracy and completeness of revenue from rendering of services – fees from students amounting to Kshs.105,576,733 could not be confirmed.

2. Unsupported Receivables from Debtors

The statement of financial position reflects receivables from debtors totalling Kshs.20,736,319. The amount includes outstanding student fees balances, Ministry of Health debt of Kshs.720,000 and undisbursed government grants as disclosed in Note 18 to the financial statements. However, these receivables have been disclosed as receivables arising from exchange transaction though they are and non-exchange transactions. This was contrary to IPSAS 1 which requires separate classification and disclosure of receivables according to their nature.

Further, the students' debtors were not supported by the fees statement or student debtors control ledger indicating the students' details, the fees chargeable, actual payment received, the outstanding balance and the corresponding dates the fees arrears were incurred. The ageing analysis was also not provided or disclosed in the financial statements, contrary to the requirements of the prescribed financial reporting guideline b Public Sector Accounting Standards Board.

Further, the debt brought forward of Kshs.12,124,743 undisclosed on Note 18 of the financial statements does not agree with the debtors carried forward balance of Kshs.12,164,543 and the variance of Kshs.39,800 has not been explained.

In the circumstances, the accuracy and completeness of the receivables balance from debtors totalling Kshs.20,736,319 could not be confirmed.

3. Inaccuracy of Inventories

The statement of financial position reflects inventories balance of Kshs.3,104,380 which include catering stores, teaching stores, cleaning materials and medical stores totalling Kshs.1,414,900, Kshs.65,914, Kshs.38,860 and Kshs.1,584,706 respectively, as disclosed in Note 20 to the financial statements. However, the inventories balance differs with the supporting ledgers amounting to Kshs.8,403,237 resulting to unexplained variance of Kshs.5,298,857.

Further, review of the College's stores and stock cards revealed that there was lack of quarterly stock take reports as the Management did not conduct stock take during the financial year.

In the circumstances, the accuracy and completeness of the inventory's balance totalling Kshs.3,104,380 could not be confirmed.

4. Inaccuracies in the Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment totalling Kshs.846,683,996. The amount is net of depreciation charge for the year amounting to Kshs.12,544,422 as disclosed in Note 22 to the financial statements. However, the amount differs with depreciation and amortization expenses reported in the statement of financial performance amounting to Kshs.8.151,805 resulting in an unexplained variance of Kshs.4,392,617.

In addition, the property, plant and equipment balance includes Kshs.807,451,062 relating to land and buildings. Review of the College's records indicated that the College had occupied approximately seventy-eight (78) acres of freehold land and buildings. However, the valuation report to support the buildings and civil works was not provided for audit and the parcel of land had not been surveyed or valued. This was contrary to Paragraphs 26 and 27 of International Public Sector Accounting Standards (IPSAS) 17, which states that an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value at the date of acquisition.

Further, review of the assets register presented for audit revealed that the register was not prepared in the format prescribed with minimum requirements of identification or serial number, acquisition date, description of asset, location, responsible officer, class, cost of acquisition, accumulated depreciation, net book value and identification codes with which assets were tagged. This was contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, accuracy, completeness and ownership of the College's property, plant and equipment totalling Kshs.846,683,996 could not be confirmed.

5. Unsupported Biological Assets Balance

The statement of financial position reflects biological assets totalling Kshs.1,075,000 and as disclosed in Note 25 to the financial statements. However, a reconciliation of changes in the carrying amount of biological assets between 01 July, 2024 and 30 June, 2025 was not disclosed in the financial statements or provided for audit. This was contrary to Paragraph 49 of IPSAS 27 which states that an entity must disclose a reconciliation of changes in the carrying amount of biological assets between the beginning and end of the current period.

Further, review of the College's records and physical verification revealed that the College had ten (10) acres of mature exotic trees valued at approximately Kshs.9,600,000 which were not disclosed in the financial statements.

In the circumstances, the accuracy, valuation and fair value of the biological assets totalling Kshs.1,075,000 could not be confirmed.

6. Unsupported Sundry Creditors

The statement of financial position and as disclosed in Note 23 to the financial statements reflects trade and other payables from exchange transactions totalling Kshs.12,593,184. However, the supporting documents including ledger schedule giving a detailed list of the suppliers who were owed, goods or services rendered, amounts payable to each creditor, invoices, delivery notes and local service or local purchase order numbers were not provided for review. The ageing analysis indicating how long the payables had been outstanding was also neither provided for audit review nor disclosed in the financial statements contrary to the requirements of the prescribed financial reporting template.

In the circumstances, the accuracy and completeness of sundry creditors balance totalling Kshs.12,593,184 could not be confirmed.

7. Inaccuracy of Capital Fund- Grants

The statement of financial position and statement of changes in net assets reflect capital fund-grants balance totalling Kshs.845,246,601. The amount includes Nil opening capital fund-grants as disclosed in the statement of changes in net assets. However, the Nil opening balance differs with the recomputed amount of Kshs.845,246,601 resulting in an unexplained variance of Kshs.845,246,601. The schedule supporting the capital fund-grants was also not provided for audit review.

In addition, the total opening balance for accumulated surplus and capital grants as at 1 July, 2023 and as at 30 June, 2024, does not cost neither does it agree with audited financial statements for the previous year.

In the circumstances, the accuracy and completeness of the capital fund-grants balance of Kshs.845,246,601 could not be confirmed.

8. Inaccuracies in the Statement of Cashflows

The statement of cash flows reflects net decrease in cash and cash equivalents amounting to Kshs.3,292,425. However, the amount differs with the re-computed increase in cash and cash equivalents amounting to Kshs.1,281,528 resulting in unexplained variance of Kshs.4,573,953.

Further, the statement reflects cash and cash equivalents at the end of the year (30 June, 2025) amounting to Kshs.9,494,718 which differs with the re-computed cash and cash equivalents balance of Kshs.14,068,671 resulting in an unexplained and unreconciled variance of Kshs.4,573,953. However, the recomputed amount of Kshs.14,068,671 differs with cash and cash equivalents balance of Kshs.9,494,719 reported in the statement of financial position.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

9. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects income adjustments totalling Kshs.53,468,237 which differs with the re-computed total income adjustments amounting to Kshs.20,227146 resulting to an unexplained variance of Kshs.33,241,091.

Further, the statement reflects total actual revenue and total actual expenditure on comparable basis amounting to Kshs.136,798,946 and Kshs.133,339,531 respectively. However, the amounts differ with the recomputed total actual revenue and total actual expenditure of Kshs.139,293,977 and Kshs.137,706,176, resulting to unexplained variances of Kshs.2,495,031 and Kshs.4,366,645 respectively.

The statement of comparison of budget and actual amounts also reflects performance differences in respect of total income and total expenses amounting to Kshs.8,609,544 and Kshs.9,502,632 which differ with the recomputed negative total amounts of Kshs.6,985,931 and Kshs.25,745,026, resulting in unexplained variances of Kshs.15,595,475 and Kshs.35,247,658 respectively.

In addition, comparison between the statement of cash flows and statement of comparison of budget and actual amounts revealed unexplained variance of Kshs.96,847,318 in respect of use of goods and services.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kericho Teachers Training College

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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounting to Kshs.132,308,046 and Kshs.136,798,946 respectively resulting to excess revenue of Kshs.4,490,900 or 3% of the budget. Further, the statement reflects actual expenditure budget and actual on comparable basis amounting to Kshs.132,108,046 and Kshs.133,339,531 respectively resulting to an unauthorized expenditure of Kshs.1,231,485 of the budgeted amount.

The excess revenue collection and over expenditure implies inadequate controls in the budgeting process which could have adversely affected provision of services to the stakeholders of the College.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit reports of the previous year, sixteen (16) issues were raised under the Report on Financial Statements as shown in **Appendix I**. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Other Information

Management is responsible for the Other Information set out on page iii to xxxv which comprise of Key Entity Information and Management, The Board of Management, Key Management Team, Board of Management's Chairperson's Statement, Report of the Principal, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management, and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the College's 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.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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 the Lawfulness and Effectiveness in 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. Non-Compliance with Law on Staff Ethnic Composition

Review of the College staff establishment revealed that the College had forty-seven (47) Members of staff out of whom forty-five (45) or ninety five percent (95%) Members of staff were from one ethnic community. This was contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

2. Non – Compliance with the Public Procurement Capacity Building Levy Order

Review of records revealed that the College entered into contracts but no documentary evidence has been provided to confirm that the Institution complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. Further, Public Procurement Regulatory Authority (PPRA) Circular No. 01/2024 dated 30 August, 2024 required procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20^{th} day of the subsequent month and also file monthly returns.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 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, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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

1. Lack of Approved Human Resource Manuals and Policies

Review of the Human Resources records revealed that Kericho Teachers Training College lacked approved key policy manuals for Human Resource Management. The policies include approved staff establishment, annual recruitment plans, career progression guidelines, approved scheme of service, casuals' engagement policy and Internship policy. As a result, confirmation of the appropriateness of the current staffing level that would enhance achievement of the Institution's strategic objectives was not possible.

In the circumstances, it was not possible to confirm whether the College operated with an optimal number of staff.

2. Failure to Maintain Retention Monies and Deposits Account

The statement of financial position reflects sundry creditors totalling Kshs.12,593,184. The amount includes unpaid gratuity for the financial year, 2024 amounting to Kshs.2,551,162 as disclosed in Note 23 to the financial statements. However, Management did not maintain a retention monies and deposits account and no evidence was provided to disclose proof that the retained gratuity amount was safely kept and available for payment when due.

In the circumstances, it was not possible to confirm the effectiveness of internal controls on management of retentions and deposits.

3. Lack of Risk Management Policy

Review of the internal controls of the College revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 165 (1) of the Public Finance Management (National Government) Regulations, 2015 which requires that the Accounting Officer to develop risk management strategies, including fraud prevention mechanism and a system of risk management and internal controls that builds robust business operations.

In the circumstances, the existence of an effective mechanism to safeguard against risks could not be confirmed.

4. Lack of Internal Audit Function and Audit Committee

During the year under review, the College did not have an internal audit function for oversight of the operations of the Management and no risk assessment was performed. This was contrary to Section 73 (4) of the Public Finance Management Act, 2012 which states that a National Government entity shall ensure that the arrangements for conducting internal audits in respect of the entity are in accordance with international best practices for internal auditing.

Further, review of the governance structure revealed that the Board of Management had not constituted an Internal Audit Committee. This was contrary to Section 73(5) of the Public Finance Management Act, 2012 which states that every National Government public entity shall establish an Audit Committee whose composition and functions shall be as prescribed by the Regulations.

In the circumstances, the oversight on effectiveness of internal controls, risk management and overall governance could not be confirmed.

5. Weak Information and Communication Technology Controls

Review of records revealed that there was transition from the use of manual accounting systems by implementing an Enterprise Resource Planning System (ERP) with the main objective of bringing in efficiency in operations within the College. However, the system had not been fully utilized more than one year after transition. Three (3) modules in respect of asset management, college portal and bank integration had not been fully developed nor utilized thereby necessitating manual processes. Students made payments directly through banks and subsequently presented bank slips to the Institution for manual reconciliation. This manual process is prone to human errors and omissions.

Further, the College staff had not been trained on the effective use of the system and System's developers who were not employees retained unhindered access rights and still executed the functional roles of the different departments on behalf of the College staff. This exposed the Institution's information to risks of inaccuracy, inefficiencies, manipulations, breach of confidentiality and possible loss as well as disruption of operations.

In addition, there was lack of integration among various modules, including student admissions, student examination, finance and accounts management, Human Resource and payroll and procurement modules and the migration of data from the previously used system was not undertaken. As a result, historical financial and operational data were not integrated into the new system, affecting the completeness and continuity of records.

In the circumstances, the effectiveness of internal controls on the use of Enterprise Resource Planning System (ERP) system could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 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 Management and the Board of Management

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 College'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 Management is responsible for overseeing College'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

16 December, 2025

Appendix I:

Unresolved Prior Year Issues

Number	Financial Year	Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Inaccuracies in the Statement of cashflow
3	2023/2024	Over Expenditure
4	2023/2024	Receivables from Debtors
5	2023/2024	Property, Plant and Equipment
6	2023/2024	Statement of changes in Net Assets
7	2023/2024	Misclassification of expenditure
8	2023/2024	Failure to conduct Board of survey
9	2023/2024	Unsupported Inventories
10	2023/2024	Under absorption of funds
11	2023/2024	Failure to prepare a balanced budget
12	2023/2024	Unresolved prior year matters
13	2023/2024	Failure to Comply with National Cohesion and Integration Commission Act on Ethnicity Balance
14	2023/2024	Lack of fraud policy
15	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan
16	2023/2024	Weak Human Resource Management Practices