REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

AUCTIONEERS LICENSING BOARD

FOR THE YEAR ENDED 30 JUNE, 2025

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REPORT OF THE AUDITOR-GENERAL ON AUCTIONEERS LICENSING BOARD 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 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 the Auctioneers Licensing Board set out on pages 1 to 29, 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 the 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 Auctioneers Licensing Board 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 Auctioneers Act No. 5 of 1996 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 Auctioneers Licensing Board 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 judgement, 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 Matters

In the prior year's audit report, several issues were raised under the Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Board in the financial year 2024/2025 revealed that the following seven (7) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Lack of a Strategic Plan
2	2023/2024	Lack of Equal Representation in the Board
3	2023/2024	Lack of an Approved Infrastructure for Financial Data Processing
4	2023/2024	Lack of Approved Financial Policy and Manuals
5	2023/2024	Under Staffing
6	2023/2024	Failure to Establish an Internal Audit Function and Audit Committee
7.	2023/2024	Delayed Replacement of Board Member

Other Information

The Board is responsible for the Other Information set out on pages v to xxvi, which comprise of Key Board Information and Management, The Board Members, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, 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 Board'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 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. Non-Compliance with Climate Change and Financing Requirements

Review of records revealed that the Board did not allocate resources in its annual budget towards Climate Change activities. This was contrary to Regulations 6(1)(d) and 15(2)(a) of the Climate Change Regulations, 2021, which require each public entity at both the National and County Governments to dedicate an amount in its annual budget towards Climate Change activities. The regulations also require each entity to designate a unit with adequate staff and financial resources and appoint a senior officer as head of the unit to coordinate the mainstreaming of the Climate Change action plan and other statutory Climate Change functions into sectoral strategies.

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

2. Lack of a Strategic Plan

As previously reported, review of records revealed that the Board did not have a strategic plan to confirm the effectiveness of the budget planning and execution process in compliance with the law. This was contrary to Section 68(2)(g) and (h) of the Public Finance Management Act, 2012, which states that an accounting officer shall prepare a strategic plan in conformity with the medium-term fiscal framework and fiscal policy objectives of the national government and prepare estimates of expenditure and revenues of the entity in conformity with the strategic plan.

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

3. Skewed Representation on the Board

Review of documents revealed that the Board's composition comprised two (2) women Board Members against nine (19) male Board Members. This was contrary to Article 232(i) of the Constitution of Kenya on affording adequate and equal opportunities for appointment, training, and advancement, at all levels of the Public Service for men and women, the members of all ethnic groups, and Persons with Disabilities. Further, there was no representation of special groups of persons, such as People with Disabilities, on the Board.

In the circumstances, the regularity of the Board's composition could not be confirmed.

4. Non-Compliance with the Guidelines on Management of Board Activities

Review of records on board operations revealed that during the year, the Board of Directors did not file the annual ALMANAC returns to the State Corporation Advisory Committee (SCAC) and did not undertake an Annual Board Evaluation. Further, the Board did not have an approved work plan indicating an annual performance target and aligned to Government activities.

In the circumstances, the effectiveness of the Board in the execution of its mandate could not be confirmed.

5. Lack of an Approved Human Resource Plan

Examination of records revealed that the Board did not have an approved staff establishment and had only five (5) seconded members of staff responsible for implementing the mandate. This was contrary to Section B.2 (1) of the Public Service Human Resource Manual, 2016, which states that every Ministry/State Department shall prepare Human Resource Plans to support the achievement of goals and objectives in their Strategic Plans, based on a comprehensive job analysis, and shall be reviewed every year to address emerging issues and needs.

In the circumstances, Management was in breach of the Government policies and the achievement of the goals and strategic plans of the Board could not be confirmed.

6. Prolonged Secondment Period

Review of records revealed that four (4) seconded staff had exceeded the three (3) year timeline, with two (2) officers having been on secondment for a period of fifteen (15) years, and the other two having been on secondment for twelve (12) and seven (7) years respectively. This was contrary to Paragraph 33(1)(b) of the Public Service Human Resource Policy Manual, of May 2016, which provides that secondment of officers from the Public Service to other organizations applies to Pensionable Officers, for a period not exceeding three (3) years and may be renewable once.

In the circumstances, Management was in breach of the Public Service Commission Human Resource Policy.

7. Failure to Prepare and Submit Quarterly Financial Reports

During the year under review, management did not prepare and submit quarterly financial reports to the line Cabinet Secretary and a copy to The National Treasury. This was contrary to Section 83 of the Public Finance Management Act, 2012, which requires Accounting Officers to prepare and submit quarterly financial reports not later than fifteen days after the end of each quarter to the line Cabinet Secretary, The National Treasury and submit a copy to the Auditor-General.

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

8. Irregular Board Expenses

Note 7 to the financial statements reflects directors' remuneration amounting to Kshs.24,169,535. However, review of records revealed that the Board held fifty (50) meetings, exceeding the maximum of six (6) per financial year allowed by law, representing an excess of 733%. Further, there were no approvals from the Cabinet Secretary or the State Corporations Advisory Committee (SCAC) for holding additional meetings. This was contrary to the provisions of the State Corporations Circular Ref. No.OP/CAB.9/1A dated 11 March, 2020, which stipulates that Board meetings should be restricted to a minimum of four (4) as provided under the State Corporations Act and capped at a maximum of six (6) for each financial year.

In the circumstances, the regularity and value for money of the board expenses amounting to Kshs.24,169,535 could not be confirmed.

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 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 an Internal Audit Function and Audit Committee

As previously reported, review of documents revealed that the Board had not established an internal audit unit and an Audit Committee. This was contrary to Section 73(1)(a) and (5) of the Public Finance Management Act, 2012, which requires every National Government entity to have appropriate arrangements for conducting internal audits that adhere to the guidelines issued by the Public Sector Accounting Standards Board. Further, the Board had not constituted an Audit Committee, contrary to Section 73(5) of the Public Finance Management Act, 2012, which prescribes the establishment, composition, and functions of the committee.

In the circumstances, the Board did not benefit from the oversight role and advice from the Audit Committee and the internal audit function.

2. Under Staffing

During the year under review, the Board did not have an approved staff establishment and had only five (5) seconded members of staff responsible for implementing the mandate of the Board, which is the general supervision and control over the business and practice of Auctioneers. Among the five (5) staff members was an accountant managing the finance unit and performing all the duties, including vote book control (budget), voucher preparation, examination and authorization, cash book maintenance, and bank reconciliations. This indicates lack of staff for effective segregation of duties, which poses a risk of fraud, misstatements and errors in the accounting records.

In the circumstances, the existence of effective internal controls and segregation of duties could not be confirmed.

3. Lack of a Comprehensive Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.11,250 as disclosed in Note 13 to the financial statements. However, the Board fixed asset register was incomplete and did not have details such as description of each asset, supplier details, the tag numbers, accumulated depreciation, among other relevant asset data.

In the circumstances, the effectiveness of the Board's internal controls over asset management could not be confirmed.

4. Inadequate Office Space

Physical verification of offices revealed that the Board operates from a small office without a designated registry room or adequate storage space for records. Files were observed stored on the floor, exposing them to safety and security risks. Further, the Board does not have a boardroom for conducting its core activities.

In the circumstances, the security of records and the effectiveness of internal controls over the Board's assets and information 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 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 Board'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 is responsible for overseeing the Board'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

17 December,2025