REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

CHILD WELFARE SOCIETY OF KENYA

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON CHILD WELFARE SOCIETY OF KENYA 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.

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 Child Welfare Society of Kenya set out on pages 1 to 69, 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 Child Welfare Society of Kenya 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Land Without Ownership Documents

The statement of financial position and as disclosed in Note 36 to the financial statements reflects property, plant and equipment balance of Kshs.2,974,473,876 which includes land balance of Kshs.1,151,313,276. The balance includes Kshs.390,670,000 in respect of value of twelve (12) parcels of land whose ownership documents were not provided for audit review.

In the circumstances, the accuracy and ownership of property, plant and equipment balance of Kshs.2,974,473,876 could not be confirmed.

2. Lack of Ownership Documents under Trustees Account

The statement of financial position and as disclosed in Note 38(b) to the financial statements reflects the trustees account balance of Kshs.142,591,540 which includes endowment fund income generating activities is Kshs.34,537,703 relating to purchase of apartments. However, sale agreements for purchase of apartments worth Kshs.28,000,000 were not provided for audit.

Further trustees account opening balance of Kshs.136,053,837.00 comprises twelve (12) parcels of land spread across the country out of which five (5) did not have ownership documents and one (1) parcel had ongoing court case.

In the circumstances, the accuracy and ownership of trustees account balance of Kshs.142,591,540 could not be confirmed.

3. Deposits Held in Collapsed Banks

The statements of financial position and as disclosed in Note 38(b) to the financial statement reflects trustee account balance of Kshs.142,591,540. Included in this balance is Kshs.349,395 and Kshs.14,025,371 held at a commercial bank Euro account and Kenya Shillings account respectively totaling to Kshs.14,374,766.97. The bank was put under receivership in the year 2015 and despite management follow up with the receiver, minimal progress in recovering the money has been made.

In the circumstance, the recoverability of this amount remains doubtful.

4. Failure to Provide Approved Provision for Doubtful Debts Policy and Rates

The statement of financial position and as disclosed in Note 32(a) to the financial statements reflects receivables from exchange transactions balance of Kshs.5,702,261. Further, Note 32(a) reflects gross trade receivables from exchange transactions of Kshs.7,702,261 and provision for doubtful debts of Kshs.2,000,000. However, as previously reported, the approved rate of provision for doubtful debts was not disclosed in Note 32(b) under significant accounting policies.

In addition, the provision for doubtful debts remained constant at Kshs.2,000,000 in 2024/2025 and 2023/2024 financial years despite the increase of Kshs.1,223,364 or 27% in receivables from exchange transactions from Kshs.6,478,897 in 2023/2024 financial year to Kshs.7,702,261 in 2024/2025 financial year.

In the circumstances the basis for accuracy, completeness and reliability of provision for doubtful debts could not be confirmed.

5. Unsupported Prior Year Adjustments

The statement of changes in net assets reflects prior year adjustment of Kshs.6,537,703 which relates to four deposits related to trustee fund deposit for various apartment units on 3 November, 2023, and 5 and 6 December, 2023 allegedly omitted from 2023/2024 financial statements. However, bank statement and approval minutes supporting the additional investments were not provided for audit verification.

Further, the prior year adjustment of Kshs.6,537,703 was also included in Note 38(b) on trustee endowment fund as an addition to the fund investment but the relevant bank statements and transaction documents supporting purchase of the additional investments were not provided.

In the circumstances, the accuracy and completeness of prior year adjustment of Kshs.6,537,703 could not be confirmed.

6. Inconsistency Method of Preparing Cashflows and Variances

The statement of cash flows reflects cash and cash equivalent balance of Kshs.70,598,200 as at 30 June, 2025. However, the statement of cash flows was prepared using direct and indirect method of statement of cashflows preparation contrary to Paragraph 27 of IPSAS 2 which states that an entity should report cash flows from operating activities using either the direct or indirect method, whereby major classes of gross cash receipts and gross cash payments are disclosed or the indirect method, whereby net surplus or deficit is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs.70,598,200 as at 30 June, 2025 could not be confirmed.

7. Non-Preparation of the Statement of Comparison of Budget and Actual Amounts in Accordance with the Stated Accounting Policy

The statement of comparison of budget and actual amounts reflect surplus amount of Kshs.11,429,213. However, the statement has not been prepared under the cash basis format as disclosed in note 4(b) to the financial statements on significant accounting policies where the Society has indicated that the statement of comparison of budget and actual amount is prepared on cash basis.

In the circumstances, the accuracy and completeness of comparison of budget and actual amount reflecting surplus of Kshs.11,429,213 could not be confirmed

8. Errors, Omissions and Non-Compliance with Public Sector Accounting Standard

The audit review revealed the following errors, omissions and lack of adequate disclosure were identified in the financial statements submitted for audit:

i. The entity's corporate secretary is not disclosed in the financial statements.

ii. The statement of performance against predetermined objectives does not comply with Public Sector Accounting Standard Board and does not indicate performance indicators in measurable and quantifiable parameters. Also, the information was not indicated in the format prescribed by Public Sector Accounting Standard Board and there is no link between the achievement and each program with strategic objectives, outcome and output indicator.

In the circumstances, the financial statements were not fully compliant with the Annual Financial Reporting Template.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Child Welfare Society of Kenya 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 actual total funds of Kshs.1,079,829,423 and actual total expenditure on a comparable basis of Kshs.1,068,400,210 resulting to underutilization of Kshs.11,429,213.

In the circumstances, the underutilization may have affected implementation of planned activities and service delivery to the citizens.

My opinion is not modified in respect of this/these 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 other key audit matters to communicate in my report.

Other Matter

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Society in 2024/2025 revealed that several matters remained unresolved as detailed in Appendix 1.

Other Information

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

In connection with my audit on the Society'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. Late Submission of Financial Statements

Child Welfare Society of Kenya Submitted its annual reports and financial statements on 29 September 2025, a month after the due date contrary to The National Treasury and Economic Planning Circular Ref No.AG.3/88/VOLVII (4) dated 4/12/2024 which required all Public Sectors entities for both National and County Governments to submit their financial statements by 31 August 2025.

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

2. Long Outstanding Receivables

The statement of financial position and as disclosed in Note 32(a) to the financial statements reflects receivables balance of Kshs.5,702,261. Further, Note 32(a) reflects gross receivable from exchange transaction of Kshs.7,702,261 which includes receivables over 3 years of Kshs.6,142,966 according to Note 32(c). Management did not provide any evidence on efforts made to recover the long outstanding receivables contrary to Regulation 64(1) (2) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all National government revenue and other public moneys relating to their Ministries, Departments or Agencies with adequate measures, including legal action where appropriate, are taken to obtain payment and in case of difficulty in collecting revenues due to the national government shall report the circumstances to the Cabinet Secretary without delay.

The recoverability of the receivables is therefore doubtful and Management was in breach of law.

4. Long Outstanding Accounts Payable and Accruals

The statement of financial position and as disclosed in Note 40 reflects accounts payable and accruals of Kshs,14,461,568 which includes trade payables which have been outstanding for more than three years of Kshs.890,700. This contravenes The National Treasury and Economic Planning Circular No. 10/2020 Reference No. DGIPE/A/1/80 dated 16th June 2020 which directed pending bills be treated as a first charge on the approved budget.

In the circumstances, Management was in breach of law and risks litigations which can lead to award of damages and interest which is additional cost that can be avoided.

5. Dormant and Overdrawn Bank Accounts

The statement of financial position and as disclosed in Note 30 to the financial statements reflects cash and cash equivalents balance of Kshs.70,598,200. However, the Society had fourteen (14) bank accounts which remained dormant during the year under review.

Further one (1) bank account had been overdrawn contrary to Regulation 82(7) which states that no official bank account shall be overdrawn.

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

6. Non-Compliance with One Third of Basic Salary Rule

The statement financial performance and as disclosed in Note 17 to the financial statements reflects compensation to employees of Kshs.373,495,138 which includes consolidated salaries of Kshs.316,518,987. However, analysis of payroll for the year ended 30 June, 2025 revealed that as at 30 June, 2025, 22 members of staff earned net salaries which was less than a third of their basic pay contrary to Section19(3) of 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 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.

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

7. Delayed Project Implementation

The projects implementation status report obtained during the audit reflected six (6) projects have been implemented by the Child Welfare Society of Kenya over the years were incomplete. Further, as at 30 June, 2025 Kshs.1,431,655,679 had been paid and the project were stalled and at various completion levels as detailed below:

	Project Name	Total project Cost	Total paid to date	Project Commencement date	Completion % to date
1	Joska Care Centre	740,961,255	464,374,183	2014	63%
2	Isiolo Care Centre	890,537,646	321,565,930	2015	36%
3	Nanyuki Care Centre	726,064,695	306,951,344	2015	42%
4	Murang'a Care Centre	571,705,112	233,810,314	2017	41%
5	Bungoma Care Centre	681,487,423	81,284,271	2013	12%
6	Mama Ngina Care Centre	323,633,981	23,669,637		7%
		3,934,390,112	**1,431,655,679**		

In the circumstances, value for money was not being achieved on the amount incurred of Kshs.1,431,655,679 and if the projects are not completed it could result to wasteful expenditure.

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 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. Grounded Motor Vehicles

Motor vehicle inventory list provided for audit review revealed that twenty-three (23) out of sixty-eight (68) motor vehicles with undetermined values were recorded to be grounded. However, Management did not disclose whether there are plans to repair or dispose-off these vehicles contrary to Section 163 (1) and (2) of Public Procurement and Asset Disposal Act, 2015 which states that, an accounting officer shall establish a disposal committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets. The disposal committee shall be responsible for verification and processing of all disposal recommendations in liaison with the head of procurement function as prescribed in Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law and the effectiveness of internal control over management of assets could not be confirmed.

2. Incomplete Asset Register

The statement of financial position and as disclosed in Note 36 reflects property, plant and equipment balance of Kshs.2,974,473,876. However, the asset register provided for audit was incomplete as it lacked corresponding values and dates of purchase contrary to Regulation 143(1) of 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, Management was in breach of law and the effectiveness of internal control over management of assets 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 Trustees

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 Society'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 Trustees are responsible for overseeing the Society'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

15 December,2025

Appendix 1. Prior Year audit report issues

No	Audit Issue
1	Unsupported Board Expenses
2	Land Without Ownership Documents
3	Lack of Trustees Account Ownership Documents
4	Unsupported Provision for Doubtful Debts and Long Outstanding Receivables
5	Budgetary Control and Performance
6	Retention in Office of Staff Beyond the Retirement Age of 65 Years
7	Staff Earning Less Than One Third of Basic Salary
8	Non-Compliance with Public Sector Accounting Standard Board Template
9	Dormant Bank Accounts
10	Incomplete Asset Register