REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY (ICTA) 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 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 Information and Communications Technology Authority (ICTA) 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 Information and Communications Technology Authority (ICTA) 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 Public Finance Management Act, 2012 and the Legal Notice No.183 of 2013.

Basis for Qualified Opinion

1. Long Outstanding Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs.262,883,163 (net of provision for bad debts). Included in that figure is an amount of Kshs.593,602,168 relating to National Optic Fibre Backbone Infrastructure (NOFBI) Commercialization and as disclosed in Note 21 to the financial statements. Further and as previously reported, included in the NOFBI balance is an amount of Kshs.340,747,578 due from Telkom Kenya and which had been outstanding for long.

Management reported that initiatives to settle this matter through consultations was unsuccessful due to liquidity challenges currently faced by the Telkom Kenya.

Further, the receivable from exchange transactions balance includes an amount of Kshs.45,193,389 in respect of digital villages revolving fund (Pasha). As previously reported, the latter balance, which has been outstanding since the year 2017, represents loans advanced to entrepreneurs to set up information hubs with a condition of repayment within nine (9) years but, no repayment was received from the borrowers. However, the loans have remained outstanding for a long period of time and their recovery were doubtful.

Further, interest chargeable on the loans was not included in the financial statements.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.262,883,163 could not be confirmed.

2. Non-Capitalization of Infrastructure Assets

The statement of financial position and as disclosed in Note 23, reflects property, plant and equipment balance of Kshs.1,090,397,583, out of which is infrastructure balance of Kshs.966,648,765 relating to the assets of the completed Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP). However, review of records and physical inspection revealed that there were various infrastructure assets which have not been recognized as infrastructure assets in the financial statements as per Paragraph 34 of IPSAS 45 requirements which classifies communication networks as part of property, plant and equipment and thus requires capitalization.

According to Note 14 to the financial statements on use of goods and services, the Authority during the year incurred expenditure totalling Kshs.583,992,113 on NOFBI Maintenance and Kshs.949,468 on EARTTDF Project. These projects have been ongoing for several years.

In addition, Government digitization platform (E-Citizen) incurred Kshs.253,269,122 as disclosed under Note 16 to the financial statement during the year under review. However, Management reported that they were waiting for official handover of projects totalling Kshs.2,777,836,721 before capitalization.

Further, excluded from the assets register and financial statements were the National Optic Fibre Backbone Infrastructure Phase I (NOFBI I) inventories transferred from Telkom Kenya to the ICT Authority but had not been subjected to valuation or network audit as at the time of the audit in June, 2025.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.1,090,397,583, could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Information and Communications Technology Authority (ICTA) 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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final annual budgeted receipts and actual on comparable basis of Kshs.3,739,945,910 and Kshs.2,978,206,552 respectively, resulting in an underfunding of Kshs.761,739,358 or 20% of the budget. Similarly, the Authority spent an amount of Kshs.2,548,559,830 against actual receipts of Kshs.2,978,206,552 resulting to an underutilization of Kshs.429,646,722 or 14% of the receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on services delivery to the public.

2. Long-Outstanding Payables

The statement of financial position reflects payables from exchange transaction balance of Kshs.497,028,094 as disclosed in Note 25 to the financial statements. The balance includes an amount of Kshs.278,648,580 or 74% of the total balance that has been outstanding for more than two (2) years.

Management attributes this delay in settlement of bills to insufficient funding for the planned programmes and activities. In addition, Management is awaiting a report from the National Pending Bills Verification Committee regarding several suppliers to determine their eligibility.

My opinion is not modified in respect of these matters.

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

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Authority in 2024/2025 revealed that the following thirteen (13) issues remained unresolved;

No.	Financial Year	Audit Issue
1	2023/2024	Long Outstanding Receivables
2	2023/2024	Long Outstanding Pasha Loans
3	2023/2024	Failure to Include Infrastructure Assets in the Property, Plant and Equipment
4	2023/2024	Long-Outstanding Payables
5	2023/2024	Operations of E-Citizen Platform
6	2023/2024	Single Sourced E-Citizen Maintenance Contract
7	2023/2024	Unsupported Convenience Fees
8	2023/2024	Ongoing Special Audit on E-Citizen Government Digital Platform
9	2023/2024	Payment for Email Services without a valid contract
10	2023/2024	Non-adherence to 30% AGPO Procurement guideline
11	2023/2024	Sustainability on the use Public Wi-Fi
12	2023/2024	Lack of Climate Change Action Plan
13	2023/2024	Lack of IT Strategic and Steering Committees

Other Information

Management is responsible for the Other Information set out on page iv to lv which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairperson'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 andStatement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority'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. Irregular Payment for E-Mail License Services without a Valid Contract

During the financial year, the Authority utilized Google Application Collaboration e-mail services. The contract was signed on the 23 March, 2015 for two hundred (200) users, at a cost of Kshs.986,000. Review of records revealed that the last renewal of services by the Authority was on 26 August, 2016 which has since expired and, therefore, the services have been running without a valid contract.

Further, as previously reported, an outstanding payment of Kshs.7,918,260 was made to the service provider, covering the period from the year 2020 to 2024. However, there was no duly signed contract between the Authority and the service provider and itemized costs for the billing were not provided for audit review. The Management explained that the Authority could not enter into a contractual agreement with the service provider due to budgetary constraints, and since the service provider continued to provide the services, Management issued Local Service Orders (LSOs) to validate the utilization of the email license services.

In the circumstances, the validity of the payment of Kshs.7,918,260 could not be confirmed.

2. Sustainability on the Use of Public Wi-Fi

As previously reported, the Authority installed Public Wi-Fi in different locations within the country. Physical verification conducted in July, 2025 on sampled installations in Eastern, Coast, South Rift, Nyanza, Central and North Rift Regions, revealed that many of these Wi-Fi's were non-operational and were experiencing challenges such as non-functional access points, frequent power failure caused mostly by cables vandalism, failure in Internet Protocol (IP) address, malfunctioning Uninterrupted Power Supply (UPS), lack of connectivity, un-serviced parts and low public awareness amongst others.

Further, review of the maintenance and operational protocols revealed a gap in role definition and accountability between the contractor responsible for installation and the contractor assigned with the maintenance part which could have led to delays or omissions in addressing site operational issues.

In the circumstances, the objective of the programme was not achieved and the value for money for the investment could not be confirmed.

3. Lack of Climate Change Action Plan

The Authority's Management did not have an integrated climate change action plan in line with Article 69(f) of the Constitution of Kenya which requires establishment of systems of environmental impact assessment, environmental audit and monitoring of the environment. Further, the Authority did not ensure integration of climate change considerations into the development planning and budgeting for the year ended 30 June, 2025.

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

4. Non-Compliance with Staffing Requirement for Persons with Disabilities

Review of records revealed that only two (2) staff members were registered as Persons with Disabilities (PWD), which constitutes less than 1% of the total workforce. This was contrary to Section B.23 (1) of Human Resource Policies and Procedures Manual for the Public Service, 2016 and Section 4(f) of the Persons with Disabilities Act, 2025 which requires every national government entity to promote the inclusion and integration of persons with disability in the public service and put in place measures to ensure that at least five per centum (5%) of the employment positions are filled by persons with disabilities;

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

5. Non-Compliance with the One-Third of Basic Salary Rule

Review of payroll records for May, 2025 revealed that fifteen (15) employees received less than one-third (1/3) of their basic salaries. This is contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions that may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds (2/3) of such wages of his additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employer or employees or any trade or industry.

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 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 Information and Communications Technology Strategic and Steering Committees

The audit revealed that the Authority did not have an established ICT Steering Committee in place. This is contrary to Section 6.2 of the IT Governance Standard by the ICT Authority on ICT Governance direct that all Ministries, Counties, Departments and Agencies shall establish two ICT Governance Committees namely; an IT Strategy Committee to provide strategic advice on ICT initiatives and investments to the management and an IT Steering Committee to define the IT mission and goals aligned with the strategic direction of the organization, to authorize and direct the development of the services and operation plans.

Lack of an ICT Steering Committee exposes the Authority to the risk of unclear direction regarding the maintenance of information security and safeguard of ICT Assets.

2. Incomplete Fixed Assets Register

The Authority owns property, plant and equipment throughout the country. However, a review of the fixed assets register provided for audit revealed that twenty (20) motor vehicles with a total original cost of Kshs.89,488,898 that had been fully depreciated as at 30 June, 2024. However, Management had not valued the motor vehicles in the year under review despite the vehicles being in good condition. Further, the two (2) motor vehicles did not have logbooks. In addition, the assets register did not indicate tag numbers for furniture, fittings and ICT equipments.

In the circumstances, the effectiveness of internal controls surrounding management the Authority's 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 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 Authority'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 Authority'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