REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

JOMO KENYATTA FOUNDATION

FOR THE YEAR ENDED
30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON THE JOMO KENYATTA FOUNDATION 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 The Jomo Kenyatta Foundation set out on pages 1 to 53, which comprise of the statement of financial position as at

30June, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, 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 The Jomo Kenyatta Foundation as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

The financial statements for the year under review contained the following inaccuracies:

1.1 Inaccuracy in the Statement of Cash Flows

The statement of cash flows reflects decrease in cash flows for the year of Kshs.1,409,000 instead of the re-computed balance of decrease of Kshs.165,458,000, resulting to an unreconciled variance of Kshs.164,049,000.

1.2 Inaccurate Elimu Scholarships Grant

The statement of profit or loss and other comprehensive income reflects comparative amount for Elimu Scholarships Grant of Kshs.1,401,539,000 as disclosed in Note 4b to the financial statements. However, the audited amount is Kshs.1,401,544,000, resulting to an unreconciled variance of Kshs.5,000. Further, the amount of Kshs.1,401,539,000 varies with the Note 4b comparative amount of Kshs.178,621,000,resulting to an unreconciled variance of Kshs.1,222,918,000.

1.3 Inaccuracies in Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.498,000 as disclosed in Note 17a to the financial statements, out of which Kshs.3,347 is in respect to cash balance in head office account. However, the re-computed head office cash balance is negative Kshs.194,553, resulting to an unreconciled balance of Kshs.197,900.

In the circumstances, the accuracy, completeness of the financial statements could not be confirmed.

2.0 Unsupported Adjustment to Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.737,545,000 as disclosed in Note 22 to the financial statements, after adjustment by Kshs.1,844,888,000 from the original balance of Kshs.2,582,433,000. However, the adjustment was not supported by a journal voucher explaining its nature.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.737,545,000 could not be confirmed.

3.0 Long Outstanding Receivables

The statement of financial position reflects Kshs.175,104,000 in respect to trade and other receivables which includes Kshs.45,661,000 relating to trade receivables as disclosed in Note 16 to the financial statements. However, the trade receivables balance includes receivables balance of Kshs.43,910,000 which had been outstanding for more than one (1) year.

In the circumstances, the accuracy and full recoverability of the outstanding receivables balance of Kshs.43,910,000 could not be confirmed.

4.0 Material Uncertainty Related to Going Concern

The statement of financial position reflects current assets and liabilities of Kshs.207,435,000 and Kshs.779,073,000 respectively, resulting to negative working capital of Kshs.571,638,000. In addition, the statement of financial performance reflects a net loss of Kshs.167,160,000 and accumulated losses amounting to Kshs.934,388,000 which have resulted in substantial erosion of the net worth of the Foundation.

In the circumstances, a material uncertainty exists that casts doubt on the Foundation's ability to continue as a going concern. Further, the Foundation may be unable to meet its financial obligations as and when they fall due and is therefore technically insolvent.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of The Jomo Kenyatta Foundation 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 a final revenue budget and actual on a comparable basis of Kshs.1,673,054,000 and Kshs.967,567,000 respectively, resulting to under collection of Kshs.705,488,000 or 48% of the revenue budget. Similarly, the Foundation spent Kshs.Kshs.1,125,823,000 against a budget of Kshs.1,688,530,000, resulting to an under-expenditure of Kshs.562,707,000 or 33% of the expenditure budget. Further, the Foundation spent a balance of Kshs.1,125,823,000 against actual receipts of Kshs.967,567,000, resulting to over-utilization of Kshs.158,256,000 or 16% of actual receipts.

In the circumstances, the under expenditure and under collection may have affected service delivery to the public.

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 and Material Uncertainty Related to Going Concern sections, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

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 Foundation in 2024/2025 revealed that the following six (6) issues remained unresolved as of 30 June, 2025:

No.	Financial Year	Audit Issue
1	2023-2024	Unconfirmed Long Outstanding Trade and Other Payables
2	2023-2024	Material Uncertainty Related to Going Concern
3	2023-2024	Budgetary Control and Performance
4	2023-2024	Long Outstanding Trade and Other Receivables
5	2023-2024	Failure to Remit Statutory Deductions
6	2023-2024	Unapproved Company Policy Documents and Lack of Strategic Plan

Other Information

The Management is responsible for the Other Information set out on pages v to xli which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairperson's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of

Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Jomo Kenyatta Foundation 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

1.0 Failure to Remit Statutory Deductions

The statement of profit or loss and other comprehensive income reflects selling and distribution expenses of Kshs.52,097,000 and administrative expenses of Kshs.149,837,000 as disclosed in Notes 7 and 8 respectively, all totalling Kshs.201,934,000. Review of the payroll data and other human resource records revealed that the Foundation had not remitted statutory deductions totalling Kshs.99,442,484 to the relevant authorities as summarized below:

S/No.	Item	Amount (Kshs.)
1	Employee contribution on providence fund	39,380,439
2	National Social Security Fund employee contribution	1,673,329
3	National Health Insurance Fund	126,375
4	Pay As You Earn	58,262,341
	Total	**99,442,484**

This was contrary to Section 38 of the Tax Procedures Act, 2015, (Revised 2022) which states that, 'a person who fails to pay a tax on or before the due date for the payment of the tax shall be liable for late payment of interest at a rate equal to one percent per month or part of a month or the amount unpaid for the period commencing on the date the tax was due and ending on the date the tax is paid'.

In the circumstances, the Foundation risks paying penalties and interest on the unremitted amount and Management was in breach of the law.

2.0 Long Outstanding Payables

The statement of financial position reflects Kshs.737,545,000 in respect of trade and other payables as disclosed in Note 22 to the financial statements. Review of the aging analysis revealed that payables balance of Kshs.548,115,904 had been outstanding for a period of more than one (1) year. In addition, included in the balance of Kshs.548,115,904 is Kshs.3,856,206 in respect to unremitted withheld VAT. This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates'

In the circumstances, there is risk of loss of public funds through litigations, interests and penalties and Management was in breach of the law.

3.0 Non-Compliance with the Climate Change Regulations

The National Climate Change Action Plan (NCCAP) III 2023-2027 and the Climate Change Act, 2016 on delivery action plan requires national public entities to work through their climate change units to integrate NCCAP 2023–2027 into strategies and implementation plans, and to report to the National Climate Change Council on an annual basis on performance and implementation. However, there was no evidence to confirm that the Foundation reported annually to the Council on the status and progress of performance and implementation on climate change.

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

4.0 Failure to Conduct Quarterly Stock Takes

The statement of financial position reflects Kshs.31,833,000 in respect of inventories as disclosed in Note 15 to the financial statements. However, Management did not provide quarterly and annual stock-taking reports in support of the balance, contrary to Section 162 (2) of the Public Procurement and Asset Disposal Act, 2015 which that states that, 'the head of procurement function shall arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the accounting officer'.

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

5.0 Staff Earning Net Pay of Less than One Third of Basic Salaries

The statement of profit or loss and other comprehensive income reflects cost of sales, selling and distribution expenses and administrative expenses of Kshs.78,559,000, Kshs.52,097,000 and Kshs.149,837,000 as disclosed in Notes 5, 7 and 8 respectively, all totalling Kshs.280,493,000. Included in the amount are staff costs of Kshs.193,082,000. Review of payroll records revealed that six (6) employees were earning less than one-third of their basic salaries. This was 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 or such 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 employers or employees or any trade or industry.

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

6.0 Non-Compliance with the Law on Affirmative Action

Review of the Foundation's human resource records revealed that the Foundation had 90 staff in post out of whom only two staff or 2% are persons living with disability, contrary to Section 13 of Persons with Disabilities Act, 2003 which provides that entities should ensure to secure the reservation of 5% of all casual, emergency and contractual employment positions, in both the public and private sectors, for persons with disabilities.

In the circumstances, Management was in breach of 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 Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit that:

i. 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;
ii. In my opinion, adequate accounting records have been kept by the Foundation, so far as appears from the examination of those records; and,
iii. The Foundation's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Foundation'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 liquidate the Foundation or to cease its 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 are in compliance 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 Foundation'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

25 November, 2025