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REPORT OF THE AUDITOR-GENERAL ON KENYA AIRPORTS AUTHORITY 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 Kenya Airports Authority set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity, 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 Kenya Airports Authority 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 and comply with the Kenya Airports Authority Act,Cap.395 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Parcels of Land in Dispute

The statement of financial position reflects property, plant and equipment balance of Kshs.1,027,412,452,000 which as disclosed in Note 41 to the financial statements includes freehold land balance of Kshs.900,763,000 and leasehold land balance of Kshs.985,646,387,000 both totalling to Kshs.986,547,150,000. However, as previously reported, review of the land balances and the supporting records revealed the following unsatisfactory matters:

i) A land parcel in Embakasi - Nairobi valued at Kshs.4,335,000 part of which was illegally excised and allocated to a third party. Management went to court and the case was determined in favour of the Authority. However, the respondent filed a notice of appeal 9 April, 2024. However, no stay orders were issued against the earlier court determination. The order was thus extracted and forwarded to the relevant parties for enforcement which includes removal of the structures erected. The Authority filed an application before the court seeking issuance of eviction orders and the matter is pending in court for direction.

ii) A parcel of land at Jomo Kenyatta International Airport has been occupied by a third party and the matter is pending at the Court of Appeal for determination. However, the Authority has since fenced off the parcel of land and there is no encroachment by the third parties.

iii) A parcel of land at Wilson Airport has been occupied by a third party and the Authority went to the High Court for determination. However, the third party has since withdrawn from the case.

iv) A parcel of land at Malindi Airport has been irregularly allocated to a church organisation while another parcel of land had been allocated to a petroleum company. The Authority following review of the title deeds against the survey plan issued to the Malindi Airport has appealed to the Principal Secretary, Ministry of lands to revoke the titles. Further, the Authority raised similar issue with the National Land Commission for advisories and recovery.

v) Eighty-five (85) parcels of land at eight (8) airstrips had been allocated to third parties. The National Land Commission commenced the review of titles and issued a report which was published through Gazette Notice dated 15 February, 2019. The report included the forty-six (46) parcels of land within Jomo Kenyatta International Airport which is under consideration but the Authority is following up on reports of the remaining parcels of land.

vi) The Authority has a freehold parcel of land in Kisumu with a book value of Kshs.190,763,189 which is on lease from Kisumu municipality However, there were no ownership document provided for audit.

In the circumstances, the accuracy and ownership of land balance of Kshs.986,547,150,000 could not be confirmed.

2. Inaccuracy in Balance Due from Kenya Revenue Authority

Note 44(a) to the financial statements reflects gross trade receivables balance of Kshs.21,862,020,000 which includes an amount of Kshs.5,347,339,390 due from the Kenya Revenue Authority (KRA). The amounts due from KRA consists of unremitted Air Passenger Services Charge transactions balance of Kshs.4,628,771,061 and Concession fee balance of Kshs.718,568,329, all totalling Kshs.5,347,339,390. However, corroboration with the KRA records indicated payables balance of Kshs.354,798,915 due to KAA, resulting in an unexplained variance of Kshs.4,992,540,470.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.5,347,339,390 could not be confirmed.

3. Unreconciled Inter-Agency Balance with Kenya Civil Aviation Authority

The statement of financial position and as disclosed in Note 48 to the financial statements reflects trade and payables balance of Kshs.5,809,081,000. Included in trade and other payables balance is Kshs.4,523,559,000 in respect of trade payable which includes a balance of Kshs.3,109,511 due to the Kenya Civil Aviation Authority (KCAA). However, corroboration with the KCAA records indicated receivables balance of Kshs.34,809,774 from Kenya Airports Authority as at 30 June, 2025 resulting in an unexplained variance of Kshs.31,700,263.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.5,808,081,000 could not be confirmed.

4. Non-Disclosure of Contingent Liabilities Precedent to a Public Private Partnership Agreement

During the year under review, the Authority had planned to undertake a modernization and expansion of Jomo Kenyatta International Airport through a Public Private Partnership arrangement. Review of records revealed that the Authority undertook various activities, precedent to the Public Private Partnership engagements and procured four (4) consultancy services as detailed below:

List of Consultancy Services Engaged on the Privately Initiated Project

No	Consultancy	Duration	Amount in Euro	Approx. Amount in Kshs.
1	Development of an Aviation Policy	8 Months	470,217.60	70,992,842
2	Provision of Transaction Advisory Services for Construction of New Terminal	8 Weeks	624,400.00	94,573,058
3	Provision of Transaction Advisory Services for the PIP	6 Months	970,495.00	146,524,074
4	Provision of Transaction Advisory Services for the PIP Project	6 Months	834,554.81	126,000.000
	Total		**2,901,667.41**	**438,089,974**

NB: The Exchange Rate 1Euro @Kshs.150.9787 as at 17 December, 2025

However, the 1st and the 2nd consultancies were paid by The National Treasury and Kenya Airports Authority respectively. The provision of transaction advisory services for the PIP amount of Kshs.146,524,073 was not paid since the contract agreement with a consultant had not been signed.

Another consultant was engaged at a consultancy fee of Kshs.126,000,000 after the initial consultant withdrew their services. The Authority paid the second consultant an amount of Kshs.91,055,999 leaving a balance of Kshs.34,944,000 which had not been disclosed in the financial statements.

In the circumstances, the accuracy and disclosure of contingent liabilities could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Airports Authority 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

Contingent Liabilities

As disclosed in Note 56 to the financial statements, the Authority had contingent liabilities totalling Kshs.10,310,000,000 arising from pending cases in court and disputed pending contracts' claims. Although the liabilities have not crystalized to warrant recognition in the financial statements as provisions, the financial impact on the Authority would be significant if the outcomes are not favorable.

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, have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, 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 the audit in financial year 2024/2025 revealed that the matters remained unresolved as detailed in **Appendix 1**.

Other Information

Management is responsible for the Other Information set out on pages iii to li which comprises of Key Authority's Information and Management, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangement, 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 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 and 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 Provision of Unapproved Credit Policy

The statement of profit or loss and other comprehensive income and as disclosed in Note 40(a)(iii) to the financial statements reflects administrative expenses amounting to Kshs.13,125,586,000 which includes provision for bad debts amount of Kshs.2,185,985,000. Review of the provision for bad debts revealed that Management had provided 100% for debt balances outstanding for more than 270 days without Board approvals. It was also noted that the Authority has been using a credit policy approved in 2004. This was contrary to Section 4(a) of the Kenya Airports Authority Policy on recovery procedures and (g) on specific provision which allows the Authority to provide 100% on case by case basis only, unlike the current position where provision is for all debts. Further, it was noted that Clause 8.0(d) of the current unapproved credit policy on Debt Recovery, provision for bad and doubtful debts, states that the Authority will provide for bad and doubtful debts, on a case by case basis for debts aged more than 270 days.

In the circumstances, Management was in breach of the provisions on credit policy.

2. Delay in Implementation of Software

The statement of financial position and as disclosed in Note 41 to the financial statements reflects property, plant and equipment balance of Kshs.1,027,412,452,000. The balance includes capital work in progress amounting to Kshs.2,783,351,000 which comprises of an amount of Kshs.28,491,400 paid for the maintenance of Airport Permit and Identity Management system. The Project Implementation Report revealed that some modules of the user acceptance and testing as well as technical and operator training were not accomplished since the system modules did not meet the user requirements. The installation of the system also included integration with Systems Applications Product (SAP) for the management of payments and integration with the Authority's Microsoft Exchange which were not completed. Although Management explained that it has initiated engagement with the service provider to address the system deficiencies, no evidence was provided on the initiated engagement.

In the circumstances, value for money and effectiveness in use of the software could not be confirmed.

3. Non-Compliance with the One-Third Basic Salary Rule

Review of June, 2025 payroll revealed that forty-three (43) employees earned salaries below the statutory threshold of one-third of their basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 which provides that all deductions by an employer from the wages of his employee at any one time shall not exceed two-thirds 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 employers or employees or any trade or industry.

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

4. Irregular Payment of Special Duty Allowance

Review of the staff establishment revealed that sixty-six (66) staff members were serving in acting capacities and earned special duty allowances for periods exceeding the prescribed six months. Of these, thirty (30) had been in such positions for over three years while one (1) for over five (5) years.

Further, four (4) staff members had been assigned to posts which were three (3) grades higher than their substantive positions. This was contrary to Section C.14(1) of Public Service Commission, Human Resource Policies and Procedures Manual which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

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

5. Irregular Use of Direct Procurement

5.1. Repairs and Maintenance Works at Jomo Kenyatta International Airport

Review of procurement records revealed that a firm was awarded tender for relocation, repairs and maintenance works for terminals 1B & C HVAC equipment for Jomo Kenyatta International Airport at a contract sum of Kshs.8,500,000 for a duration of one (1) year through direct procurement method. However, review of the signed and approved user requisition, evaluation reports and signed contract revealed the following unsatisfactory matters;

(i) Although the Accounting Officer issued a tender document which formed the basis for evaluation and subsequent negotiations, it was noted that the bidder did not meet the mandatory requirements as per the evaluation criteria set in the tender document.

(ii) Further, review of records revealed that Management had planned for the procurements to be undertaken through open tender in Procurement Plan at the beginning of the financial year.

(iii) There was no proper justification for the use of direct procurement as the Management decided to engage a sub-contractor of similar works instead of the main contractor who had a previous similar project with the Authority.

5.2. Provision of Asset Verification, Tagging and Valuation Services

Review of procurement records revealed that a firm was awarded a tender for provision of asset verification, tagging and valuation services for the Authority at a contract sum of

Kshs.40,000,000. However, review of the signed and approved user requisition, evaluation reports and signed contract revealed the following unsatisfactory matters:

(i) Despite the requisition by the user department to commence procurement, Management took a month before initiating the procurement proceedings and therefore urgency for the procurements was not justified. It was also noted that there is lack of segregation of duties in the case where, the General Manager Finance made the requisition, went ahead to identify the bidder and also decided on the choice of procurement method to be deployed. This was contrary to Section 44(1) and 44(2)(h) of the Public Procurement and Asset Disposal Act, 2015;

(ii) Further, it was noted that the contract for the provision of Asset verification, tagging and valuation services was signed on 5 December, 2024 which was eight (8) months from the date of initiating the procurement process. The contract duration was further amended from the initial eight (8) weeks to six (6) months which further contradicted the urgency of the services;

5.3. Proposed Rehabilitation Works at Garissa Airstrip

Review of procurement records revealed that a firm was awarded a tender for proposed rehabilitation of runway, taxiways and apron for Garissa Airstrip-phase 3 at a contract sum of Ksh.521,726,633.82. However, review of the user requisition and signed contract revealed the following issues:

(i) The Procurement Plan had however indicated that the project be undertaken using open tender method. It was also noted that there was lack of segregation of duties in the case where, the General Manager Projects and Engineering Services made the requisition, went ahead to identify the bidder and also decided on the choice of procurement method to be deployed. This was contrary to Section 44(1) and 44(2)(h) of the Public Procurement and Asset Disposal Act, 2015 as cited above.

(ii) Further, review of the procurement records revealed that the approval to commence the procurement process was granted by the Accounting Officer on 13 February, 2025 but the contract was signed on 16 June, 2025, five (5) months after the approval to initiate procurement proceedings casting doubts on the urgency for the above works and the choice of procurement method adopted.

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

6. Non-Adherence to the Mandatory Tender Requirements at Moi International Airport

Review of procurement records revealed that a firm was awarded a tender for relocation of underground power cable at Moi International Airport at Mombasa at a contract sum of Ksh.7,300,016. Review of the Evaluation Report revealed that the successful tenderer did not submit a copy of valid business permit as specified in mandatory requirements of the tender document but Management proceeded with the award contrary to Regulation 75(1) of the Public Procurement and Asset Disposal Regulations, 2020.

Further, under the mandatory technical requirement, the tenderer did not provide signed contract, LPO or LSO or Work Completion Certificate as proof of past experience for three (3) similar works in the last two (2) years with an average value of Ksh.4,000,000 in HV cable installation and /or jointing.

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

7. Retrospective Procurement Approvals - Matulo (Webuye) Airstrip

Review of procurement records revealed that contract for the proposed fencing works at Matulo (Webuye) Airstrip was awarded to a firm at a contract sum of Ksh.36,438,007. Review of the procurement process revealed that the contractor was directed to implement the works before a procurement requisition was made by the user department and approved by the Accounting Officer. The requisition for the above works was initiated on 22 October, 2024 after the commencement of works which was in contravention of Regulation 71(1) of Public Procurement and Asset Disposal Regulation, 2020.

Further, as at the time of making the requisition, the fencing works were already 60% completed which meant that this was a retrospective approval contrary to Section 69(2) of the Public Procurement and Asset Disposal Act, 2015.

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

8. Delay in Completion of Projects

8.1. Proposed Works at Banissa Airstrip

Review of the records revealed that the construction of fence (Installation of Galvanized Welded Razor Mesh perimeter fence) and the construction of a gate house was awarded to a firm at a contract price of Kshs.55,182,421. The Project completion period was twelve (12) months with a commencement date of 16 July, 2024 and completion date of 16 July, 2025, with Defects Notification Period (DNP) of twelve (12) months. At the time of audit, one month to the end of the construction duration period, it was observed that the Project was at 65% and certified works for payment of Kshs.14,530,757 or 26.3% of the contract price.

Further, it was noted that the performance security provided by a Microfinance Bank had expired on 22 February, 2025 exposing the Management to risk in case of non-performance by the contractor.

8.2. Proposed Construction of Lanet Airstrip Aircraft Pavement

Review of project files revealed that the Proposed Construction of Lanet Airstrip Aircraft Pavement Phase I was awarded to a firm at a contract price of Kshs.406,761,591 and later varied to Kshs.455,020,173. The contract duration was eighteen (18) months with a commencement date of 23 February, 2021 and a completion date 22 August, 2022, with a defects notification period of twelve (12) months. At the time of audit, it was observed that the Project had taken too long to complete despite several extension of time granted.

8.3. Reconstruction of Taxiway and Apron at Manda Airport

Review of records revealed that Reconstruction of Taxiway and Apron at Manda Airport was awarded to a firm at a contract price of Kshs.121,726,189 later revised to Kshs.129,726,189. The contract period was five (5) months with a commencement date of 4 April, 2021 and original completion date of 30 August, 2021 with Defects Notification Period (DNP) of twelve (12) months. At the time of audit, in November, 2025, it was observed that the project had taken too long to complete beyond the contract period.

8.4. Proposed Works at Ukunda Airstrip in Diani

Review of records revealed that the proposed 200m runway and apron extension works at Ukunda Airstrip in Diani-Phase I was awarded to a firm at a contract price of Kshs.173,702,292. The contract period was twelve (12) months with commencement date of 9 September, 2022 and original completion date of 9 September, 2023 and revised completion date of 15 February, 2025 with Defects Notification Period (DNP) of twelve (12) months. The Project had taken too long to complete (32 months) with several extension of time granted, the latest being from 16 April, 2025 to1 August, 2025.

8.5. Proposed Construction Works at Takaba Airstrip

Review of records revealed that the proposed construction of runway, taxiways and apron at Takaba Airstrip-Mandera was awarded to a firm at a contract price of Kshs.140,359,153. The contract duration was seven (7) months with a commencement date of 23 August, 2024 original completion date of 23 March, 2025 with Defects Notification Period (DNP) of six (6) months. The scope of the work included; Site clearing and topsoil stripping, runway, taxiway and apron earthworks to details, laying of pavement structural layers to runway, taxiways and apron, laying of asphalt culvert and drainage works, Installation of Windsock, casting of runway edge markers, fencing and preliminary items for mobilization, among others.

At the time of audit in November, 2025, it was observed that the project construction duration had elapsed, while the percentage of certified works amounted Kshs.124,926,340 (89%). Pending works include installation of solar, delivery of generator and delivery of furniture for materials laboratory.

8.6. Rehabilitation of Bute Airstrip at Wajir

Review of records revealed that the rehabilitation of Bute Airstrip was awarded to a firm at a contract price of Kshs.42,800,081, revised to Kshs.53,324,769. The contract duration was seventeen (17) months with a commencement date of 15 November, 2022 and original completion date of 15 February, 2024, revised to 18 April, 2024 with Defects Notification Period (DNP) of twelve (12) months.

The scope of the work included: Carry out a detailed topographical (Topo) survey for the airstrip, site clearance and top soil stripping, earthwork's excavation, hard material removal, earth work fills and pest control, reconstruction of runway, new taxiways and apron to murram surfacing, construction of culverts and open drainage works, runway marking, Project signboard and Airport directional signs, installation of concrete edge markers and windsock and installation of boundary perimeter fencing using galvanized welded razor mesh with diamond apertures.

At the time of audit in November, 2025, it was observed that the project construction duration has elapsed, while the percentage of certified works were at Kshs.31,462,408.84 (59%). Percentage of contract period elapsed was 109% with two extensions of time already issued.

8.7. Proposed Rehabilitation Works at Malindi Airport

Review of records revealed that the contract for the proposed rehabilitation works to prevent rainwater ingress at Malindi international airport was awarded to a firm at a contract sum of Kshs.9,437,4207 through tender dated 20 June, 2023, for a period of nine (9) months to 24 July, 2024 and later extended to 24 October, 2024. The works were not completed with the contractor unable to source and install a 16mm approved solar treated laminated glass. As per letter dated 25 March, 2025, the Authority served a notice of default for termination as the contractor had abandoned the site since June, 2024 and the lapsing of interim extension of time.

8.8. Supply and Installation of Standby Generators and Associated Works at Jomo Kenyatta International Airport

Review of procurement records revealed that through an open tender, a contract was awarded to a firm at contract sum of Kshs.147,960,078 and later varied to Kshs.162,360,078 for an initial contract period of fifty-two (52) weeks, commencing on 20 January, 2020; which was later revised to one hundred and thirteen (113) weeks ending 31 March, 2022. The contractor abandoned the site on 17 May, 2022 after 85% of the works had been completed and an amount Kshs.110,365,764 paid. Further, the Authority invited two (2) firms to bid for completion of the works. However, the two firms/bidders were all non-responsive to the procurement process and the tender was terminated.

In addition, for the third time the process on completion was undertaken through a tender which was responsive to complete the scope of the initial tender process. However, as a result of a power outage on 26 August, 2023, there was increased emergency need to commission the already delivered generators; hence a direct procurement was recommended for the pending works to a firm pursuant to Section 69(2) and Section 103(2)(d) of the Public Procurement and Asset Disposal Act, 2015 at a negotiated price of Kshs.47,821,533. The Project was to be undertaken for a period of three (3) weeks for Schedule I (implementation phase) and eight (8) weeks for schedule II (training). Schedule II was to start after commissioning and completion date was 3 November, 2023 for Schedule I and 29 December, 2023 for Schedule II. There were two extensions of time for Schedule I up to 29 February, 2024.

Further, Schedule I was completed and commissioned on 27 February, 2024. In addition, the contractor had organized training to be conducted in Dubai for a period of fourteen (14) days which was part of Schedule II. However, this was never achieved despite various instructions to the contractor and the factory technical training had not been achieved. The contract with this firm was terminated on 9 May, 2025, following a default notice issued on 1 April, 2025. The reasons for termination being:

(i) Non-performance of Phase II of the project comprising of training component.
(ii) Refusal to renew the expired performance bond.
(iii) Refusal to promptly adhere to Engineer's instructions and invitation to meetings.

As at the time of termination of the contract the training aspect had not been achieved.

In the circumstances, delayed implementation of the above projects may result to costs escalation, contract disputes, and negative impact on service delivery and lack of value for money incurred on the projects.

9. Avoidable Expenditure Incurred on Tseikuru Airstrip

Review of procurement records revealed that the Authority issued a tender advertisement on 17 August, 2021 for proposed runway rehabilitation, fencing, gatehouse, washrooms and borehole at Tseikuru Airstrip, which closed on 2 February, 2022. A notification of intention to enter a contract was thereafter issued on 13 July, 2022 for a bid price of Kshs.77,443,582 and the contractor signed and returned his acceptance of the offer on 20 July, 2022. However, before the contract could be signed, it was realized that there were outstanding land matters that had not been resolved and the contract could not be executed.

As a result, the Authority through a letter dated 30 May, 2024 recalled the notification for intention to enter into a contract. This led to the contractor lodging a claim first for Kshs.29,160,160 which was rejected and later for Kshs.2,290,781. This was evaluated and a recommendation for payment of Kshs.2,265,224 on 8 October, 2024 was awarded. This payment could have been avoided had the Authority ensured due process before award of the contract.

In the circumstances, the failure to carry out due diligence before contract advertisement led to loss of public funds.

10. Delay in Land Compensation at Malindi International Airport

During a physical inspection in Malindi International Airport (Malindi) in July, 2025, it was observed that there had been long outstanding delays in compensation of landowners and disputes in landownership. Although the land acquired at Kwa-Chocha has been fenced, the fencing was incomplete at a section where a building stands on the border. Further, a permanent structure within the perimeter wall was yet to be demolished.

In the circumstances, delay in the completion of the projectdenied the public the benefits that could have accrued from the completed project

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. Weaknesses on System Applications and Product and Other ERPs

During the year under review, the Authority relied on System Applications and Product (SAP) and Other ERPs on various operations in the execution of its mandates. However, review of the systems revealed the following weaknesses:

1.1 Cars with Entry and Exit Logs with Zero Amount Paid

Review of the Parking Management System established instances of manual intervention at exit points. It was established that the Authority occasionally issues instructions permitting certain motorists, who had accessed the airport using entry tickets, to exit without making parking payments. In some cases, the Authority stamps the tickets and instructs Kenya Airports Parking Services (KAPS) to allow the bearers to exit without payment. This practice resulted in forty-three thousand four hundred and twenty (43,420) vehicles recorded in the system with zero payment amounts despite having corresponding entry time logs. Based on the applicable tariff rates, recalculations indicated that parking charges amounting to Kshs.35,329,290 may not have been levied on the vehicles.

1.2 Inconsistency Between Billed Amounts and Amano System Amounts

The Amano System is the automated Parking Management System used by KAPS to control vehicle entry and exit, record transactions, and facilitate parking fee collection. However, comparison of the billed amounts revealed a variance of Kshs.13,584,327 between the amounts in the collection reports sent to the Authority by KAPS and the amounts generated from the Amano System for the period under review.

In the circumstances, existence of effective systems on car park fee collections could not be confirmed.

2. Lack of an Approved Business Continuity Plan and Disaster Recovery Plan

During the year under review, the Authority lacked a formal Corporate Business Continuity Policy (BCP) and Disaster Recovery Plan (DRP). Although a draft BCP has been developed, the ICT department has no approved BCP/DRP or standard operating procedures. Instead, only a revised draft plan was in place.

In the circumstances, the lack of a formal Business Continuity Policy (BCP) and Disaster Recovery Plan (DRP) exposes the organization to prolonged operational downtime and inefficiencies during disruptions, increasing the impact of future incidents.

3. Long Outstanding Vacancy in the Post of the Authority's Managing Director/Chief Executive Officer

Review of the Authority's Human Resource records revealed that since 26 August, 2023, the position for the Managing Director for the Authority has not been substantially filled to date. Three appointees had been appointed to serve on an acting capacity on different periods. The first two appointees acted for period of sixteen (16) and six (6) months respectively while third appointee is still acting for over four (4) months.

Further, review of the Board minutes held on 4 December, 2024 revealed that the Authority advertised for the position of Managing Director on 11 June, 2024. After the advertisement, several applications were received and processed. The shortlisted candidates were taken through the interview process and the interview results were recorded by the Board. However, the Board resolved that the position of Chief Executive Officer should be re-advertised because the candidates did not attain 80% which is the pass mark for the position. However, request for a resolution passed or documentary evidence showing that the pass mark for the position of the Chief Executive Officer was 80% was not provided for audit.

In addition, a re-advertisement of the position was done on 20 December, 2024. As a result of the re-advertisement, the Authority was sued on the grounds that the Authority ought to have filled the position from the initial applicants. The court granted conservatory orders on 3 January, 2025 restraining the respondents, their agents and or servants from recruiting, processing, interviewing and or appointing any person for the position of the Managing Director.

In the circumstances, the continued acting capacity of the Authority's Managing Director undermines the effectiveness and independency of the Authority's decisions process.

4. Inadequate Staffing

During the year under review, the Authority had an approved staff establishment of two thousand, six hundred and twenty-five (2,625) employees against staff in-post of two thousand, one hundred and eighty-seven (2,187) employees resulting to understaffing of four hundred and twenty-five (425) employees.

In the circumstances, the effectiveness and efficiency of the Authority in delivery of services could not be confirmed.

5. Weaknesses in Inventory Management

During the year under review, the Stores Officer did not, bi-annually report to the Head of the Procuring Function on obsolete or unserviceable stores. During the close of financial year stock take, it was noted that the Jomo Kenyatta International Airport (JKIA) hardware store had not been fitted with firefighting equipment. The store was dump and stuffy from a drainage issue near the entrance. Further, the quarter three stock take report was not provided for review.

In the circumstances, the effectiveness of the Authority's internal control and governance on stock management could not be confirmed.

6. Annual Procurement Plan

During the year under review, the Authority did not provide for audit review the prepared and submitted quarterly reports on the implementation of the Annual Procurement Plan to the Cabinet Secretary.

In the circumstances, the effectiveness of internal controls on procurement could not be confirmed.

7. Weaknesses and Inefficiencies in Airports Operations

7.1 Weakness and Inefficiencies at Jomo Kenyatta International Airport-JKIA

Review of records and physical verification exercise undertaken in the month of August, 2025 at Jomo Kenyatta International Airport (Nairobi), revealed the following unsatisfactory matters;

7.1.1 Non- Operational Baggage Handling System/Luggage Conveyer Belt at JKIA – Terminal 1E and Terminal 2

It was observed that luggage conveyer belts installed at JKIA's Terminal 1E and Terminal 2 were not operational for the last three (3) months and one (1) year respectively. This led to massive inefficiency in airport operations resulting in passengers delays especially during the peak hours.

Further, review of the records revealed that although the baggage handling system was not operational, there was a running contract of Kshs.81,892,317 between the Authority and a firm for maintenance and service for the baggage handling system for Terminal 1E and Terminal 2.

7.1.2 Non-Functional Automatic Baggage Handling System (ABHS)

Review of records revealed that a firm was awarded the contract for supply, installation and configuration of an Automated Baggage Handling System (ABHS) at a cost of Kshs.1,465,212,795 exclusive of taxes. The ABHS was installed at Terminal 1A in 2013 and commissioned on July, 2015. However, physical inspection exercise carried out in August 2025 at Jomo Kenyatta International Airport revealed that the system failed in mid-2018 and since then it has never functioned optimally. Management engaged a firm for the maintenance and support of the system on 1 February, 2020 at a cost of Kshs.274,700,000. This firm was engaged to maintain the Electromechanical system and ICT components only and therefore the Screening component was not addressed. This led to the Management using manual screening which is slow and cumbersome and could result to flight delays.

Further, the Authority engaged another firm on a contract dated 1 August, 2024 for three years maintenance service for baggage handling system at a cost of Kshs.169,938,240 inclusive of taxes. As at the time of the physical inspection, which was twelve (12) months later after the commencement of the contract, the Automated Baggage Handling System was still not functioning. This was occasioned by Management failure to enforce compliance with the contractual terms and lack of technical expertise in maintenance and service of the Baggage Handling Systems (BHS).

7.1.3 Dilapidated and Broken Property and Equipments

During a physical inspection carried at the Airport, it was observed that;'

(i) The floor at Terminal 1E was worn out with several pot holes patched with checker plates. The worn-out floor is a safety hazard to the passengers as well as the airport staff, especially as the terminal is built on a suspended platform.

(ii) A security screening equipment at Terminal 1A was not functional.

(iii) The escalators at Terminal 1A were not functional. The available alternative to the escalators is steep staircases which could pose a challenge to the aged and physically challenged passengers.

(iv) The Heating, Ventilation and Air Conditioning (HVAC) system at the domestic departure lounge Terminal 2 was not sufficient and the lounge was very hot and not conducive for the passengers.

(v) The ablution facilities at Terminal 2 were very few and usually strained during peak hours. The lack of adequate sanitation facilities could have adverse effects on environmental health and human dignity.

(vi) There were unsecured and unattended confiscated custom goods at Terminal 2-International Arrivals and this poses danger and safety hazard to staff and passengers.

7.1.4 Prolonged Use of Temporary Terminal 2 and Terminal 1E Building

It was noted that the Terminal1E and Terminal 2 buildings were put up as temporary terminals pending the development of a permanent terminal (Greenfield Project). Although, the temporary buildings were envisaged to be a stop gap measure; it is now fifteen (15) years later since erection of the temporary terminal building. The facilities have become overstretched and aging, leading to operational pressure on facilities such as the heating, ventilation and cooling system as well as the sanitation facilities.

7.1.5 Inefficient Motor Vehicle Traffic Management at the Drop off/Pick up Area

An evening and night physical inspection exercise undertaken in the month of August, 2025 at Jomo Kenyatta International Airport (Nairobi), revealed that the Airport was very busy in the evening and late at night. However, the traffic management at the drop off/pick up area was very inefficient and passengers experienced a lot of delay and the congestion caused a lot of inconveniences.

7.1.6 Inefficient Electronic Point-Of-Sale (EPOS) Connectivity

Under the Concession Agreement, Article III, Clause 3(B) on Concession Fees states that the monthly concession fees must be verifiable through an electronic point-of-sale (ePOS) system, which the concessionaire is required to integrate. In addition, Clause 3(E) mandates that the concessionaire provide a redundancy link to ensure that, in the event of an ePOS system failure, all sales data is automatically captured once the system is restored. This measure is intended to prevent any loss of information that could compromise sales accuracy.

Under this contract, a firm implemented the ePOS connectivity between the firm providing car park services and the Authority's systems. The contract, valued at Kshs.40,547,233.40 (inclusive of taxes), covered installation and annual maintenance costs of Kshs. 5,366,995.20 per year (inclusive of taxes). It was a three-year agreement, effective from 15 July, 2020 and expiring on 15 July, 2023.

During the physical inspection, it was noted that while an electronic point-of-sale (ePOS) system was implemented as required under the Concession Agreement, the ePOS connectivity between car park service provider and the Authority, provided by the firm providing the connectivity expired on 15 July, 2024 Therefore, as at the audit date, no valid contract exists, making the system's operation unregulated and unsupported.

7.1.7 Shortage of Engineering / Technical Staff

During the physical inspection exercise carried out in month of August, 2025, it was noted that the Engineering Department was understaffed. This has led to challenges in operations and maintenance of equipment especially in the electrical section.

7.2 Weaknesses and Inefficiencies in Operations at Wilson Airport

During the physical inspections carried on 31 July, 2025 at Wilson Airport, several observations were made as indicated below:

7.2.1 Non-Operational Airport Security Screening Equipment

It was observed that only one (1) out of the two (2) security scanning machines was operational. This limited capacity may lead to significant inefficiencies in passenger processing, especially during peak hours, potentially causing delays and compromising airport operational efficiency.

7.2.2 Lack of a Terminal Building

It was observed that the terminal building in place could only accommodate approximately fifty (50) passengers at the departures waiting bay. It was also noted that a corridor was the one being used in place of a proper terminal facility. This poses a risk of overcrowding, operational inefficiencies, and a poor passenger experience especially during peak hours.

7.2.3 Inefficiencies in the Airport Operations Database System

Management reported that the Airport Operations Database (AODB) System which integrates data from various airport systems, such as flight information display systems, baggage handling systems, resource management systems had been experiencing instances of prolonged system downtime lasting several months. The airport operation database system consolidates the above data into a single database and provides real-time updates to all airport stakeholders, including airlines, ground handlers and other airport operators. Therefore, unavailability of the system may lead to significant disruptions and inefficiencies, including flight delays and cancellations, ineffective resource allocation, and communication breakdowns between different airport stakeholders. This may result in financial losses for airlines and businesses, passenger dissatisfaction, and reputational damage for the airport.

7.2.4 Inadequate Parking Space-Motor Vehicles

There is insufficient space for parking of the motor vehicles within the airport which may lead to traffic congestion and reduced business for commercial establishments at the airport.

7.2.5 Grounded Aircrafts at the Parking Garage

The parking garage for aircrafts was congested as a result of ninety (90) grounded aircrafts occupying the apron space meant for parking of other aircrafts that are operating within the Airport. As a result, the airport is losing revenue because some of the grounded aircrafts are not paying for the parking fees.

7.3 Weaknesses and Inefficiencies in Operations at Moi International Airport

During the physical inspection exercise carried out in July, 2025 at Moi International Airport (Mombasa), the following issues were noted:

7.3.1 Non-Operational Luggage Conveyer Belt

The luggage conveyer belt at the airport was not operational. It was observed that the conveyer belt has not been in operation for the last three months. This had led to massive inefficiency in Airport operations. Airlines have been forced to engage more staff to carry the luggage physically. This had also affected the passengers due to delays caused by the inefficiency in operations.

7.3.2 Delay in Construction of Proposed Security Watch Towers Lot 2

On 16 August, 2019, the Authority contracted a firm to construct two (2) watchtowers at Ukunda Airstrip at a cost of Kshs.3,040,249 for a contract period of twelve (12) weeks. Due to unavailability of suitable space for construction of the two watchtowers, boundary dispute with the community and lack of GSU deployment within Kwale County, it was recommended that the project be relocated to Moi International Airport which has dilapidated watchtowers that are unsafe for habitation. However, the following observations were noted:

(i) The contractor abandoned the site and the works are incomplete, the contract validity expired and thus the objectives of the contract were never achieved.

(ii) Management is yet to cash the performance bond as well as seek liquidated damages as a result of non-performance of the contract.

7.3.3 Stalled Construction of Crisis / Emergency Operations Centre

On 20 January, 2020, the Authority contracted a firm to carry out the works for construction of emergency operations centre at Moi international airport at a cost of Kshs.10,858,128 for a contract duration of six (6) months. A commencement date was not issued due to the outbreak of the Covid-19 pandemic until 5 May, 2022, when the contractor requested for a variation in Bill of Quantities as a result of increased prices over the two years period. This was not granted as the variation was 41% above the allowable 25% limit. As a result, the Head of Procurement recommended a direct procurement to be undertaken by a construction company.

A physical inspection carried in July, 2025 revealed that the works had not commenced and the contractor was not on site and the following audit observations were noted:

i) The Management as per the professional opinion intends to carry out a direct procurement instead of an open tender which is more competitive for value for money.

ii) The project objectives have not been achieved as a result of the long delay (5 years) in project commencement and implementation; especially as an emergency operations centre (EOC) which is a key facility required for the response and management of airport emergencies as guided by the International Civil Aviation Organization (ICAO).

7.3.4 Lack of Uninterrupted Power Supply Unit System (UPS)

It was noted that there was no uninterrupted power supply unit in place. This has led to challenges in operations especially during downtime in the electrical section.

7.3.5 Shortage of Engineering / Technical Staff

It was noted that the Engineering Department was understaffed. This has led to challenges in operations and maintenance of equipment especially in the electrical section.

7.4 Lack of Adequate Sanitation/Ablutions at Eldoret International Airport and Eldoret Airstrip

Physical inspection carried out at Eldoret International Airport and Eldoret Airstrip revealed that several schools pay and visit the Airport and Airstrip for educational trips. However, the capacity of the ablution blocks could not handle the huge numbers.

Further review and interviews conducted regarding the same revealed that the Management had planned and budgeted for the construction of a new ablution block to be able to accommodate all the guests and students but there were budgetary cuts.

7.5 Weaknesses and Inefficiencies in Operations at Ukunda Airstrip

During physical inspection in Diani Airstrip (Ukunda) in July, 2025, it was observed that the Airport did not have adequate and well paved parking area for the passengers and staff. It was observed that the designated parking lot was not paved and marked. The grounds were also dusty and not well compacted. This was inconveniencing passengers been dropped and picked at the airport.

Further, it was observed that the Airport was not adequately secured. There were mango trees and inhabited houses within the precincts of the airport land. Management disclosed that the process of compensation through the National Land Commission had not been concluded, thus the Airport fencing could not be completed.

In addition, it was observed that the airport lacked a security patrol road along the perimeter wall. This posed a challenge for swift access of the security team to conduct routine security patrols.

In the circumstances, the effectiveness and efficiency of the Authority in delivery of service could not be confirmed.

8 Enhancement of Governance Systems for Inter-Agency Related Expenditures

During the year under review, the Authority transferred a total of Kshs.21,228,000 to a Government Security Agency. However, a confirmation letter on the same was not provided by the Authority.

There is need, however, to enhance accountability of the expenditures through review of the directives to clearly define entities eligible for such expenditures and to specify why the provision of the same service could not be performed by the respective agency. Further, entities should establish internal oversight mechanisms and processes that include detailed budget projections and post-operation financial summaries to address risks and ensure responsible use and accountability of the funds.

The measures will strengthen governance, foster trust, and ensure funds are utilized in a transparent and accountable manner.

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 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 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

23 December, 2025