REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA BROADCASTING CORPORATION

FOR THE YEAR ENDED
30 JUNE, 2025

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REPORT OF THE AUDITOR-GENERAL ON KENYA BROADCASTING CORPORATION 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 Broadcasting Corporation set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit/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 Broadcasting Corporation 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 and comply with the Kenya Broadcasting Corporation Act, CAP 221 of 1988 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Undisclosed Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a net operating deficit of Kshs.359,667,000. The deficit increased the accumulated losses from a negative balance of Kshs.89,365,423,000 reported in the financial year ended 30 June, 2024, to a negative balance of Kshs.89,725,090,000. Further, the statement of financial position reflects total current assets balance of Kshs.1,614,130,000 and total current liabilities balance of Kshs.3,937,807,000, resulting in a negative working capital of Kshs.2,323,677,000. These conditions indicate material uncertainty relating to going concern, which may lead to significant doubt on the Corporation's ability to continue as a going concern. However, this material uncertainty and any mitigating measures put in place by the Management to reverse the undesirable financial position were not disclosed in the Note to the financial statements.

The financial statements, therefore, have been prepared on a going concern basis on the assumption that it will continue to receive financial support from the Government, creditors and other stakeholders.

In the circumstances, the presentation and disclosure of the financial statements could not be confirmed.

2. Unsupported Provision and Outstanding Trade Receivables

The statement of financial position and as disclosed in Note 16(a) reflects a gross trade receivables balance of Kshs.2,092,694,000. However, included in the balance is an amount of Kshs.1,916,524,000 or 91% of the total receivables which had been outstanding for more than ninety (90) days as analysed below:

Period	Amount (Kshs.)	Percentage of Total Receivables
Current	103,809,000	5%
Between 30 and 60 Days	30,935,000	1%
Between 61 and 90 Days	41,426,000	2%
Between 91 and 120 Days	26,851,000	1%

Period	Amount (Kshs.)	Percentage of Total Receivables
Over 120 Days	1,889,673,000	90%
Total	**2,092,694,000**	**100%**

However, Management did not provide evidence of efforts undertaken to collect the long overdue debts. Further, a provision for doubtful receivables amounting to Kshs.633,538,000 representing approximately 30% of gross trade receivables, was made in the financial statements for likely impairment on the trade receivables. However, the basis for determination and computation was not disclosed.

In the circumstances, the accuracy and completeness of trade receivables balance of Kshs.2,092,694,000 could not be confirmed.

3. Accuracy of the Government of Kenya (GoK) Loan and Accrued Interest

As previously reported, the statement of financial position and as disclosed in Note 22 to the financial statements reflects loan amount of Kshs.13,657,250,762 (Yen16,198,000,000) from the Overseas Economic Cooperation Fund (OECF) of Japan. The OECF loan was guaranteed by the Government in 1989 to fund the Corporation's modernization programme. The Corporation contracted a Japanese firm to undertake the modernisation project at a sum of Japanese Yen11,904,566,500 with a counterpart funding of Kenyan currency of Kshs.98,507,000. The loan was interest-bearing and as at 30 June, 2025 the loan principal balance was Kshs.13,657,250,762 and had accrued interest of Kshs.77,047,476,060 which have both remained unchanged over two financial years. Therefore, this is considered a non-performing loan since accrued interest exceeds the principal amount which violates the Duplum Rule.

In the circumstances, the accuracy, regularity and completeness of the Japanese loan principal of Kshs.13,657,250,762 and loan interest balance of Kshs.77,047,476,060 could not be confirmed.

4. Lack of Land Ownership Documents

As previously reported, the statement of financial position and as disclosed in Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.15,847,578,290. Included in the balance is an amount of Kshs.12,857,874,001 in relation to the value of land held by the Corporation across the Country. However, review of documents revealed that out of forty-six (46) parcels of land, only twenty-one (21) had title deeds in the name of the Corporation while the remaining twenty-five (25) parcels of land valued at Kshs.2,181,500,000 lacked ownership documents.

Further, the parcel of land measuring approximately 2.8 acres, on which the Broadcasting House is situated, is currently registered in the name of the Chief Secretary, Colony and Protectorate of Kenya. Despite the Corporation being the current occupier and user of the property, no formal vesting or transfer of ownership has been effected in favour of the Corporation. As a result, the land remains legally registered under the colonial administration, and the Corporation does not hold a valid title deed or ownership documentation in its name.

Also, audit verification on Malindi transmission station disclosed that Informal settlers have occupied a portion of the 7.2 acres of land in Mambrui.

Further, physical inspection in September 2025 revealed significant land management challenges in Voi, Kasarani, Mwangea, and Bombolulu. Several parcels of land remained unfenced and unmarked, lacking boundary beacons and ownership signage. Most properties were supported only by allotment letters, with no title deeds issued, exposing them to encroachment and ownership disputes. At the Bombolulu site, approximately twenty-two (22) acres had been taken over for the construction of affordable housing without compensation, leaving only two (2) acres under the Corporation's control. In Voi, part of the land was developed by another Government entity without a formal agreement.

In the circumstances, the completeness, accuracy and ownership of land valued at Kshs.12,857,874,001 could not be confirmed.

5. Failure to Repossess Corporation's Land in Nyali

The statement of financial position and as disclosed as Note 13 to the financial statements reflects a balance of Kshs.15,847,578,290 in respect of property, plant and equipment. Included is an amount of Kshs.12,857,874,001 being net book value for land. This balance further includes a parcel of land situated in Nyali, Mombasa measuring approximately 22.85 acres situated in Nyali with a market value of Kshs.1,247,680,000 as at the financial year ended 30 June, 2025. However, review of records indicate that the Corporation sued the County Government of Mombasa for illegal encroachment of this parcel of land under civil suit No. 323 of 2010. A judgement was passed in favour of the Corporation in a ruling by the Environment and Lands Court at Mombasa on 22 July, 2022. However, physical verification of the land, revealed that despite the ruling, the Corporation is yet to fence it to prevent further illegal encroachment. Currently the land is held under a provisional certificate of title which was issued following the reported loss of the original title deed. As at the time of audit, the original title had not been recovered or replaced with a permanent title, and the Corporation continues to rely on the provisional certificate as the sole proof of ownership.

Available information indicated that the County Government of Mombasa, through letter Ref; MSACG/Land/I/Vol. IX/43 of 22 November, 2022 has indicated its intentions to take over the land for non-attainment of the purposes under which the lease was granted. Further, the parcel of land had ongoing constructions of the affordable housing project by the Ministry of Housing on approximately eighteen (18) acres owned by the Corporation and had not received any compensation from the Government for the encroached land.

In the circumstances, the completeness, valuation, accuracy and ownership of land valued at Kshs.12,857,874,001 could not be confirmed.

6. Unsupported Motor Vehicles' Insurance Expenditure

The statement of profit/loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.2,572,131,000 in respect to administration costs. Included in this amount is an insurance expenditure of Kshs.11,856,000. Audit review revealed that the Corporation entered into a contract agreement with an insurance company vide open tender number 02/KBC/2024-2025 for provision of comprehensive insurance covers for motor vehicles and motor cycles at a contract sum of Kshs.2,757,712,000. However, a valuation report for the motor vehicles insured was not provided for audit review and four (4) of the motor vehicles insured were not in the asset register and their logbooks were not provided for confirmation of ownership. It was also noted that the list in the tender documents for the motor vehicles to be insured had a duplicate entry for one motor vehicle. Further, nineteen (19) of the total motor vehicles insured were not functional as they had been grounded for a long time.

In the circumstances, the regularity, accuracy and completeness of the administration costs amounting to Kshs.11,856,000 could not be confirmed.

7. Non-Settlement of Legal Liabilities

The statement of profit/loss and other comprehensive income reflects an amount of Kshs.2,572,131,000 as administration costs. Included in this amount is legal fees of Kshs.188,963,000 as reflected in Note 10 to the financial statements. However, review of documents revealed that the Corporation had thirty-eight (38) active cases as at the time of audit out of which five (5) cases against the Corporation were accruing interest on award that had not been paid totalling Kshs.117,414,040. Further, the Corporation did not provide Attorney General's approval to procure external legal services contrary to Section 17 of the Office of the Attorney General Act, CAP. 6A.

Similarly, there was no criteria to classify cases that could be handled by the internal advocates and those that required external advocates, exposing the Corporation to unnecessary additional extra-legal costs. In addition, the Legal Department did not provide an effective risk management program to enable Management to avoid or minimize to a reasonable level, matters with high negative impact, which could expose the Corporation to huge legal costs.

Further, the Corporation continues to delay payments, leading to the accrual of interest and further legal exposure. In addition, there was no indication that the Corporation considers or initiates mediation, arbitration, or other alternative dispute resolution mechanisms to resolve disputes more efficiently and cost-effectively.

In the circumstances, the completeness and valuation of legal fees of Kshs.188,963,000 could not be confirmed.

8. Overdrawn (Negative) Cashbook Balances

The statement of financial position and as disclosed in Note 17 to the financial statements reflects bank and cash balances of Kshs.79,189,000. However, Citibank Medical account No.300079019 and CBA dollar account No.6626480024 had overdrawn cashbook balances of Kshs.1,855 and Kshs.8,150,434 respectively creating an offsetting effect on the bank and cash balances. This was contrary to Paragraph 48 of IPSAS 1 which prohibits offsetting. In addition, the board of survey certificates to confirm the reported cash balances were not provided.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.79,189,000 could not be confirmed.

9. Understatement of Revenue and Incomplete Sales orders

The statement of profit/Loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects an amount Kshs.1,112,241,000 in respect of revenue from contracts with customers. However, review of the sales report generated from the Corporation's system showed a total revenue of Kshs.1,119,530,043, resulting in an unexplained understatement of Kshs.7,289,043. Further, the sales report generated from the Corporation's system revealed accumulated incomplete orders amounting to Kshs.45,763,730,194 since 1 March, 2014 out of which an amount of Kshs.471,519,122 relating to the year under review. These orders had been recorded in the system, but had not been converted into invoices as at the time of audit in August, 2025. No explanation was provided for the failure to finalize these transactions.

In the circumstances, the completeness and accuracy of revenue from contracts with customers amounting to Kshs.1,112,241,000 could not be confirmed.

10. Undisclosed Contingent Liability

Note 26 to the financial statements reflects contingent liabilities balance of Kshs.118,000,000. Excluded from this is a claim amounting to Kshs.306,662,790,000 relating to an arbitration case between the Corporation and Channel 2 Group Corporation. As previously reported, the Corporation entered into a joint venture agreement for operating and broadcasting with Channel 2 Group Corporation on 10 May, 2006. The profits for the joint venture were to be distributed between KBC and Channel 2 Group Corporation at the ratio of 7:3. The agreement was valid for five years renewable for a similar period unless either party gave a written notice of six (6) months expressing willingness not to renew the term of the agreement.

The Corporation gave the notice to terminate the joint venture agreement on 16 March, 2009 citing poor performance. Channel 2 Group Corporation filed a case in London for arbitration on 16 July, 2012 claiming an approximate amount of USD.2,373,000,000 equivalent to Kshs.306,662,790,000 at the exchange rate of Kshs.129.23 as at 30 June, 2025.

The arbitration proceedings included: -

i) USD.481,977,000 (Kshs.62,285,887,710) in lost profits in running KBC 2 as free to air terrestrial television channel in 8 years from March, 2009 to August, 2017;

ii) USD.241,845,000 (Kshs.31,253,629,350) in lost profits in running expanded joint venture in 10 years to December, 2018; and

iii) USD.1,636,750,000 (Kshs.211,517,202,500) from the sale of an expanded joint venture.

iv) USD.12,419,000 (Kshs.1,604,907,370) in loss of revenue 2007 – March 2009, Channel 729 credit, wasted expenses, sums due and unpaid for transmitter, equipment, joint venture staff, list of content of purchased by the Channel 2 for KBC and list of content supplied.

The case is ongoing with its outcome uncertain as at the close of the financial year under review. Should the ruling turn out to be unfavorable to the Corporation, it will result to significant financial penalties thus negatively affecting the liquidity position and reputational damage.

In the circumstances, the accuracy and completeness of contingent liabilities balance of Kshs.118,000,000 could not be confirmed.

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

Accounts Payable

The statement of financial position and as disclosed in Note 23 of the financial statements reflects trade and other payables balance of Kshs.3,937,807,000. However, the pending bills for the previous financial year that ended on 30 June, 2024 totalling Kshs.3,583,978,000 did not form first charge during the year under review. Further, the ageing analysis of the Corporation shows that debts totalling Kshs.3,037,806,000 were outstanding for more than two (2) years contrary to Regulation 150 of the Public Procurement and Asset Disposal Regulations, 2020 which requires prompt payment of suppliers within sixty (60) days from the date of the receipt of the invoice. These obligations lacked any evidence of Managements action or a debt repayment plan to clear them.

Failure to settle bills during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge. This is also contrary to Regulation 42(1) of the Public Finance Management (National Government) Regulations, 2015.

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, 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 of the 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 Kenya Broadcasting Corporation issues remained unresolved as at 30 June, 2025 as summarized in attached **Appendix I**.

Other Information

Management is responsible for the Other Information set out on page iii to I which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Managing Director, 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 Corporation'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 THE 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. Unapproved Expenditure

The statement of budget versus actual amounts reflects expenditure of Kshs.2,652,093,628 against actual receipts of Kshs.2,292,426,806 resulting to an over-expenditure of Kshs.359,666,822 or 16% of the receipts. However, the approval for the over expenditure was not provided for audit review.

In the circumstances, the regularity of the excess expenditure of Kshs.359,666,822 could not be confirmed.

2. Non-Compliance with Climate Regulations

Audit review revealed that the Corporation has not effectively integrated the National Climate Change Action Plan 2023-2027 into its sectoral strategies and operational plans. There is no dedicated climate change coordination unit within the office, and no senior officer had been appointed to oversee the integration of climate change related functions into the Corporation's operations. Further, the Corporation did not submit its sectoral greenhouse gas emissions report to the national inventory. In addition, the Corporation did not have an effective system in place to monitor, review and report on the integration of climate change into its activities and policies.

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

3. Unremitted Statutory Deductions

The statement of financial position and as disclosed in Note 23 to the financial statements reflects trade and other payables balance of Kshs.3,937,807,000 which includes statutory and other deductions totalling Kshs.3,289,500,000 that had not been remitted to the respective institutions by the closure of the financial year under review as detailed below:

Payable	Amount (Kshs)
(PAYE)	836,604,000
Medical	40,013,000
Pension	1,172,313,000
Coop liabilities	65,351,000
NSSF	11,209,000
Other deductions	62,765,000
VAT	1,101,245,000
Total	**3,289,500,000**

Although, Management attributed the delay in remitting the deduction to its inability to settle its obligations as and when they fall due. Failure to remit statutory deductions within the stipulated timelines is contrary to the provisions of Section 37(1) of the Income Tax Act, Section 16(1) of the National Hospital Insurance Fund Act, 2012, Section 27 of the now Social Health Insurance Act, 2023 and Section 20 of the National Social Security Fund Act, CAP 258. Further, the Corporation is at risk of incurring penalties and interest with the continued delay in remittance of the deductions.

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

4. Non-Compliance with the Law on Wage Bill

The statements profit/loss and other comprehensive income for the year under review and as disclosed in Note 10 to the financial statements reflects an expenditure of Kshs.2,572,131,000 on administration costs out of which Kshs.1,498,363,000 is staff costs representing approximately 65% of the total receipts of Kshs.2,292,427,000. This is contrary to the provisions of Regulation 26(1) (a) of the Public Finance Management (National Governments) Regulations, 2015 which limits the expenditure on wages and benefits to not more than 35% of the total revenue for the year.

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

5. Unconfirmed Ownership of Signet Signal Distributors Limited

As previously reported, the Corporation disclosed in its financial statements that Signet Signal Distributors Limited (SSDL) is a subsidiary of the Corporation since it owns 99% of the subsidiary's shareholding and the Permanent Secretary of The National Treasury holding the remaining one percent (1%). The Company is fully licensed to distribute broadcasting signals under the new digital platform. However, a review of documents revealed that the former SSDL Managing Director at the time of incorporation of the subsidiary continues to hold 99% of its shares despite the existence of letter dated 4 September, 2015 requesting the shares to be transferred to The National Treasury.

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

6. Non-Compliance with Staffing Requirement of Persons with Disabilities Act, 2025

An analysis of the payroll data for the period under review revealed that the Corporation had twenty-three (23) staff members, out of a total workforce of eight hundred and thirty-five (835) identified as persons living with disabilities. This represented approximately 2.8% of the total workforce. This was contrary to Section B.23 (1) of Human Resource Policies and Procedures Manual for the Public Service May, 2016 and Section 4(f) 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 disability

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

7. Failure to Comply with Procurement Plan Prescribed Format

Audit review revealed that Management did not comply with the prescribed format in preparation of the annual procurement plan for the year under review. This contravenes the provisions of third schedule and Regulations 42 of the Public Procurement and Asset Disposal Regulations, 2020. Further the delivery and completion dates for goods, works or services procured were not clearly defined in the procurement plan as required by the Public Procurement and Asset Disposal Act.

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

8. Failure to Declare Conflict of Interest

In the Addendum to the contract between the Corporation and Channel 2 Group corporation dated 12 May, 2007, KBC indicated that the Board Chair and owner of Channel 2 will represent Channel 2 Group Corporation at a quarterly Board meeting with

KBC. This implies the Board Chairman was among the top Management at Channel 2 Group Corporation who instituted the case against KBC. The case is still active and ongoing where Channel 2 Group Corporation is demanding USD.2,373,000,000 equivalent to Kshs.306,662,790,000.

The chairman was appointed to the Board of KBC on 19 January, 2024 for 3 years. There are no board minutes or documents that declare conflict of interest that the board chairman has over the ongoing Channel 2 Group case. Further, given he is one of the persons who instituted the case against KBC it is not clear how he will lead defence against a case he instituted. It is certain that the Board Chair is conflicted and he may lack independence contrary to Article 75(1)(a) and of Chapter six of the Constitution of Kenya and Paragraph 1.1 (8) – c of the Mwongonzo Code of Governance.

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

9. Stalled Studio Mashinani Audio Visual Production Project

The Corporation awarded a contract to Broadcast Gurus through tender number 9/KBC/2021-2022 on 28 March, 2022 for the construction and equipping of the proposed studio mashinani audio-visual production project in Eldoret and Kisii for a contract sum of Kshs.67,915,164. According to the contract, the cost for construction of the building to host the studio in Eldoret and Kisii was Kshs.6,950,915 and Kshs.6,025,242 respectively totalling Kshs.12,976,158. The project duration was six (6) months from time of execution of the contract.

However, review of project file and site visit conducted in September, 2025 revealed that the project has stalled and the contractor was last on site in December, 2022. According to a letter from the then Acting Managing Director of the Corporation to the Principal Secretary, Ministry of Information and Communications Technology and Digital Economy dated 23 August, 2023, Kshs.14,375,000 was paid as an advance payment to the contractor. Further, the advance payment was more than the total cost of construction of the two buildings of Kshs.12,976,158. It is not clear why the construction is not complete despite full payment for the cost of construction.

In addition, payment voucher for the advance payment and its justification were not provided for audit. This is contrary to Regulation 83(2)(e) of the Public Finance Management (National Government) Regulations, 2015 which requires State Departments to avoid prepayment for goods and services unless required by the contractual arrangements with the supplier.

In the circumstances, Management was in breach of the law and value for money paid for the project could not be confirmed.

10. Non-compliance with Environmental Management Provisions

Audit verification of the Corporation's buildings revealed that there are buildings which are still roofed with asbestos sheets. These include Sauti House in Mombasa, generator room at Broadcasting House in Nairobi, office buildings at Ngong transmission station and staff houses at transmission stations in Lang'ata, Komarock, Kisumu, Kitale, Nandi Hills, Timboroa, Nakuru, Voi, Nyali, Mazeras, Malindi, Garissa, Marsabit, Maralal, Nyeri

Hill and Marania. This practice contravenes both the Environmental Management and Coordination (Waste Management) Regulations, 2006 and the Occupational Safety and Health Act, No. 15 of 2007, which classify asbestos as a hazardous substance due to its harmful health effects upon prolonged exposure.

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 Annual Human Resource Plan

The statement of profit/loss and other comprehensive income and as disclosed in Note 10 to the financial statement reflects expenditure amounting to Kshs.2,572,131,000 on administration costs out of which Kshs.1,498,363,000 as disclosed in Note 10(a) to the financial statements is in respect to staff costs. However, audit review revealed that the human resource plan was not prepared for the year under review. The goals and objectives of the Corporation may not have been realised as the plans were not done for the year. Further, emerging issues and needs of staff may not have been addressed adequately.

In the circumstances, the effectiveness of internal controls relating to human resource management could not be confirmed.

2. Lack of Auto-Switches on the Signet Platform

The statement of financial position and as reflected in Note 16 to the financial statements reflects a balance of Kshs.1,472,805,000 relating to trade and other receivables. Included in this balance is an amount of Kshs.1,459,156,000 relating to trade receivables . However, an audit review of the ageing analysis revealed that some of the signet clients with substantial outstanding trade receivables continued to access services despite long-overdue debts. Further, It was observed that the auto-switch functionality had not been implemented on the Signet platform.

In the circumstances, effectiveness of internal controls surrounding management of debts collection and follow up could not be confirmed.

3. Manual Monitoring of Revenue from Contracts with Customers

Note 6 to the financial statements reflects an amount of Kshs.1,112,241,000 in respect to revenue from contracts with customers which further include a total of Kshs.353,479,000 in respect to advertising radio, advertising television and digital media and casuals and funeral.

However, it was observed that the invoices for these revenue streams were raised based on manual monitoring reports, which are prone to human error and inaccuracies.

In the circumstances, the existence of effective internal controls revenue generation and collection could not be confirmed.

4. Weaknesses in the Management of Travel Expenses

The statement of the profit/loss and other comprehensive income and as disclosed in Note 10 to financial statement reflects an amount of Kshs.2,572,131,000 in respect to administration costs, out of which Kshs.93,651,000 relates to transportation, travelling and subsistence. However, audit examination of the work tickets and fuel statements of the Corporation revealed there are discrepancies between the fuel supplier statements, the internal fuel register, and the work tickets. These includes; fuel drawn but not recorded on work tickets, fuel issued that does not appear on the supplier's statement and entries in the fuel register not traceable to either work tickets or supplier statements. Further, despite the introduction of fuel cards in the month of October, 2024, some vehicles with allocated cards continued to refuel outside of the card system weakening the intended oversight mechanism.

In the circumstances, the existence of effective internal controls on management of motor vehicles could not be confirmed.

5. Deficiencies in Enterprise Resource Planning

Audit review of the Corporation Enterprise Resource Planning (ERP) system revealed that the Corporation switches to manual operations during ERP downtime, which occurs due to internet disruptions and or temporary deactivation of the system arising from late renewal of the license. Therefore, these manual operations leads to transactions recorded in counter books and later updated in the ERP. However, the system does not allow backdating of entries, leading to all transactions being recorded as if they occurred on a single day. This limits real-time visibility and accuracy of operational data.

Further, the ERP inventory movement report does not provide complete information on stock transactions. This include failure to indicate the recipient or user to whom an item was issued, any new stock received into the system, and the running balance after each movement.

In the circumstances, the existence of effective internal controls on ERP process could not be confirmed.

6. Weaknesses in ICT Environment

An audit review of the information and communication technology (ICT) environment at the Corporation established that, although the Corporation has an ICT Policy in place, it lacks comprehensive provisions on critical areas such as data backup and retention, business continuity planning, and server room access controls. Specifically, while monthly backups of critical data are performed, radio and television content—the Corporation's core business outputs—are not backed up due to inadequate storage capacity with the Media Asset Management (MAM) system already at full capacity and without service level agreements (SLAs) for its maintenance. In addition, the Corporation continues to operate under an outdated ICT organizational structure that does not conform to the ICT Authority's human capital and workforce development standards, raising concerns about capacity and alignment with best practices.

Physical inspection in August, 2025 of the server rooms revealed significant weaknesses, including the absence of fire suppression systems and fire extinguishers, lack of access registers, use of wooden and unreinforced doors, and inappropriate use of the rooms as storage areas. Further, the uninterrupted power supply was found to be non-functional, obsolete server equipment remained unreplaced, and cable management was poor, all of which expose the Corporation's critical infrastructure to operational inefficiencies, service disruptions, and security risks.

In the circumstances, the existence of effective internal controls surrounding ICT environment could not be confirmed.

7. Lack of an Insurance Policy for Fixed Assets

Audit review revealed that the Corporation through open tender advertised for provision of insurance cover for the Corporation's fixed assets (underwriters only) under tender Number: 04/KBC/2024-2025 on 24 September, 2024. Three firms responded and submitted their bids and bidder 2, was selected at a contract sum of Kshs.6,605,492. The notification of intention to award was sent on 13 November, 2024 to the winning bidder. However, the signing of the contract of the insurance cover for the Corporation's fixed assets was not finalized. Management has not taken measures to follow up on the contract and, therefore, the Corporation's fixed assets still remain uninsured as at the time of audit.

In the circumstances, effective internal controls surrounding safeguarding and maintenance of the Corporation's fixed assets could not be ascertained.

8. Weak Internal Controls in Assets Management

As previously reported, the statement of financial position and as disclosed in Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.15,847,578,290 which includes land valued at Kshs.12,857,874,001 spread across the country. However, most of the Corporation's parcels of land remain un-surveyed and/or un-fenced for safeguarding and lacked ownership documents. This is contrary to Section 139(1) of the Public Finance Management Act Regulations, 2015 which states that the Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventive mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse. Urgent intervention is required to secure the land most of which is in prime areas and faces threats of encroachment by illegal settlers.

In the circumstances, effectiveness of internal controls surrounding management of the corporation's assets could not be confirmed.

9. Irregular Allocation of Sauti House Land in Mombasa

As previously reported, the Corporation was sued in Mombasa through Case ELC No.283 of 2013 for the parcel of land where the matter went up to the Court of Appeal and was determined against the Corporation. In a letter to the Corporation from the Attorney General, Ref AG/ELC/CIV 299/21 of 27 April, 2022, the Attorney General determined that the Mombasa Block XXXI/577 was irregularly surveyed and subdivided. Available information and the Part Development Plan (PDP) indicate that the parcel of land was reserved for the Corporation from the year 1988. The Attorney General made a recommendation for the Corporation to involve the Ethics and Anti-Corruption Commission (EACC) given that this was public land and it fell under the EACC's mandate and that the matter had already been determined by the Court of Appeal. The EACC would assist the Corporation to institute proceedings to recover the parcel of land on behalf of the Corporation. However, there was no evidence indicating that the Corporation had acted on the AG's advice and/or the status and progress of the case to recover the irregularly acquired land. As a result, illegal private developers continue to occupy public land.

In the circumstances the internal controls surrounding safeguard of the Corporation's assets could not be confirmed.

10. Field Inspection Findings

10.1 Equipment Functionality and Maintenance

Physical inspection in September 2025 across multiple sites including KBC Mashinani (Kitui), Mbui Nzau (Makueni), Vuria (Taita Taveta), Mazeras (Mombasa), Mrima (Kwale), Chasimba (Kilifi), and Yala (Siaya) revealed that several critical broadcast and support equipment were non-functional. Common issues included faulty or inadequate air conditioners, non-operational transmitters, UPS batteries requiring replacement, and obsolete or fuel-inefficient generators. In Vuria and Mazeras, prolonged equipment breakdowns led to broadcast disruptions and signal loss. Further, delayed repairs, dependence on old technology, and lack of preventive maintenance programs were observed.

In the circumstances, internal controls surrounding transmission reliability, broadcast continuity, and service quality cannot be ascertained.

10.2 Inefficiencies in the Supply of Power and Fuel Management

Physical inspection in September 2025 revealed frequent power outages and irregular fuel supply in several transmission sites, notably Yala, Mazeras, and Bondo. While most sites had standby generators installed, their effectiveness was undermined by lack of fuel imprests, poor servicing, and in some cases, manual operation due to faulty automation systems. At Yala, one of the two generators remained unserviceable for an extended period, while at Mazeras and Vuria, generators were old and highly fuel-inefficient.

In the circumstances, Corporation's ability to ensure continuous broadcasting, particularly during emergencies cannot be ascertained.

10.3 Lack of Security and Safety Controls

Physical inspection in September 2025 revealed a general lack of security infrastructure across multiple stations. Sites such as Kitui, Mbui Nzau, Vuria, and Mrima lacked CCTV surveillance systems, leaving equipment and installations exposed to theft and vandalism. Electric fences were either non-functional or in disrepair, while several sites, including Kitui, lacked fire extinguishers or had expired and uninspected units. At Yala and Nakuru transmission sites, the inadequate fencing and limited security personnel further increased the risk of unauthorized access and encroachment. Further, in Voi and other land holdings, the absence of fencing and signage had led to encroachments and illegal use of KBC property.

In the circumstances, the effectiveness of internal controls surrounding Corporation's security and safety of its infrastructure could not be confirmed.

10.4 Inadequacies in the Management of Assets

Physical inspection in September, 2025 revealed inconsistencies in asset management across sites. While some locations such as Nakuru and Limuru maintained asset registers, they were outdated, with no recent updates or tagging of newly acquired items. Other sites, including Kisumu TX, lacked site-specific asset registers altogether, relying instead on centralized records that hinder accountability and verification. Further, untagged assets such as the equipment donated by China Radio International (CRI) at Mazeras remained unrecorded, creating gaps in asset accountability and increasing the risk of loss or misappropriation.

In the circumstances, the internal controls surrounding management of the corporation's assets could be ascertained.

10.5 Operational Inefficiencies at Regional Offices

Physical inspection in September, 2025 revealed transport and staffing constraints in several regions. The Kisumu TX, Nakuru TX, and Eldoret sites lacked operational vehicles, hindering field operations, content gathering, and technical support. Staffing levels were inadequate at the Nakuru and Eldoret revenue offices, with limited or no personnel assigned to marketing and revenue mobilization functions. As a result, no revenue was generated from some offices during the year under review, indicating underutilization of resources and weak operational oversight.

In the circumstances, the effectiveness and efficiencies of the corporation's regional sites and offices could not be confirmed.

10.6 Failure to Integrate Revenue Collection Platforms

Physical inspection in September, 2025 revealed that revenue offices in Mombasa and Kisumu faced significant operational and system integration challenges. The accounting system was not linked to the eCitizen and Matangazo platforms, leading to reliance on manual processes for tracking airtime invoices and client payments. In Mombasa, the revenue accountant had occasionally used a personal eCitizen account for client transactions, exposing the Corporation to accountability and reconciliation risks. In Kisumu, system downtime following a recent upgrade disrupted advertisement processing and billing workflows, while delayed payment of sales commissions contributed to staff demotivation and reduced productivity.

In the circumstances, the effectiveness of internal controls surrounding corporation's revenue collection system 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 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 Corporation'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 Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2025

Appendix I : Unresolved Prior Year Issues

	Financial Year	Audit Issue
1	2023/2024	Accuracy of the Government of Kenya (GoK) Loan and Accrued Interest
2	2023/2024	Lack of Land Ownership Documents
3	2023/2024	Usupported expenditure for Directors Emoluments
4	2023/2024	Irregular Payment of Board Allowances
5	2023/2024	Misstatement of Property Plant and Equipment
6	2023/2024	Unaccounted Miscellaneous Income
7	2023/2024	Trade Receivables with Negative Balance
8	2023/2024	Payment of Motor Vehicle Insurance for Vehicles Not in Use
9	2023/2024	Unsupported and Inaccurate Inventory balance
10	2023/2024	Non-Provision for Legal Fees in the Financial Statement
11	2023/2024	Payment Vouchers Not Provided for Audit Review
12	2023/2024	Unsupported Bank Balance
13	2023/2024	Invalid Unpresented Cheques
14	2023/2024	Non-Disclosure of a Bank Account
15	2023/2024	Overdrawn Cashbook balances
16	2023/2024	Unsupported Fuel, Lubricants and Oil
17	2023/2024	Unremitted Statutory Deductions
18	2023/2024	Conflict of Interest – Board Chairman
19	2023/2024	Payment of Board Allowances to Non-Board Members
20	2023/2024	Board Retreat Without Approval
21	2023/2024	Irregular Payment of Meal and Accommodation Allowance at the Same Time
22	2023/2024	Number of Board Meetings Exceeding Limit
23	2023/2024	Board Activities Taking Over Management Function
24	2023/2024	Authenticity of Accounts Payable
25	2023/2024	Staff in Acting Capacity for More Than 6 Months
26	2023/2024	Non-Compliance With the Law on Wage Bill
27	2023/2024	Irregular Double Payment of Leave Allowance
28	2023/2024	Non-Compliance With Climate Regulations
29	2023/2024	Procurement Without a Budget
30	2023/2024	Unconfirmed Ownership of Signet Signal Distributors Limited
31	2023/2024	Failure to Safeguard Assets
32	2023/2024	Irregular Allocation of Sauti House Land in Mombasa
33	2023/2024	Failure to Repossess Corporation's Land in Nyali
34	2023/2024	Irregular Leasing Out of Sauti House
35	2023/2024	Lack of Approved Information Communication Technology (ICT) Security Policy
36	2023/2024	Lack of a Human Resource Plan
37	2023/2024	Lack of Updated Human Resource Policy Manual
38	2023/2024	Dilapidated Structures and Health Hazards in Transmitting Stations and Broadcasting House

	Financial Year	Audit Issue
39	2023/2024	Lack of Auto-Switches on the Signet Platform
40	2023/2024	Unsustainable High Electricity and Water Costs
41	2023/2024	Failure to Invoice Several Airtime Orders
42	2023/2024	Manual Monitoring of Revenue from Contracts with Customers
43	2023/2024	Expired Contracts and Irregular Billing for Signet Clients
44	2023/2024	Technical Capacity of KBC Transmission Stations
45	2023/2024	Miscellaneous Findings from Regional Offices
46	2023/2024	Lack of Updating of Finance System in Regional Offices
47	2023/2024	Lack of Clear and Detailed Lease Agreement