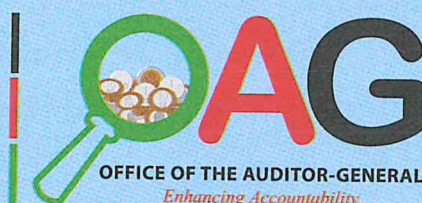


REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA CIVIL AVIATION AUTHORITY

**FOR YEAR ENDED
30 JUNE, 2025**

REPUBLIC OF KENYA



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REPORT OF THE AUDITOR-GENERAL ON KENYA CIVIL AVIATION 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 Civil Aviation Authority set out on pages 1 to 50, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts, for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Civil Aviation Authority at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Civil Aviation Act, Cap.394 of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Inter-Agencies Transaction

The statement of financial position reflects receivables from exchange transactions balance of Kshs.2,136,324,643 and as disclosed in Note 19.25 to the financial statements. The balance comprises an amount of Kshs.2,786,838,450 being gross receivables from exchange transactions which is a net of Kshs.650,513,806 in respect of general and specific provisions for bad and doubtful debts. Included in this balance is an amount of Kshs.34,809,774 owed by Kenya Airports Authority. However, corroboration information from Kenya Airports Authority reflects a balance of Kshs.3,094,771 as payable to Kenya Civil Aviation Authority resulting in an unexplained variance of Kshs.31,715,003.

In the circumstances, the accuracy and completeness of the Inter-Agency transactions could not be confirmed.

2. Lack of Ownership Documents for Assets

As previously reported, the Authority did not have ownership documents for various assets with a total value of Kshs.10,661,950,000. Management explained that various measures are still being pursued through the National Land Commission, Ethics and Anti-Corruption Commission and the Courts of law to ensure that contentious issues are resolved and the assets are reverted to the Authority.

In the circumstances, the ownership of the Authority's land parcels that were in various parts of the country some of which were irregularly allocated to third parties could not be confirmed.

3. Property Allocated to Third Parties

As previously reported, review of land records revealed that three (3) parcels of land belonging to the Authority had been allocated and registered in the names of third parties as shown in the below: -

Property	Acreage
Mtito-Andei-Ngai Ndeithya Settlement Scheme/161	13 acres
Bamburi Staff Housing	Unknown
East African School of Aviation	37 acres

Further, the Public Investment Committee in its 19th Report recommended that the National Land Commission revoke the titles and revert them to the Authority and register all owned parcels of land in its name.

In the circumstances, the existence and ownership of the Authority's land parcels could not be confirmed.

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

Long Outstanding Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs.2,136,324,643 and as disclosed in Note 19.25 to the financial statements. The balance comprised of amounts of Kshs.2,786,838,450 being gross receivables from exchange transactions with a net of Kshs.650,513,806 as general and specific provisions for bad and doubtful debts. However, the ageing analysis for receivables from exchange transactions in Note 19.25(a) indicates that gross receivables balance of Kshs.1,123,286,037 or 41% was outstanding for more than one (1) year.

Further, included in the receivables from exchange transactions is domestic operators balance of Kshs.1,707,899,234 which includes debts owed by Kenya Airways PLC and Kenya Revenue Authority balance of Kshs.1,231,121,574 and Kshs.289,451,383 respectively, totalling Kshs.1,520,572,957 or 89% of total domestic operators' receivable.

In addition, the statement of financial position and as disclosed in Note 19.26(a) to the financial statements reflects receivables from exchange transactions balance of Kshs.655,843,478. The balance includes station imprest balance of Kshs.2,187,115 in respect of a historical balance for the East African School of Aviation in respect of imprest that was a subject of investigation. Although Management has indicated that disciplinary action was taken accordingly, there was no evidence of the disciplinary action taken. The recoverability of the long outstanding balance is doubtful.

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Emphasis of Matter and Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Authority in 2024/2025 revealed that the following five (5) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in Trade and Other Payables
2	2023/2024	Lack of Ownership Documents for Assets
3	2023/2024	Long Outstanding Receivables from Non-Exchange Transactions
4	2023/2024	Long Outstanding Receivables from Exchange Transactions
5	2023/2024	Non-Compliance with Public Sector Accounting Standards Board Reporting Requirements.

Other Information

The Management is responsible for the Other Information set out on page v to Lvi which comprise of Key Authority Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Director General, 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, 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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 December, 2025