REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA ENGINEERING TECHNOLOGY REGISTRATION BOARD

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA ENGINEERING TECHNOLOGY REGISTRATION BOARD 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 Engineering Technology Registration Board set out on pages 1 to 35, 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 effects of the matter 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 Engineering Technology Registration Board 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 Engineering Technology Act, 2016 and the Public Finance Management Act, 2012

Basis for Qualified Opinion

Unsupported Depreciation and Impairment of Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.38,132,856. The depreciation rates for various assets were not disclosed while reversal of depreciation amounting to Kshs.6,947,903 was applied across in all assets. However, the breakdown of the depreciation reversal was not supported.

Further, the amortization policy/rate on the intangible assets was not disclosed and therefore the impairment loss of Kshs.18,766,000 was not disclosed through all the assets in that class identified could not be confirmed.

In the circumstances, the accuracy and completeness of the assets could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Engineering Technology Registration Board Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts in final budget and actual on comparable basis of Kshs.104,466,700 and Kshs.97,287,451 resulting to revenue under-collection of Kshs.7,179,249 or 7% of the budget. However, the Board spent Kshs.46,881,498 against actual receipts of Kshs.79,533,750 resulting to under-utilization of Kshs.32,652,252 or 41% of the actual receipts. Further, the statement reflected final budget on depreciation amount of Kshs.698,623 which is not a budget item but a provision on depreciation charged on assets. The under-utilization affected negatively the planned activities of the Board.

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 effects of the matter 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 Matters

In the prior year audit report, two issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. These include non-compliance with circular on Board of Directors' expenses and non-compliance with Board Committees composition guidelines. Review of the status during audit of the Board in 2024/2025 revealed that the matters remained unresolved.

Other Information

The Management is responsible for the Other Information set out on page v to xxxv which comprise of Key Kenya Engineering Technology Registration Board information and Management, The Board of Directors, Key Management Team, 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 Board's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Weakness in Functionality and Implementation of the Board's ERP System

The State Department for Roads on behalf of Board entered into a contract with a firm for the supply, installation, commissioning, and support of an Enterprise Resource Planning (ERP) System at a total contract sum of Kshs. 44,266,000. The contract comprised of four (4) modules namely; Registration and Licensing, Inventory Management, Procurement Management, and Finance and Accounting, as well as provisions for technical support, licenses, and user training. However, it was observed that the Registration and licensing; and Finance and Accounting modules were partially operational while the Inventory and Procurement modules were completely non- operational.

Further, the ERP System had limited licenses with a maximum of twenty user licenses, which is inadequate considering the institution's mandate and operational needs and despite the substantial contract sum. Although an amount of Kshs.7,600,000 was set aside and paid for technical support, the contract did not clearly define the scope, deliverables, or service level agreement for these services. It was noted that only an amount of Kshs.450,000 was allocated for user training, and only one training session had been conducted since implementation of the system.

In addition, the ERP system was supposed to be integrated with key government systems including KRA, eCitizen, Integrated Population Registration Service (IPRS) and the Business Registration Service (BRS). However, only eCitizen is partially integrated for payments only and the system does not provide a single sign-on, nor end to end services as required.

In the circumstances, the value for money on the ERP system could not be confirmed.

2. Non-Compliance with Regional and Ethnicity Composition

Review of the Human Resources records revealed that the Public Service Commission deployed seventeen (17) officers to the Board. However, it was noted that seven (7) out of the 17 officers (approximately 41%) were drawn from a single community, contrary to Section 7(1) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. This contravenes the constitutional and statutory requirement for fair and equitable representation of Kenya's diverse communities.

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

3. Non-Compliance with Statutory Board Committees Guidelines

The statement of financial performance and Note 11 to the financial statements reflects Board expenses amount of Kshs.3,140,800. Included in this amount is a balance of Kshs.1,852,200 in respect of Board's capacity building and retreats. However, review of records revealed that there were no formal training programs which were conducted for the Board during the year contrary to Section 15 of Mwongozo on Board Induction and Continuous Skill Development, which that State Corporation Boards undertake a competence needs assessment and prepare an Annual Development Plan to address identified skills gaps.

Further, review of the Board's Committee meetings records revealed that the Board members held nine (9) full Board meetings, five (5) Technical Committee meetings, seven (7) Finance and General-Purpose Committee meetings. However, no evidence was provided to prove that approval was sought or obtained for the additional meetings above the capped maximum of six (6) which is contrary to Circular no OP.CAB.9/1A which states that for avoidance of doubt, the Board meetings shall be restricted to a minimum of 4 and capped at a maximum of 6 each financial year. Approval of extra Board meetings above the maximum number was not provided or the reasons why the same cannot be adjudicated in regular meetings.

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

4. Irregular Accumulation of Tax Arrears, Penalties and Interests

Review of correspondence between the Board and the Kenya Revenue Authority (KRA) revealed that KRA had issued a demand notice to the Board for tax arrears, penalties and interest amounting to Kshs.2,514,773. This resulted from the Board's failure to deduct and remit tax on Board members sitting allowances and Chairman honoraria. This was contrary to Section 37 of the Income tax act Cap 470 on Deductions of tax from emoluments states that an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed.

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(s) of the matter(s) 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. Non-Development and Implementation of a Human Resource Plan

Review of correspondences revealed that the Public Service Commission (PSC) approved the Human Resource Instruments for the Kenya Engineering Technology Registration Board. The approved instruments included the Organizational Structure, Grading Structure, and Staff Establishment, which was to be implemented in phases as guided in the letter. However, at the time of audit in November, 2025, the Board had not developed a Human Resource Plan as required by the PSC guidelines. The entity also had not undertaken any formal staff recruitment since its establishment but instead operations were being carried out by seconded staff, interns and casual workers from other Government Agencies.

In the circumstances, the effectiveness of the Board's internal controls on Management could not be confirmed.

2. Delay in Establishment of Engineering Technology Regulations and Policy Framework

Review of the Board's records revealed that Management has not developed Regulations and Policy frameworks/guidelines to operationalize the Engineering Technology Act, 2016. This has led to delay in executing the functions of the Board.

In the Circumstances, the Board lacked guidelines to effectively undertake the functions of the Board.

3. Failure to Achieve Performance Targets

Review of the non-financial information in the statement of performance against predetermined objectives revealed underperformance in planned activities and objectives. The Board developed a strategic plan (2023-2027) with strategic focus on governance, registration and licensing, compliance and professional development. The strategic plan was developed and adopted in April, 2025. However, it was not possible to confirm how policies for financial year 2022/2023 and financial year 2024/2025 were implemented.

In the circumstances, the effectiveness of the Board Performance 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 the Management and The Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Board'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 Board'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

18 December, 2025