REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA FOREST SERVICE

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA FOREST SERVICE 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 Forest Service set out on pages 1 to 55, 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 Forest Service as 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 Forest Conservation and Management Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Lack of Aircraft Insurance Valuation Reports

The statement of financial performance reflects use of goods and services amount of Kshs.2,543,276,962 as disclosed in Note 12 to the financial statements. The amount includes aircraft insurance expenditure amount of Kshs.23,732,576 paid to an insurance company for comprehensive insurance of two (2) aircrafts owned by the Service. However, Management did not provide for audit, aircraft valuation reports and insurance policy.

In the circumstances, the accuracy and completeness of the aircraft insurance expenditure of Kshs.23,732,576 could not be confirmed.

2. Non-Collection of Revenue from Friends of Karura Community Forest Association

The statement of financial performance reflects public contributions and donations amount of Kshs.1,319,863,619 as disclosed in Note 7 to the financial statements. However, review of the ledgers provided for audit revealed that no income was declared from Friends of Karura Community Forest Association (FKCFA).
The Office is planning to undertake a special audit in this area.

Further, the following anomalies were noted in the agreement between FKCFA and the Kenya Forest Service.

i. No financial statements were received from the Friends of Karura Community Association to confirm revenue collected despite a clause in the Forest Management Agreement dated 21 April, 2021 stating that the two parties shall open a joint account where all revenue collected was to be deposited.

ii. For all the previous years, the FKCFA has not submitted certified accounts for review by an external auditor.

The FKCFA was awarded twenty-five (25) years contrary to Participatory Forest Management Plan (PFMPs) that was for five (5) years.

iii. Income generated from the forest is public funds and any associated expenditure should comply with Public Finance Management Act, 2012, Public Procurement and Asset Disposal Act, 2015 and all other government circulars. However, this could not be confirmed without records from FKCFA.

In the circumstances, the accuracy and completeness of revenue from public contributions and donations of Kshs.1,319,863,619 could not be confirmed.

3. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects trade and other receivables from exchange transactions balance of Kshs.513,792,508 as disclosed in Note 23 to the financial statements. Included in the receivables from exchange transactions are debts that had been outstanding for more than three (3) years as at 30 June, 2025 amounting to Kshs.300,248,409. Although review of the debtor's files showed efforts of recovery by Management through demand letters to the clients, the efforts have not yielded positive results to date. No further actions, including any legal procedures have been taken to recover the debts. Further, no provision for bad and doubtful debts was provided in the financial statements.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.513,792,508 could not be confirmed.

4. Anomalies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.2,939,074,501 as disclosed in Note 26 to the financial statements. However, the following anomalies were noted in the balance:

(i) As previously reported, the financial statements reflect property, plant and equipment balance of Kshs.2,939,074,501 out of which a balance of Kshs.656,321,043 relates to the value of buildings owned by the Service in various locations. However, the amount excludes unspecified value of rangers' houses that were constructed and donated to the Service by a Chinese Company. Further, contrary to the requirements of IPSAS 17, the land on which these buildings are erected had not been valued and disclosed separately in the last nine (9) years.

(ii) The Service acquired all the assets of the former Forest Department including land vide legal notice No.151 of 2008 published in the Kenya Gazette Supplement No. 28 of 28 November, 2008. However, out of the two hundred and sixty-five (265) gazetted forest blocks owned by Kenya Forest Service with an acreage of 2,585,526.44 hectares, only seventy-seven (77) blocks have title deeds while the rest lacked title deeds.

(iii) Included in the acreage of land of 2,585,526.44 hectares is land of an undetermined acreage with ongoing ownership court cases between the Service and private parties.

(iv) There was illegal encroachments and excisions on forest land in various parts of the country of which, a total of 555.9 hectares were illegally acquired by private parties in Kipkabus, Tingwa and Ngong forest. Further, in Uasin Gishu County, 29.5 hectares of land had unlicensed operational installations while other parcels of land though licensed remain unpaid by five (5) institutions namely: Ministry of Energy, Kenya Airports Authority, Nabkoi Water Project, Kapsaret Water Project and County Cemetery.

(v) The Service has not revalued its assets as required by IPSAS 17 Section 31 which requires that revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

In the circumstances, the accuracy, valuation, ownership and completeness of the property, plant and equipment balance of Kshs.2,939,074,501 could not be confirmed.

5. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.375,249,778 as disclosed in Note 21 to the financial statements. Review of the bank reconciliation statements in support of the amount revealed the following anomalies

5.1 Dormant Accounts

The Service continued to maintain three (3) bank accounts in two Commercial banks which were dormant. However, the Service continues to incur bank charges which could be avoided.

5.2 Long-Outstanding Receipts in Cash Book Not Reflected in Bank Statement

Review of the bank reconciliation statement for the A.I.A Collection Account for the month of June, 2025 revealed receipts totalling Kshs.10,833,086 recorded in the cashbook but not reflected in the bank statement. These items date back to the years 2014, 2015 and 2016, with no evidence that the discrepancies were investigated and reconciled.

5.3 Outstanding Reconciling Items

- Review of the bank statement for the Building account revealed cash withdrawals amounting to Kshs.744,113 for the year under review which were not recorded in the cashbook.
- Review of the bank reconciliation statements for the month of June, 2025 for KFS College Londiani revealed that receipts amounting to Kshs.473,732 for December, 2022 were recorded in the cash book but not reflected in the bank statement.

5.4 Delay in Updating the Cashbook

Review of the bank reconciliation statement for RFC North Eastern account revealed payments in bank statement not recorded in the cashbook amounting to Kshs.1,801,100 between August, 2024 and April, 2025 resulting not undue delays in posting cashbooks.

5.5 Unremitted Funds from eCitizen

Review of eCitizen cashbook revealed that an amount of Kshs.43,156,891 remained unremitted as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.375,249,778 could not be confirmed.

6. Material Uncertainty Related to Going Concern

The statement of financial position indicates that the Service had current liabilities of Kshs.3,750,515,963 against current assets of Kshs.2,054,284,033 thus resulting to a negative working capital of Kshs.1,696,231,930. The Service is therefore technically insolvent and may not be able to meet its short-term obligations as and when they arise. This is despite a disclosure in the financial statements under the statement of compliance and basis of preparation - IPSAS 1 that the Institution will be in existence for the next one year and will meet its short-term obligations. Further, the Service continued existence as is mainly dependent on financial support from the Government and its creditors.

In the circumstances, these events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Service's ability to continue as a going concern.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Forest Service 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 final receipts budget and actual receipts on comparable basis of Kshs.10,190,000,000 and Kshs.9,815,055,855 respectively resulting in an under-funding of Kshs.374,944,145 or 4% of the budget. Similarly, the Service spent Kshs.10,203,519,663 against actual receipts of Kshs.9,815,055,855 resulting to an over-expenditure of Kshs.388,463,808 of the actual receipts and which approval was not provided for audit review.

The under-funding may have affected the planned activities and impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, 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 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 audit of the Kenya Forest Service in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Long Outstanding Receivables
2	2023/2024	Outstanding VAT Liabilities
3	2023/2024	Anomalies in Property, Plant and Equipment
4	2023/2024	Non-reconciliation of Revenue Collection
5	2023/2024	Unsupported Cash and Cash Equivalents
6	2023/2024	Undisclosed Payables
7	2023/2024	Delay in Rollout of Financial Management Services
8	2023/2024	Unfair Dismissal of Staff
9	2023/2024	Unsustainable High Wage Bill
10	2023/2024	Long Outstanding Legal Cases
11	2023/2024	Irregular Expenditure of Legal Expenses
12	2023/2024	Understaffing of the Service

Other Information

The Management is responsible for the Other Information set out on page iii to liii which comprise of Key Entity 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 the 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 Service'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 USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described on the Basis for Conclusion on Lawfulness and Effectiveness in 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. Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.6,349,782,472 as disclosed in Note 13 to the financial statements. However, the following anomalies were noted;

1.1 Non-Compliance with Mandatory Retirement Age

Review of personnel records revealed that Management retained one officer in service beyond the mandatory retirement age of sixty (60) years. In the year ended 30 June, 2025, the officer earned a consolidated gross salary of Kshs.2,708,159. The date of birth on the national identity card is indicated as 01 January, 1958, which implies that the officer should have retired on 01 January, 2018.

No plausible explanation was provided for the retention of staff beyond the mandatory retirement age and there was no evidence of certificate for persons living with disabilities.

1.2 Engagement of Temporary Employees Beyond Three Months

During the year under review, the Service incurred expenditure totalling Kshs.68,400,431 for temporary employees. Review of the supporting records revealed that the casual workers had been engaged continuously for a period exceeding three (3) months, without formal conversion to fixed-term or permanent employment contracts as required by Section 37 (1)(b) of Employment Act, 2007.

1.3 Payments Made Outside Payroll System

The Service recruited five hundred and seventy-five (575) employees in September 2023, who were formally appointed upon successful completion of on-the-job training in November 2024. However, as at the time of the audit in September 2025, three hundred and five (305) of these employees had not yet been onboarded into the Integrated Payroll and Personnel Database (IPPD) or an equivalent authorized payroll system.

The delay was attributed to failure to upload, review, and approve essential mandatory documents such as both sides of national identity cards, KRA PIN certificates, birth certificates, and passport-size photographs. As a result, the affected employees' monthly salaries were processed and paid outside the official payroll system, contrary to

Regulation 121 of the Public Finance Management (National Government) Regulations, 2015 on payroll certification.

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

2. Inconsistencies in Leases

Review of Community Forest Association leases for Kieni Community Forest Association, Meru Forest Environmental Conservation and Protection Association, Ngong Hills Metro Community Forest Association, Friends of Karura Forest Association, Maragoli Hill Community Forest Association and Dzombo Adjacent Community Forest Association revealed that lease period was for more than the five (5) years contrary to the Participatory Forest Management Plan (PFMPs) which provides for a maximum of five (5) years leases.

In the circumstances, Management was in breach of the lease period set by Participatory Forest Management Plan (PFMPs).

3. Irregular Operations within the Gazetted Forests

Review of entities operating in the gazette forests revealed the following;

i) A registered trust fund has some offices within Karura Forest and conducts sale of seedlings business generating their own income contrary to The National Treasury Circular No. 2 of 2024 that stipulates all government revenue should be generated through eCitizen.

ii) A Restaurant and Karura Forest Environmental Education Trust (KFEET) are currently operating in Karura Forest without a valid KFS license.

iii) The Friends of Karura Community Forest Association (FKFCFA) operates within Karura Forest and collects undetermined revenue which is not remitted to the Service.

iv) As at June, 2025 there were five hundred and six (506) unlicensed facilities which comprised three hundred and three (303) schools, one hundred and two (102) churches, thirty-four (34) dispensaries and health centers twenty-four (24) other government agencies and thirty-nine (39) Telecommunication masts. Management did not provide measures that are being taken to ensure the regularization of generating revenues from these entities.

v) As per licenses records provided for audit, as at 30 June, 2025, one hundred and twenty-four (124) facilities had expired licenses.

vi) The Board through a full board meeting held on 21st January, 2025 approved a request by a limited Company for five (5) acres of land in Ngong Road Forest Sanctuary, Nairobi County for the development of a Lodge and Wellness Retreat Centre. It was further noted that the list for licenses provided indicated that the license was for twenty-five (25) years. However, Management did not provide details on the process of identification of the lodge and retreat, basis of the 5% of the gross turnover net of taxes and payment of performance bond amounting to Kshs.1 million as per the clauses in the special use license Number (LIC118/2024 dated 12

February, 2025. In addition, no evidence of architectural plans and structural drawings and Environment Impact Assessment (EIA) report as per clause 4(a) of the license, was provided for audit.

In this circumstance, the regularity of the leases and value for money on the operations of the gazetted forest could not be confirmed.

4. Grounded Motor Vehicles

Field inspection of selected Kenya Forest Service field stations revealed that nine (9) motor vehicles had not been maintained and were in a dilapidated or non-operational condition. This was contrary to Regulation 166 (4) on asset management of the Public Procurement and Asset Disposal Regulations, 2020 which states that an Accounting Officer of a procuring entity shall take full responsibility of the management or control of inventory and assets and shall ensure that preventive measures and assets movement are tracked.

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

5. Lack of a Training and Development Plan

The statement of financial performance and Note 12 to the financial statements reflects an amount of Kshs.2,543,276,962 which relates to use of goods and services. Included in the amount is Kshs.145,707,808 which was incurred in respect to training expenses. However, Management did not provide for audit, training and development plan approved by the Human Resource Training and Development Advisory Committee (HRTDAC) as required by paragraph 9.14 of the Service Human Resource Policy and Procedure Manual, 2020.

In the circumstances, Management was in breach of the Human Resource Policy and Procedure Manual, 2020.

6. Failure to Implement Public Procurement Capacity Building Levy Order, 2023

The Service engaged various suppliers to supply goods and services, however, it was noted that the procuring entity did not deduct nor remit the 0.03% capacity levy as required in the Public Procurement Regulations and Disposal Act Circular No. 01/2024, REF: PPRDA/6/5 VOL.II (224) dated 30th August, 2024.

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

7. Long Outstanding Legal Cases

As reported previously, Note 12 to the financial statements reflects use of goods and services amount of Kshs.2,543,276,962 which includes legal dues, arbitration and compensation packages amount of Kshs.6,822,447. In the year under review, a total of two hundred and eighteen (218) legal cases were reported. However, some of the cases date far back to year 2008 with ten (10) cases which are sixteen (16) years old are still unresolved. The cases range from evictions from forest land, unauthorized settlement on forest land, irregular gazettement of community land, sale of land marked as forest area, court orders and injunctions, accidents involving the Service vehicles among others.

In the prevailing circumstances, the legal department of the Service has not clearly outlined policies, approaches and ways of countering some of the cases with the intention of getting them cleared fast enough to enable the operations of the Service to be carried on without much interference.

Further, fees paid to the external counsel amounting to Kshs.6,822,447, were not approved and authorized by the Attorney General contrary to requirements of Circular number AG/Circular/2018 dated 1 March, 2018.

In the circumstances, the regularity of the long outstanding legal cases, arbitration and compensation packages of Kshs.6,822,447 could not be confirmed.

8. Long Outstanding Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.396,924,279 as disclosed in Note 28 to the financial statements. However, ageing analysis of the supporting schedule revealed that payables amounting to Kshs.215,850,983 have remained outstanding for a period of more than sixty (60) days. Further, Kshs.89,890,376 or (41%) had been outstanding for more than one hundred and eighty (180) days and were yet to be paid. This was contrary to Kenya Forest Service credit terms and prudent financial management practice. Further, no demand notes for the payments were provided for audit.

In the circumstance, Management was in breach of the credit policy.

The audit was conducted in accordance with the ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 an Approved Housing Policy

The Service has a staff housing policy in place which was drafted in February 2022 and was due for review in February 2025. However, as at the time of audit in November 2025, the policy had not been approved.

In the circumstances, the existence of effective internal controls, risk management and governance structure in the service's staff houses could not be confirmed.

2. Weak Internal Controls in Information and Communication Technology Department

Review of the Information and Communication Technology (ICT) documents of the Service revealed the following omissions: -

(a) The Service does not have an updated information Technology (IT) Policy. The policy in place was due for review in 2021 resulting to lack of clear direction to maintain information security across KFS due to an IT policy that is not updated.

(b) Lack of approved IT strategic plan. The non-establishment of an IT strategic plan could result in IT goals not contributing to the Service's strategic objectives and related costs and Risks.

(c) Lack of an approved IT continuity plan and Disaster Recovery. In case of a disaster, the Service might not be able to recover from such disaster due to lack of disaster recovery plan.

(d) There exist an IT steering committee that has not held meetings since its appointment in January 2025. Inadequate oversight in IT activities. An IT steering committee is important in performing the oversight function and formulation of policies to ensure that IT department functions properly to assist in efficient achievement of organizational objectives

In the circumstances, effective systems of ICT and IT internal control and the measures taken to ensure that they are effective could not be confirmed.

3. Irregular Transfers of Staff

The statement of financial performance reflects employee costs of Kshs.6,349,782,472 as disclosed in Note 13 to the financial statements. The amount includes an expenditure of Kshs.83,041,711 in respect of transfer allowances. However, an analysis of the payroll revealed instances where certain staff members were transferred multiple times within the year. Further, according to the Minutes of the 56th Human Resource and Administration Board Committee Meeting, held on 28 August, 2024, it was noted that the Service lacked a transfer and posting policy, which leads to negative impact on team productivity and operational efficiencies.

In these circumstances, team productivity and value for money on transfer allowances could not be confirmed.

4. Poor Standards of Housing for Forest Rangers

Field inspection conducted in the month of June, 2025 revealed that forest rangers were residing in dilapidated and substandard housing units. The structures lacked essential amenities such as clean water supply, proper sanitation, electricity, and adequate space. In Nyeri, Nyandarua and Kericho stations, rangers were forced to share overcrowded single-room units.

In the circumstances, the rangers' morale and effectiveness in executing duties such as patrols, forest protection, and response to threats could not be confirmed.

9. Poor Integration Between eCitizen Platform and the Oracle Financial System

Review of the Oracle financial system with the eCitizen revenue collections revealed that the Service has not fully integrated its collection system. The total collection as at 30 June, 2025 was Kshs.9,911,030,347. However, not all collections made through eCitizen were automatically or timely reflected in the system because the system used is not connected to eCitizen in real time. Some revenue transactions had to be manually uploaded or reconciled, increasing the risk of delays, errors, or omissions in revenue reporting. This greatly affected the submission and audit of revenue components.

In the circumstances, the efficiency and integrity of the revenue 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 the Management and 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 Service's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable 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 Service'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