REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA LITERATURE BUREAU

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA LITERATURE BUREAU 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 Literature Bureau set out on pages 1 to 38, 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 capital fund and reserves, statement of cash flows and the 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 Literature Bureau 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 Literature Bureau Act, Cap 209 of 1980 (Revised 2012) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables of Kshs.1,049,175,456 as disclosed in Note 13(a) to the financial statements. Included in the balance are receivables of Kshs.251,486,737 which have been outstanding for a period of more than ninety (90) days.

In the circumstances, the accuracy and recoverability of the receivables balance of Kshs.251,486,737 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Literature Bureau 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 revenue budget and actual on a comparable basis of Kshs.1,525,228,929 and Kshs.894,811,279 respectively, resulting to under collection of Kshs.630,417,650 or 41%. Similarly, the Bureau spent Kshs.920,820,060 against a budget of Kshs.1,415,804,063, resulting to an under-expenditure of Kshs.494,984,003 or 35%.

The under collection and under expenditure may have affected planned activities and 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 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's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Foundation in 2024/2025 revealed that the following nine (9) issues remained unresolved as of 30 June, 2025:

No.	Audit Issue
1	Long Outstanding Trade and Other Receivables
2	Unaccounted for Inventories
3	Budgetary Control and Performance
4	Irregular Payment of Acting Allowances
5	Limited Implementation of Human Resource Management Information System
6	Irregular Outsourcing of Printing Services
7	Failure to Align Kenya Literature Bureau Human Resource Policy Manual 2018 to the Public Service Commission Human Resource Policies and Procedures Manual of 2016
8	Slow Moving Book Stocks
9	Understaffing

Other Information

The Board of Directors is responsible for the Other Information set out on pages iii to lv which comprise of Key Corporate Information, Board of Directors, Key Management Team, Chairperson'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 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 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. Irregular Outsourcing of Printing Services

The statement of profit/loss and other comprehensive income reflects revenue from contracts with customers amount of Kshs.1,828,203,885 as disclosed in Note 1(a) to the financial statements. Review of procurement and related documentation revealed that the Bureau outsourced part of its printing services of which the following anomalies were noted:

I. The requisition was not supported by market survey report, contrary to Regulation 71(1)(2) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the user department to submit the requisition for procurement to the head of procurement function for processing, accompanied by feasibility studies or surveys and reports, reasonable expected date of delivery and any other necessary information pertaining to the procurement;

II. The Bureau did not provide a list of outsourced contracts and costs;

In the circumstances, value for money may not have been realized on Kshs.1,828,2023,885 spent on contracts with customers and Management was in breach of the law.

2. Non-Compliance with the Climate Change Regulations

The National Climate Change Action Plan (NCCAP) III 2023-2027 and the Climate Change Act, 2016 on delivery action plan require State Departments and National Public entities to work through their climate change units to integrate NCCAP 2023–2027 into strategies and implementation plans, and to report to the National Climate Change Council on an annual basis on performance and implementation. However, there was no evidence that the Bureau reported annually to the Council on the status and progress of performance and implementation on climate change.

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

3. Failure to Duly Appoint Members to the Board of Directors

The statement of profit/loss and other comprehensive income reflects Kshs.499,124,401 in respect to administration costs, which includes Kshs.9,829,812 in respect to management board expenses as disclosed in Note 4(a) to the financial statements. However, contrary to Section 5(1) of the Kenya Literature Bureau Act, 2012 and Circular No. OP/CAB.91A of March 11, 2020 which prescribe the composition of the Board of Directors of the Bureau, the following three (3) Board membership positions had not been filled as at 30 June, 2025: the Secretary of the National Council for Science and Technology (currently known as National Commission for Science and Technology and Innovation) or a representative, the Principal Secretary responsible for social sciences (currently either ministry of labour and social protection or ministry of public service, gender and affirmative action) and; a representative from the University of Nairobi.

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. Weaknesses in the Management of Text Books Distribution

Review of the book storage, dispatch and distribution process by the Bureau revealed the following control weaknesses;

i. Non-Distribution of Mathematics Learners Books and Teachers Guides

The Bureau entered into two contractual agreements with Kenya Institute of Curriculum Development (KICD) under contract Nos. KICD/KLB/FC/006/CBC/2024-2026 and KICD/KLB/G1-3/016/CBC 2025 respectively to print, package and distribute mathematics course materials for grades 1 to 4 with expected delivery date of 6 May, 2025 and the following expected outcomes;

Contract	Learners' Books	Teachers Books	Grade	Amount (Kshs.)
KICD/KLB/FC/006/CBC 2024-2026	1,176,503	40,809	4	445,951,240
KICD/KLB/G1-3/016/CBC 2025	1,056,536	37,881	3	363,506,232
KICD/KLB/G1-3/016/CBC 2025	1,040,287	37,553	2	357,181,920
KICD/KLB/G1-3/016/CBC 2025	976,854	36,069	1	305,319,660
Totals	**4,250,180**	**152,312**		**1,026,007,812**

Audit inspection of Murang'a, Kirinyaga, Machakos and Kajiado Counties in the month of July, 2025 revealed that no books were delivered in the schools except for Murang'a School for Hearing Impaired, contrary to the agreed timelines on delivery. Given that only two (2) months were left to end of academic year, the books would be utilized by current grades 3, 2 and 1 learners for a short period only, thus affecting smooth curriculum implementation.

ii. Non-Delivery of Adapted Textbooks for Special Schools

During audit inspection of distributed adapted text books for Kerugoya School for the Deaf and Murang'a School for Hearing Impaired, it was established that adapted versions of the text books to suit the special needs learners were not distributed to the schools. Further, it was noted that the schools had not received Kenya Sign Language textbooks despite being part of the contract. In addition, the two schools received Kiswahili and Mathematics textbooks which were not adaptable to the needs of the students while Machakos School for the Deaf received eleven (11) books which were not in the School's syllabus.

In the circumstances, the books distribution process by the Bureau is weak and this may lead to losses of text books and public funds.

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 those Charged with Governance

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) 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 Bureau'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 Management is responsible for overseeing the Bureau'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

03 December, 2025