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OFFICE OF THE AUDITOR-GENERAL
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REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL LABORATORY TECHNICIANS AND TECHNOLOGISTS 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 Medical Laboratory Technicians and Technologists Board set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2025 and the statement of 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 Medical Laboratory Technicians and Technologists 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 Medical Laboratory Technicians and Technologists Act, 1999 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variances in Depreciation and Amortization

The statement of financial performance reflects depreciation and amortization expense of Kshs.1,143,453 while Note 10 to the financial statements reflects depreciation and amortization of Kshs.829,601 resulting to a variance of Kshs.313,852.

In the circumstances, the accuracy and completeness of depreciation and amortization expense of Kshs.1,143,453 could not be confirmed.

2. Misclassification of Taxation Expense

The statement of financial performance and as disclosed in Note 13 reflects taxation of Kshs.15,114,519. Further, the schedule provided for audit reflects taxation paid amount of Kshs.15,149,444 resulting to variance of Kshs.34,925. Further also, taxation paid of Kshs.15.114,514 was wrongly charged in statement of financial performance instead of taxation expense since financing statements have been prepared using IPSAS Accrual basis of accounting and not cash.

Further, audit verifications carried out revealed the tax paid of Kshs.15,114,519 relate to tax paid on previous years surplus amount of Kshs.4,205,215 and VAT on renewal of laboratory licenses of Kshs.10,909,304 according to the schedule provided. However, the Board owes Kshs.29,919,568 to Kenya Revenue Authority (KRA) based on KRA tax assessment done in 2024/2025 financial year relating to surplus for previous years, withholding VAT tax and withholding income tax assessments as detailed below:

	Date of KRA Assessment	Financial Year	Amount (Kshs)
Tax on surplus for the year	27/9/2024	2020/2021 to 2022/2023	27,255,198
Withholding VAT	7/4/2025	2018/2019 to 2021/2022	6,029,974
Withholding income tax	7/4/2025	2017/2018-2021/2022	839,611
Total tax assessments			**34,124,783**
Amount paid in 2024/2025 financial year			4,205,215
Unpaid Tax Liabilities as at 30/6/2025			**29,919,568**

However, the liability of Kshs.29,919,568 was not included as a liability and no disclosure was made in financial statements and the Board had already developed a repayment plan submitted to Kenya Revenue Authority on 21 May, 2025.

In the circumstances, classification of taxation paid of Kshs.15,114,519 was not confirmed and appropriate disclosures were not made in the financial statements and corresponding liability has not been recognized in financial statements.

3. Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 15 reflects receivables from exchange transactions Kshs.56,640,604. However, Management did not provide the supporting schedule, receivables listing and a detailed ageing analysis to support the trade receivables balance.

Further, no provision was made for bad and doubtful debts contrary to Note 30 to the Public Sector Accounting Standard Board which requires public entities to disclose receivables from exchange transactions less impairment allowance.

In the circumstances, the accuracy, completeness and existence of receivables from exchange transactions amounting Kshs.56,640,604 could not be confirmed.

4. Variances and Inaccuracies in Statement of Cash Flows

4.1. Inconsistent Method of Preparing the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalent as at 30 June, 2025 of Kshs.3,050,091 which includes increase in receivables and decrease in payables of Kshs.8,391,706 and Kshs.-5,570,104 respectively which are working capital adjustments.

However the recomputed increase in receivables and increase in payables amounts are Kshs.-5,570,104 and Kshs.8,391,706 as disclosed in Note 18 to the financial statements resulting to variances of Kshs.2,821,602. Further, the net cash flow from operating activities was calculated using direct method and not indirect method. This contravenes Paragraph 27 of IPSAS 2 which states that an entity should report cash flows from operating activities using either the direct method, whereby major classes of .gross cash receipts and gross cash payments are disclosed or the indirect method, whereby net surplus or deficit is adjusted for the effects of transactions of a noncash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs.3,105,072 as at 30 June, 2025 could not be confirmed.

4.2. Variances in Net Cash Flows from Operating Activities

The statement of cash flows reflects net cashflows from operating activities of Kshs.3,105,072 and is not referenced to any Note to the financial statements. However, Note 18 to the financial statements reflect net cash flow from operating activities of Kshs.2,821,602 resulting to variance of Kshs.283,470.

In the circumstances, the accuracy and completeness of net cash flow from operating activities of Kshs.3,050,091 could not be confirmed.

5. Inaccuracies in Statement of Comparison of Budget and Actual Amounts

5.1. Variances in Budget Surplus for the Year

The statement of comparison of budget and actual amounts reflects original and final total expenditure budget of Kshs.246,978,966. However the recomputed origan and final total expenditure budget amount to of Kshs.262,093,485 resulting to a variance of Khs,15,114,519.

Further, the statement of comparison of budget and actual amounts reflects surplus original and final budget for the period of Kshs.281,157,966 while the recomputed deficit for the period amount to Kshs.15,114,519 resulting to a variance of Kshs.266,043,447.

In the circumstances, the accuracy and completeness of original and final budget total expenditure of Kshs.246,978,966 and surplus for the period of Kshs.281,157,966 could not be confirmed

5.2. Variances in Use of Goods and Services Performance Difference

The statement of comparison of budget and actual amounts reflects use of goods and services final budget of Kshs.197,152,466 and actual use of goods and services on a comparable basis of Kshs.151,034,137 resulting to performance difference of Kshs.46,118,329. However, Kshs.31,003,810 was reflected in the statement of comparison of budget and actual amounts as the performance difference of use of goods and services resulting to a variance of Kshs.15,114,519.

In the circumstances, the accuracy and completeness of use of goods and services performance difference of Kshs.31,003,810 could not be confirmed.

6. Non-Compliance with Public Sector Accounting Standard Board Template

Review of the financial statements compared with Public Sector Accounting Standard Board template revealed the following errors, omissions and non-compliance with Public Sector Accounting Standard Board template:

i) The ICPAK member number of the head of finance is not indicated in the statement of financial performance, statement of financial position and statement of cashflows.

ii) The statement of performance against pre-determined objectives does not reflect performance indicators and achievements. Further, Management has deleted table recommended by the Public Sector Accounting Board that tabulates and links each program with strategic objectives, outcome, output indicator and the achievement.

iii) The heading for cost of assets is erroneously referred to as depreciation rate and the total cost of assets for the year under review is erroneously disclosed as 30 June, 2024 instead of 30 June, 2025 in Note 16 on Property Plant and Equipment.

iv) The heading for the Board of Directors report has not specified whether the governing body is the Board or Council. The report has also not specified whether the director is independent or an executive director and whether the director is independent and or whether alternate.

v) The corporate governance statement does not include details on appointment of Board members, process of appointment and removal of directors, the size, diversity, and demographics of the Board, existence of the board charter, roles and functions of the board, board and members' performance, number of Board meetings held and the attendance, Board remuneration among other disclosures required as per the approved template.

   Related parties were not specified and related party transactions and balances were not disclosed in Note 20 to the financial statements.

vi) Appendix on transfers from other government entities was not completed.

vii) Appendix on inter entity transfers was not completed and signed by Head of Accounting Unit disbursing entity and receiving entity

In the circumstances, the financial statements prepared are not fully compliant with Public Sector Accounting Standard Board template and lack adequate disclosures.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Medical Laboratory Technicians and Technologists 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 income budget of Kshs.281,157,966 and total actual income on a comparable basis of Kshs.196,575,270 resulting to revenue shortfall of Kshs.84,582,696 or 30% of final budget.

In the circumstances, the revenue shortfall may have affected implementation of planned activities and service delivery to the citizens.

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 Audit Matters

In the prior years' audit report, 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, respectively. Review of the status during audit of the Board in 2024/2025 revealed that four matters remained unresolved as detailed in the table below:

No.	Issue
1	Long Outstanding Receivables from Exchange Transactions
2	Lack of Board Work Plan, Charter and Gaps in Board Formation
3	Failure to Draft Regulations
4	Lack of Internal Audit and Audit Committee

Other Information

The Directors are responsible for the Other Information set out on page iv to xxii 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 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 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. Long Outstanding Receivables

The statement of financial position and as disclosed in Note 15 to the financial statements reflects receivables from exchange transactions of Kshs.56,640,604 out of which receivables amounting Kshs.46,190,971 or 81% are over three (3) years and Kshs.3,899,452 or 7% are between two (2) to three (3) years. This is contrary to Regulation 64 (1) (a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all national government revenue and other public moneys relating to their Ministries, departments or agencies and adequate measures, including legal action where appropriate, are taken to obtain payment.

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

2. Over Payment of Staff and Irregular Promotions

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects employee costs of Kshs.24,759,626. Audit verification revealed discrepancies between the amounts paid to twelve (12) staff and the salaries stated in the employees' appointment letters. This resulted to overpayment of salaries by Kshs.263,055 contrary to Section C 2(1) of Public Service Commission Human Resource Policies and Procedures Manual for Public Service, 2016 which states that the Public Service salary structure will be based on the grading levels spelt out in the various career progression guidelines. Further, audit verification revealed twelve (12) were irregularly promoted to higher job groups without corresponding documentation or justification.

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

3. Non-Compliance with Recruitment, Shortlisting, and Interview Procedures

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects employee costs of Kshs.24,759,626. Four new staff were recruited in January, 2025 and the following observations were noted:

i) A formal shortlisting summary prepared by the Head of Human Resource was not provided contrary to clause 2.16.1 of the Kenya Medical Laboratory Technicians and Technologists Board human resource policy and procedures manual which states that the Head of Human Resource shall prepare and maintain summary of all applications was not provided.

ii) The shortlisting criteria and scoring matrix indicating whether the candidates met the minimum advertised requirements was not provided.

iii) The interview summary report was not prepared, signed by all panel members or submitted to the Registrar/CEO within 21 working days after the last interview, contrary to clause 2.17.4 and clause 2.17.5 of the Kenya Medical Laboratory Technicians and Technologists Board human resource policy and procedures manual which states that the interview panel shall prepare a summary report of the interview and selection process.

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 Member with Financial Expertise in Board Composition

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects board expenses of Kshs.3,180,500. Review of Board members records revealed that the Board comprises ten (10) members but none of whom possess the requisite financial expertise contrary to Chapter 1.1(6) of Mwongozo Code of Governance which states that at least one board member should be a financial expert, and is a bona-fide member of a professional body regulating the Accountancy profession, and in compliance with the requirements thereof.

In the circumstance the Board lacks the requisite expertise to handle its functions effectively.

2. Lack of Board Evaluation on Performance

The statement of financial performance and as disclosed in Note 9 to the financial statements. reflects board expenses of Kshs.3,180,500 However, the Board of Directors did not carry out the annual performance evaluation for the Board as a whole, its committees, individual members, the Chairperson, the Acting Registrar and the Corporation Secretary as stated in the Mwongozo code of governance for state Corporations contrary to Chapter 1.12 (1) and (2) of the Mwongozo Code of Governance for State Corporations, 2015 which states that the Board shall undertake an annual evaluation of its own performance, that of its committees, individual members, the Chairperson, and the Chief Executive Officer and the Corporation Secretary.

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

3. Failure to Carry Out Internal Audit

During the year under review no internal audit work report was carried out contrary to Section 73(1)(a) of Public Finance Management Act, 2012 which states that every national government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. This raises concerns regarding the adequacy of internal oversight and assurance on Fund-specific risks, controls, and performance.

In the circumstances, the effectiveness of internal control could not be confirmed.

4. Lack of Various Policies and Manuals in Place

Audit verification carried out of Kenya Medical Laboratory Technicians and Technologist Board revealed that the entity did not have approved institutional policies, manuals and documents on key functional areas such as asset management policy, IT Policy, disaster recovery plan, back up and retention strategy and risk management policy. This contravenes Section 66(1)(c) of Public Finance Management Act, 2012 which states that subject to the Constitution, the accounting officer of the Judiciary, Parliamentary Service Commission, constitutional commissions and independent offices shall monitor, evaluate and oversee the management of public finances in their respective entities, including the implementation of financial policies in relation to public finances.

In the circumstances, the effectiveness of internal controls could not be confirmed.

5. Failure to Carry Out Risk Assessment

Audit verifications carried out revealed that the Board did not have any risk assessment framework nor risk register in its possession contrary to Regulation 165(1)(a) and (b) of Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations. Also, it was evident that the entity was not fully aware of the risks that may emanate from its running given they had never carried out any risk assessment to identify any potential threats and how to respond to them.

In the circumstances, the effectiveness of risk management strategies could not be confirmed.

6. Lack of IT Strategy Committee

Audit verifications carried out revealed that the board had not constituted the IT Strategy Committee as there were no minutes provided for its meetings. This is contrary to Section 9.2(a) of ICT Authority IT Governance Standard ICTA.5.002.219 which states that Ministries, Counties, and Agencies (MDAs) and Counties shall establish an IT Strategy Committee to provide strategic advice on ICT initiatives and investments to the board

In the circumstances, the effectiveness of Information Communication Systems could not be confirmed.

7. Lack of IT Strategic Plan

Audit verifications carried out revealed that the Kenya Medical Laboratory Technicians and Technologists Board does not have an IT Strategic plan in place contrary to Section 6.4 (b) of ICT Authority IT Governance Standard ICTA-5.002: 2019 on IT Strategy which states that the Ministries, Counties, and Agencies (MCDA) shall prepare and maintain an ICT strategic plan with a clear IT vision and mission that defines how the Ministry, County, and Agency (MCDA) plan to improve internal services and services to businesses and citizens.

In the circumstances, the effectiveness of Information Communication systems 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 Board 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/Board are responsible for overseeing the Board 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

11 December, 2025