REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA NATIONAL COMMISSION FOR UNESCO

FOR THE YEAR ENDED 30 JUNE, 2025

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REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL COMMISSION FOR UNESCO 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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

Opinion

I have audited the accompanying financial statements of Kenya National Commission for UNESCO set out on pages 1 to 44, 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, the financial statements present fairly, in all material respects, the financial position of Kenya National Commission for UNESCO 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 Kenya National Commission for UNESCO Act, 2013 (Revised 2014) and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Commission for UNESCO 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 opinion.

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. There were no key audit matters to report in the year under review.

Other Matter

In the prior year's audit report, several issues were raised under the Report on Financial statements, Lawfulness and Effectiveness in the Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Commission in 2024/2025 revealed that the following five (5) matters remained unresolved;

No.	Issues
1.	Long Outstanding Trade and Other Payables Balance
2.	Long Outstanding Imprests
3.	Board of Directors not Properly Constituted
4.	Understaffing of the Commission
5.	Lack of Annual Review of the Internal Audit Function

Other Information

The Directors are responsible for the Other Information set out on pages viii to lxxvii which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Commission'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 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 Impests

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.39,270,046 as disclosed in Note 16 to the financial statements which includes staff imprests balance of Kshs.1,179,030. Included in Kshs.1,179,030 is a balance of Kshs.1,062,360 which has remained outstanding since year 2022. This was contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that, 'a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station'.

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

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.43,177,223 as disclosed in Note 21 to the financial statements. Included is accounts payables balance of Kshs.8,120,539 which has been outstanding for over two (2) years. Failure to settle bills during the year to which they relate may adversely affect the budgetary provisions of the subsequent year to which they are charged as they form a first charge contrary to Regulation 42 of the Public Finance Management (National Government) Regulations, 2015.

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

3. Officers Serving in Acting Capacities for More than Six Months

The statement of financial performance reflects an amount of Kshs.115,792,333 in respect of employee costs as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.11,980,564 relating to other employees related costs, out of which an amount of Kshs.3,355,170 is in respect to acting allowances paid to six (6) officers. This was contrary to Section C.14 (1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 on Acting Allowance which states that, 'when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months'.

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

4. Lack of Lease Agreement Between Kenya National Commission for UNESCO and the National Bank

The statement of receipts and payments reflects use of goods and services amount of Kshs.178,311,198, as disclosed in Note 10 to the financial statements. This amount includes rent expenses amount of Kshs.29,869,536. However, review of records revealed that although the Commission leased office premises from the National Bank, no formal Lease Agreement was executed to support or govern the tenancy arrangement. Further, although the Commission sought approval from the Attorney General regarding the lease, the Attorney General, through a letter dated 13 November, 2024 Referenced AG/CONF/19/135(Vol III), advised the Commission to comply with the guidelines issued under The National Treasury Circular dated 18 January, 2024, Referenced NALM/2/34/(18), relating to the leasing of properties for office accommodation. However, the advisory was contested by the National Bank through their appointed agent, via a letter from their legal representative dated 22 August 2025, Referenced M&M/NBK/ CONV/2025/KNCUNESCO, resulting in a stalemate that has left the lease process incomplete and without the required legal documentation. Further, the Commission did not engage the Chief Government Valuer to assess the propriety and fairness of the rental value of the offices as required under government leasing procedures.

In the circumstances, the Commission is occupying the premises without a valid lease agreement and without valuation confirmation from the Chief Government Valuer, thereby exposing it to legal, financial, and compliance risks.

5. Irregular Procurement of a Hotel Conference Facility

The statement of financial performance reflects an amount of Kshs.178,311,198 in respect of use of goods as disclosed in Note 10 to the financial statements. The amount includes Kshs.99,761,071 paid to resource persons for trainings held during the year, out of which Kshs.598,500 was paid to a hotel on a conference package during preparation of financial statements for 2023/2024 financial year. However, review of the quotations revealed that the hotel quoted the highest evaluated price.

This was contrary to Section 106(3) of the Public Procurement and Asset Disposal Act, 2015 which states that, 'the successful quotation shall be the quotation with the lowest price that meets the requirements set out in the request for quotations".

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 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 effects of the matter described in the Basis for Conclusion on the 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

Failure to Constitute KNATCOM Full Board

The statement of financial performance reflects Board expenses amount of Kshs.12,399,029 as disclosed in Note 12 to the financial statements. According to Section 6 of the KNATCOM Act, 2013 (Revised 2014) the Board is composed of eleven (11) members, excluding the Commission's Secretary. However, review of the Board appointments revealed that only seven (7) positions were duly filled, leaving four (4) positions vacant. As such, the Commission's Board was not properly constituted.

In the circumstances, the Board may lack the capacity to provide effective oversight, which could weaken its governance and decision-making roles

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 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 Commission'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 are responsible for overseeing the Commission'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

28 November, 2025