REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA NATIONAL EXAMINATIONS COUNCIL

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL EXAMINATIONS COUNCIL 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 aim to address the Auditor-General's statutory roles and responsibilities 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 the Kenya National Examinations Council set out on pages 1 to 71, 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 Examinations Council 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 Examinations Council Act, 2012 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 Examinations Council 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.

Material Uncertainty Related to Going Concern

The Council reported deficit for the year amounting to Kshs.1,007,131,031, increasing the accumulated deficit as at 30 June, 2025 to a balance of Kshs.2,792,105,940. Further, the statement of financial position reflects current liabilities and current assets balances of Kshs.2,817,571,719 and Kshs.694,878,622 respectively, resulting to a negative working capital of Kshs.2,122,693,097. The Council is therefore technically insolvent and its continued operations as a going concern will depend on the continued support from the Government, donors and creditors.

In the circumstances, Management is unable to meet its obligations as and when they fall due.

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

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on 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 Council in 2024/2025 revealed that the matters detailed in Appendix I remained unresolved.

Other Information

The Council is responsible for the Other Information set out on pages iv to lxxii which comprise of Key Entity Information and Management, The Council of Directors, 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 Council and the Statement of Council Members' Responsibilities, The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Council'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 effects of the matter 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

Delayed Completion of the Mitihani House

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.4,714,885,686 as disclosed in Note 27 to the financial statements. Included in the balance is work in progress balance of Kshs.3,773,773,697 in respect of New Mitihani House in South C Nairobi. The Council has been constructing the New Mitihani House with ongoing works since 1986 (now thirty-nine (39) years). As at the time of the audit in October, 2025, the project was still incomplete although the Council had done some work through funds raised internally, to ensure usability of some floors in Towers A and B. Further, all staff of the Council are now housed in the South C building, from the previous five locations around Nairobi. In addition, the project had not received funding causing it to stall.

In the circumstances, the delays in the completion of the project, now going into four (4) decades, may lead to cost escalation due to inflationary pressures and the Government may not get value for money spent on the project.

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, 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. Failure to Undertake Revaluation for Fully Depreciated Assets in Use

The statement of financial position reflects balances of Kshs.4,714,885,686 and Kshs.6,576,748 in respect of property, plant and equipment and intangible assets as disclosed in Notes 27 and 30 to the financial statements respectively. However, included in the list of fixed asset registers are assets costing Kshs.2,555,294,204 as shown below, which had been fully depreciated as at 30 June, 2025 but not revalued yet the Council still obtains economic benefits from their use:

Name	**Cost (Kshs)**
Motor Vehicles Including Motorcycles	175,174,783
Office Equipment	778,018,276
Computers	1,081,691,026
Furniture	219,420,973
Partitions and Fittings	115,362,004
Intangible assets	185,627,142
Total	**2,555,294,204**

In the circumstances, Management may not obtain economic benefit from the fully depreciated and amortized assets.

2. Long outstanding Receivables from Non- Exchange Transactions

The statement of financial position reflects nil balance in respect of receivables from non-exchange transactions as disclosed in Note 24 to the financial statements after full provision for bad debts balance of Kshs.44,415,956. The provision relates to long outstanding debts due from TVET–CDACC, which have been outstanding for a period exceeding two (2) years.

In the circumstances, debt management by the Council is weak.

3. Incomplete Fixed Assets Register

Review of the fixed assets register revealed omissions of key details for specific assets, such as year of purchase, location details and office equipment tag numbers.

In the circumstances, incomplete asset records may result in loss, mismanagement or misuse of the assets.

4. Understaffing of the Council

As previously noted, the Council had four hundred and thirty-five (435) staff in post against an authorized establishment of seven hundred and twenty (720), resulting in a staff shortage of two hundred and eighty-five (285).

In the circumstances, the Council may be hindered from achieving its objectives with the existing staff shortages.

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 Council '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 Council'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

05 November, 2025

Appendix I

Unresolved Prior Year Audit Matters

1. Long Outstanding Imprests

The statement of financial position reflects prepayments and receivable from exchange transactions balance of Kshs.151,048,044 as disclosed in Note 24 to the financial statements. Included in the balance is staff receivables-Imprests balance of Kshs.34,152,655 which have been outstanding for periods exceeding ninety (90) days. This was contrary to Regulation 92 (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 addition, the schedule provided did not contain the details of warrant numbers. Management has however not instituted measures to recover the long outstanding imprests while in breach of the law.

2. Long Outstanding Trade and Other Payables

The statement of financial position in reflects a balance of Kshs.520,507,480 in respect of trade and other payables as disclosed in Note 31 to the financial statements. Included in the balance are trade creditors totalling Kshs.19,388,351 which have been outstanding for periods exceeding over 90(ninety) days. This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates'. Further, failure to settle bills during the year to which they relate adversely affects the implementation of the subsequent year's budgeted programs as the outstanding bills form a first charge to that year's budgetary provision.

3. Delayed Completion of the Mitihani House

As previously reported, the statement of financial position reflects property work in progress balance of Kshs.3,668,673,467 as disclosed in Note 27 to the financial statements. The Council has been constructing the New Mitihani House South C Nairobi with ongoing works since 1986 (now thirty-eight (38) years). As at the time of the audit in December, 2024, the project was still incomplete although the Council had done some work through funds raised internally from savings of rent, to ensure usability of some floors in Towers A and B. Further, all staff of the Council are now housed at South C, from the previous five locations around Nairobi. In addition, the project had not received funding for the project causing it to stall.

4. Negative Impact on Implementation of Government Policies on Dynamics or Reformations in the Education Sector

Review of Section 45(1)(c) of the Technical and Vocational Education and Training Act, 2013 revealed material discrepancy in the directives issued through Circulars referenced MOE/VTT/2/45 dated 26 July, 2023 and MOE/VTT/11/5 VOL.1V dated 5 October, 2023 respectively. Section 45(1) of the Technical and Vocational Education and Training Act, 2013 provides for issuance of certificates to candidates who satisfy national TVET examination and competence assessment requirements. However, this is the mandate of The Council as stipulated in Section 10(a) and 11(1)(c) of The KNEC Act, 2012 which states that,' the Council shall have, for the furtherance of its objects and purposes, the following powers and duties

— to conduct such academic, technical and other examinations within Kenya as it may consider desirable in the public interest. The funds of the Council shall be composed of— such fees or other charges paid to the Council by candidates for examinations.

The above circulars were communicated to all principals that the assessment of exams and certification of national polytechnics, institutes of science and technology and technical and vocational colleges to be done by TVET Curriculum Development, Assessment and Certification Council. The contradiction means that The KNEC Act, 2012 will no longer manage and certify national examinations related to TVET.

The conflicting laws highlighted above may affect the going concern of the Council. In addition, recreation of a credible assessment and certification platform for TVET may lead to wastage of public resources through recruitment of new staff while laying off skilled personnel. Further, the ongoing reforms in Technical Vocational Education and Training (TVET) Sector and implementation of Competency Based Education and Training Programmes and Competency Based Education and Training Model (CBET) may not proceed smoothly as envisaged.

5. Failure to Integrate Invoicing and Receipting Systems

The statement of financial performance reflects examination fees amount of Kshs.3,079,981,425 as disclosed in Note 7 to the financial statements. The Council utilized the Exam Processing System (EPS), which is an automated application, to handle examination fee invoices. Examination of the processed invoices revealed absence of invoice numbers while the system's invoices were not synchronized with the nominal roll and various bank collection accounts, preventing the linkage of each payment to its corresponding invoice and nominal roll. Further, once payments are made by institutions, the Council manually retrieves bank slips for reconciliation, between actual collections in the bank accounts and what has been invoiced by the system, an indication of weak controls over the receipting process.

6. Understaffing of the Council

Review of the Council's staff establishment revealed seven hundred and twenty (720) positions approved with in-post staff of four-hundred and ten (410) resulting to a staff shortage of three hundred and ten (310). Understaffing in the departments affects the Council's effective delivery on its mandate and the available staff may be overstretched.