REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA PLANT HEALTH INSPECTORATE SERVICES

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA PLANT HEALTH INSPECTORATE SERVICES 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 Plant Health Inspectorate Services set out on pages 1 to 41, 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 Plant Health Inspectorate Services 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 Plant Health Inspectorate Service Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variance between Revenue from Exchange Transactions and Amount Reflected in E-Citizen Platform

The statement of financial performance reflects rendering of services amount of Kshs.2,118,756,000 as disclosed in Note 8 to the financial statements. However, records from the E-Citizen platform indicate an amount of Kshs.1,802,924,937 out of which Kshs.1,777,351,772 was transferred back to the Inspectorate thus resulting to an amount of Kshs.25,573,165 not transferred from the National Treasury. This results in an unexplained and unreconciled variance of Kshs.315,831,063. Further, it could not be confirmed why the balance was not transferred during the financial year under review and when these funds would be made available to the Inspectorate.

In the circumstances, the completeness validity and accuracy of the rendering of services amount of Kshs.2,118,756,000 could not be confirmed.

2. Lack of Ownership of Land Documentation and Encroachment

The statement of financial position reflects property, plant and equipment balance of Kshs.3,151,197,000 as disclosed in Note 26 and Note 27 to the financial statements which include eleven (11) parcels of land valued at Kshs.2,350,450,000. Included in the land balance are two (2) properties situated in Nakuru and Kitale valued at Kshs.1,241,250,000. However, the ownership documents were not provided for audit. In addition, the land in Kitale is encroached by private land developers and recovery of the encroached land within Kitale Municipality has not been successful and Inspectorate risks losing the land through encroachment.

In the circumstances, the ownership of the parcels of land valued at Kshs.1,241,250,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Plant Health Inspectorate Services 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 reflect approved estimates and actual receipts of Kshs.2,049,940,000 and Kshs.2,225,504,000 respectively resulting to an over receipts of Kshs.253,740,000 or 9% of the budget. Similarly, the Inspectorate spent a total of Kshs.2,001,343.,000 against actual receipts of Kshs.2,225,504,000 resulting to an under-utilization of Kshs.224,161.000 or 11% of the actual receipts.

The underutilization affected the planned activities and programmes, which may have impacted negatively on effective 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 effect of the matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the previous year's audit report, several issues were raised under the report on financial statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management, and Governance. However, management did not submit a report demonstrating how the recommendations and findings of the prior year's audit were addressed, nor did they provide evidence supporting the resolution of the issues indicated as resolved. For the unresolved matters, management also failed to provide explanations for not implementing the recommendations. The issues raised in the 2023/2024 audit report are listed below:

(i) Inconsistencies in Property Plant and Equipment
(ii) Variance between revenue from exchange transactions and amounts reflected in E-citizen platform
(iii) Negative working capital
(iv) Long outstanding receivables from exchange transactions
(v) Failure to align notes to the financial statements
(vi) Officers in acting position beyond the stipulated time period
(vii) Audit of climate regulations

(viii) Non-compliance with rights and privileges of Persons with Disabilities (PWD)
(ix) Long outstanding trade and other payables
(x) Failure by the board of directors to approve the budget within the required timelines
(xi) Absence of Management Budget Committee

Other Information

The Directors are responsible for the Other Information set out on page iv to xl which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Managing Director's Statement, 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 Inspectorate'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 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. Non-Compliance with Law on Fiscal Responsibility Principal Wage Bill

The statement of comparison of budget and actual amounts reflects the total expenditure on employees of Kshs.898,908,000 against a total actual revenue of Kshs.2,225,504,000 representing forty percent (40%), while the total of capital and development expenditure are Kshs.88,920,000, representing only four percent (4%) of the actual revenue. This is contrary to Regulation 26 of Public Finance Management

Regulations, 2015 which requires that national government's expenditure on compensation of employees (including benefits and allowances) shall not exceed 35% of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the national government and that the national government expenditure on development shall be at least thirty percent in line with the requirement under Section 15(2)(a) of the Act.

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

2. Long outstanding Receivables from Exchange Transaction

The statement of financial position and Note 21 to the financial statements reflect receivables from exchange transactions balance of Kshs.61,074,000, comprising gross receivables of Kshs.88,352,000 and a provision for doubtful debts of Kshs.27,278,000. Review of the ageing analysis of service debtors indicated that Kshs.22,326,218 has been outstanding for more than three (3) years.

In the circumstances, the recoverability of the long outstanding receivables of Kshs.22,326,218 could not be confirmed.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 Inspectorate'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 inspectorate'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

17 December, 2025