REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA PORTS AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA PORTS AUTHORITY 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 Ports Authority set out on pages 94 to 158, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, 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 Ports Authority 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 Ports Authority Act, Cap 391 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Bank and Cash Balances

The statement of financial position for the year ended June, 30 reflects Bank and Cash balance of Kshs.2,061,274,000 as disclosed in Note 24 to the financial statements. Analysis of bank reconciliations revealed long outstanding uncredited receipts in three (3) bank accounts of United States Dollar (USD) 3,581,438 (equivalent of Kshs.462,005,502) and Kshs.19,755,591 from various uncredited income entries dating back to August 2017.

In the circumstances, the accuracy and completeness of the reported bank and cash balances of Kshs.2,061,274,000 could not be confirmed.

2. Property Plant & Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.326,548,150,000 as disclosed in Note 11 to the financial statements. The balance includes plant equipment, motor vehicles and furniture with a net book value of Kshs.53,136,508,000. However, the assets register provided in support of the of the Note indicates a net book value of Kshs.53,041,344,477 resulting to a variance of Kshs.95,163,523 which has not been reconciled. Further, assets with a net book value of Kshs.3,149,082,723 were transferred to the Authority by Kenya Railways Corporation and were in possession and use by the Authority. However, the management did not provide evidence of transfer of ownership documents of the assets.

In addition, physical verification of the assets at Eldoret Inland Container Depot (ICD) valued at Kshs.556,112,000 and assets at Kisumu ICD of unknown value revealed that the assets were idle and not in use. However, the assets were not impaired in accordance with Paragraph 12 (g) of IAS 36 which states that if the economic performance of an asset is, or will be, worse than expected is an indication of impairment of the asset.

In the circumstances, the completeness, accuracy, ownership and disclosure of property, plant and equipment balance of Kshs.326,548,150,000 could not be confirmed.

3. Presentation and Disclosure of Leased Property Balance

The statement of financial position reflects a leased property balance of Kshs.556,112,000 as disclosed in Note 13 to the financial statements. The property is in respect of assets at Eldoret Inland Container Depot. However, review of the underlying lease agreements, revealed that the lease had since expired yet the assets were disclosed in the financial statements as leased assets.

In the circumstance, the accuracy, presentation and disclosure of leased assets of Kshs.556,112,000 could not be confirmed.

4. Inventories Balance

The statement of financial position reflects an inventory balance of Kshs.883,703,000, as disclosed in Note 21 to the financial statements. The Note indicated nil provision for obsolete stock. However, review of the stock records revealed obsolete stock valued at Kshs.22,631,752. This is contrary to the provisions of Paragraph 9 of IAS 2 which requires inventories to be measured at the lower of cost and net realizable value. Further, two hundred and twenty-seven (227) stock items had Nil values in the stock reports. Management indicated that the stock items were back up spares supplied with newly purchased equipment resulting in understatement of inventory and overstatement of the equipment where spares are wrongly capitalized together with the cost of the plant cost.

In the circumstances, the accuracy and completeness of inventories of Kshs.883,703,000 could not be confirmed.

5. Long Outstanding Rent Debtors

The statement of financial position reflects receivables and prepayments of Kshs.21,432,018,000 as disclosed under Note 22 to the financial statements. Included in the balance is Kshs.54,202,625 in respect of long outstanding debts for tenants at ICD Nairobi. Examination of the tenancy records maintained by the Authority revealed five (5) tenants had expired letters of offer while another tenant had not paid rent since occupying the premises on 1 July, 2022. Further, the occupants of the premises were not paying rent due to expired letter of offer but continued enjoying tenancy. Management did not explain why the lease had not been executed. In addition, seven (7) tenants were found to have been allowed to take occupancy of the premises without paying the initial required deposit before occupancy.

In the circumstances, the recoverability and validity of the rent receivables of Kshs.54,202,625 could not be confirmed.

6. Unsupported Accrued Expenditure

The statement of financial position reflects trade and other payables of Kshs.17,808,119,000 as disclosed in Note 31 to the financial statements. The balance includes Kshs.1,906,381,000 in respect of accrued expenditure. Review of the expenditure general ledger and supporting records for the accruals revealed that, repairs expenses of Kshs.334,039,895, corporate social responsibility expenditure of Kshs.99,072,039 and legal expenditure of Kshs.51,247,175 were accrued but not supported by goods received notes, work completion certificates, or interim payment certificates (IPCs), and evidence that services had been rendered.

Further, accrued expenditure in respect of legal expenses were in respect of fee notes of financial years 2021/2022, 2022/2023 and 2023/2024. The management did not provide explanation why the same had not been accrued in the previous financial years' contrary to provisions of Paragraph 27 of IAS 1 which requires an entity to prepare its financial statements except for cash flow information using the accrual basis of accounting.

In the circumstances, the accuracy and occurrence of accrued expenditure of Kshs.1,906,381,000 could not be confirmed.

7. Returns on Investments Below Cost

The statement of financial position reflects property plant and equipment and leased assets balances of Kshs.326,548,150,000 and Kshs.556,112,000 respectively as disclosed in Notes 11 and 13 to the financial statements. The leased assets of Kshs.566,112,000 comprises of individual buildings, services & systems and basic construction at Eldoret ICD that had not been operational since acquisition of the assets. The management has not explained the investments which had not generated any returns associated with the Authority's mandate and which continues to spend resources through maintenance and loss of value through depreciation.

Further, included in the PPE balance of Kshs.326,458,150,000 is investment in Lamu Port Project assets of Kshs.51,310,518,512. The assets were acquired at different dates and capitalized since 1994 as per the asset capitalization entries. However, the investment generated revenue amounting to Kshs.136,987,512 (2024) and Kshs.59,637,782 (2025) translating to a negative return on investment considering the recurrent expenditure incurred by the Authority of Kshs.684,161,889 (2024) and Kshs.849,139,106 (2025).

In addition, the Authority operates a Port at Kisumu following the transfer of the investment from Kenya Railways Corporation. Kisumu ICD forms part of the Authority's assets with a net book value of Kshs.1,853,238,977. Revenue generated from the port amounted to Kshs.13,737,714 (2024) and Kshs.36,398,711 (2025) but expenses amounted to Kshs.189,305,562 (2024) and Kshs.113,220,334 (2025) resulting to a negative net revenue. The ICD at Kisumu is not operational and the management has not provided evidence of plans or strategies to revive the investment.

In the circumstances value for money on investments and valuation of property plant and equipment and leased assets of Kshs.326,548,150,000 and Kshs.556,112,000 respectively could not be confirmed.

8. Variance in E-Citizen Receivables Balance

The statement of financial position reflects receivables and prepayments balance of Kshs.21,432,018,000 as disclosed in Note 22 to the financial statements. The balance includes E-citizen receivable balance of Kshs.204,449,000. However, E-citizen revenue accountability statements reflects payables balance of Kshs.70,233,758 resulting in unreconciled variance of Kshs.134,215,242.

In the circumstances, the completeness and accuracy of E-Citizen receivable balance of Kshs.204,449,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Ports Authority 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

Unresolved Dispute in Take or Pay Arrangement

Reference is made to Note 39 ii to the financial statements on related party transactions which states that the Standard Gauge Railway Take or Pay Arrangement (TOPA) places the Authority as a guarantor for minimum traffic and commits to paying Kenya Railways Corporation (KRC) any shortfall. The arrangement increases the level of commitment and hence the risk on the Authority's cashflows. Review of records revealed that Kenya Railway Corporation demanded settlement of USD.45,894,680 (equivalent of Kshs.5,934,182,092) claimed to have been retained by the Authority instead of transfer to escrow account contrary to Paragraph 6 (B) of TOPA governing loan repayment. Further analysis of the revenue collections revealed that the amount demanded comprised of USD.43,949,791 volume discounts issued to customers (Container Freight Stations railing cargo to Inland Container Depot-Embakasi) following KRC written instructions to the Authority to issue volume discounts and USD.1,944,889 which relates to disputes and uncollected cargo. The Authority disputed the demand on the aforementioned basis and the two parties have continued to engage in meetings in a bid to resolve the matter. However, the matter had not been resolved as at 30 June, 2025.

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 audit report of the previous years, 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 as analysed in **Appendix 1**. The issues remained unresolved as at 30 June, 2025.

Other Information

The Directors are responsible for the Other Information set out on page 1 to 84 which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, The Year in Review, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, 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 Authority'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 Guidelines on Directors Allowances

The statement of profit or loss and other comprehensive income reflects administrative expenses of Kshs.5,516,697,000 as disclosed in Note 8 to the financial statements. The amount includes Kshs.89,188,000 in respect to directors' allowances. Review of the supporting schedules and related records for this expenditure revealed that the expenditure exceeds the limit set in Office of the President Circular No. OP/CAB.9/1A on Management of State Corporations which provides that Board expenses for any financial year shall be capped at Kshs.30 million or 5% of the operations and maintenance budget, whichever is lower.

Further, examination of expenditure records revealed that expenses relating to Board activities including the board's meeting facilitation, transport, and logistics totaling to Kshs.30,606,878 were expensed against development studies budget contrary to Part 3.0 (VIII) of The National Treasury Circular No. 2/2024, which states that it is irregular for any State Corporation to charge Board-related expenses to any vote other than the approved Board expenses budget. In addition, the schedule of payments made to each director for various activities and meeting attendances was not provided for audit.

In the circumstance, the Management was in breach of the law and value for money on directors' allowance of Kshs.89,188,000 could not be confirmed.

2. Non-Compliance with the Law on Expenditure Commitment

The statement of financial position reflects trade and other payables balance of Kshs.17,808,119,000 as disclosed in Note 31 to the financial statements. Review of records provided in support of the balance including the local purchase and service orders indicated that Kshs.453,229,310 was in respect of orders committed by the management after 31 May, 2025. However, the management did not provide evidence that the orders were committed with written approval of the accounting officer as required by Regulation 51(1) of the Public Finance Management (National Government) Regulations, 2015 which states that all commitments for supply of goods or services shall be done not later than 31 May, each year except with the express approval of the accounting officer in writing.

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

3. Proposed Improvement of Mbaraki Sports Ground and Upgrading of Running Track to Athletic Tartan Standard.

The Authority entered into a contract for improvement of Mbaraki sports ground and upgrading of running track to athletic tartan standard through an open national tender process with a local contractor at a cost of Kshs.327,735,496. Review of the procurement records revealed the following anomalies;

i. The successful bidders' National Construction Authority (NCA) registration could not be traced and confirmed in the NCA registration portal casting doubt of its authenticity.

ii. The bills of quantities (BOQ) provided for Kshs.4,000,000 for NEMA and statutory approvals which was paid as per the BOQ without production of receipts to support the cost incurred.

iii. Item 7 in the BOQ indicated as synthetic fibre surfacing with a cost of Kshs.57,516,000 was paid in full. However, during the physical inspection in June, 2025 the surface had not been installed. The management indicated that the same was done during the East Africa Legislative Assembly (EALA) games and removed thereafter information which was not supported by photographic evidence or specific fitting and removal instructions.

iv. The projects BOQ included a contingency sum of Kshs.30,000,000 out of which Kshs.25,198,672 was expended on airlifting of tartan material. However, the cost was not a contingency since the contractor had failed to meet the set deadline and therefore the employer unlawfully incurred a cost that should have been borne by contractor.

In the circumstance, the value for money on expenditure of Kshs.327,735,496 incurred on upgrading of Mbaraki Sport Grounds could not be confirmed.

4. Irregular Expenditure on National Police Service (NPS) Officers Housing

The statement of profit or loss and other comprehensive income reflects establishment expenses of Kshs.20,707,188,000 as disclosed in Note 9 to the financial statements. The amount includes expenditure on leased staff housing of Kshs.26,061,696 in respect of payments to Kenya Ports Authority Pension Scheme as rent for houses occupied by National Police Service Officers attached to the Port (Port Police). The payment was based on a Memorandum of Understanding (MOU) ref MOTC/S/2.0005/Vol. V(17) dated 5 April, 2004. Information available indicates that at the time of the MOU the police officers were not entitled to house allowance. However, following the introduction of payment of house allowance to the officers, the lease of the houses occupied by the NPS officers amount to double benefits to the officers.

In the circumstances, the validity of housing expenditure of Kshs.26,061,696 could not be confirmed.

5. Over expenditure on Internship Program

The statement of profit or loss and other comprehensive income reflects establishment expenses of Kshs.20,707,188,000 as disclosed in Note 9 to the financial statements. The amount includes Intern allowances of Kshs.53,884,000. However, the approved budget was Kshs.45,000,000 resulting to over expenditure of Kshs.8,884,000. Approval for expenditure above the budget was not provided for audit. Further, the Authority recruited two hundred (200) interns while the original plan was to recruit fifty (50) interns. The information provided indicated that the variation was accommodated through a Board approval and revision of the budget contrary to The National Treasury Circular No. 2/2024 of 27 March, 2024 which prohibited revision of the approved budget regardless of whether or not it is less than 10% or from one sub item to another

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

6. Non-Compliance with Service Level Agreements by Cleaning, Landscaping and Garbage Collection Contractors

The statement of profit or loss and other comprehensive income reflects operating expenses of Kshs.8,752,280,000 as disclosed in Note 10 to the financial statements. The amount includes operational/running supplies of Kshs.1,388,734,000 which further include Kshs.276,310,610 in respect of cleaning, landscaping and garbage collecting services. Review of the service level agreement between the service providers and the Authority revealed that the service providers were required to pay a certain amount of salary to the employees engaged to offer the services in line with minimum wage statutory requirements. However, records provided and interviews held with a selected sample of service provider employees indicated that three (3) of the service providers underpaid staff by Kshs.1,655,232, contrary to contractual and statutory wage requirements.

Further, one (1) service provider deployed eleven (11) staff for provision of services to the Authority against the contractual requirement of fifteen (15) staff, resulting to payment for services not rendered.

In the circumstance, the validity and value for money for the expenditure on cleaning, landscaping and garbage collection of Kshs.276,310,610 could not be confirmed.

7. Construction of Shimoni Fish Port

The statement of financial position reflects property plant and equipment balance of Kshs.326,548,150,000 as disclosed in Note 11 to the financial statements. The balance includes Kshs.2,352,914,464 in respect of construction of Shimoni Port and Kshs.62,392,296 in respect of hydrological, geotechnical and Environmental Social Impact Assessment (ESIA) for Shimoni Port Jetty. Review of procurement records for the works revealed that the works were awarded to the contractor following an open national tender process at a contract sum of Kshs.2,649,126,134. Site visit and physical inspection of the project revealed that the port does not have water supply, a key component in operationalization of the facility despite substantial completion and handover certificate dated 30 June, 2025 having been issued.

In the circumstance, the value for money and utilization of the investment valued at Kshs.2,649,126,134 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, 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. Allocation and Leasing of Port Land

Review of the Authority's land assets records revealed that the Board had over time approved request from third parties to lease land and shed within the Port precincts/confines to carry out different businesses. This resulted in straining of the Ports overall consolidated storage space. Financial records indicate that the Authority had sought financing to facilitate expansion of the Port terminal under the Mombasa Port Development project with an outstanding loan balance of Kshs.45,941,699,000 as at 30 June, 2025.

However, the rationale to lease land and shed to third parties to undertake private business within the Port while borrowing funds to invest in expansion of terminal to create additional storage spaces has not been explained. Further, the process of identification of available land for allocation and selection of the beneficiaries lacks clarity and evidence that the leased assets were being used for purposes of carrying out the functions of the entity was not provided.

In addition, physical inspection of the sheds revealed that the third parties were utilizing a substantial area around the leased facilities for their operations, cargo handling and as storage of cargo before removal.

In the circumstances, the effectiveness of Management control over leased assets could not be confirmed.

2. Inconsistencies in Authority Performance Indicators

The statement of profit or loss and other comprehensive income reflects establishment expenses of Kshs.20,707,188,000 as disclosed in Note 9 to the financial statements. Included in the expenditure is overtime payments of Kshs.1,859,274,000 an increase of Kshs.428,170,000 (30%) from the Kshs.1,431,104,000 reported in 2023/2024. However, the annual throughput which is the variable associated with increase in overtime expenditure increased by 13%. Further, revenue for the period increased by 5.3%.

In the circumstances, the effectiveness of management operational efficiencies could not be confirmed.

3. Implementation of Development Projects Outside the Approved Strategic Plan

Review of the Authority's approved 5-year strategic plan (2023-2028) revealed that the management initiated capital projects during the year under review with an aggregate contractual commitment of Kshs.11,902,547,588 which were not in the approved strategic plan. Management did not provide the justification, rationale, identification of the need, and factors supporting the deviation from the approved strategic plan. The deviation from the strategic plan may result in a negative financial impact through wasteful and unplanned use of resources and is a pointer to governance failure in oversight to ensure achievement of the Authority's long-term strategic goals and objectives.

In the circumstances, the effectiveness of Management in execution of its strategic plan could not be confirmed.

4. Weaknesses in Human Resource Operations

Review of human resource management records and operations revealed the following weaknesses;

i. The salary structure in use is not aligned to the approved Career Progression Guidelines. Although management indicated that it is awaiting approval by the Salaries and Remuneration Commission (SRC) to implement the salary structure aligned with the new grades. At the time of audit, correspondence on the same had not been received.

ii. Lack of documented procedures and manual alteration of staff time entries without formal approvals.

iii. Lack of established complaints resolution mechanism.

iv. Loss of eighty-five thousand, six hundred and forty (85,640) man hours due to staff absenteeism with most hours lost from container operations and conventional cargo operations. Evidence of action taken by Management to curtail the malpractice which could be the driver to increased overtime costs, was not provided for audit.

In the circumstances, the effectiveness of Management control over human resource operations 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 Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 Authority'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 Authority'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

16 December, 2025

Appendix 1-Unresolved Prior Year Matters

S/No	Issue
	Report on the Financial Statements
1	Unsupported sports expenditure
2	Lack of valuation of fully depreciated assets
3	Lack of valuation and uncertainties of land leased out
4	Lack of ownership documents for Lamu Port and Kisumu Port
5	Bank and cash balances
6	Variance in overtime payment balance
7	Unsupported board expenses
	Report of Lawfulness and Effectiveness in Use of Public Resources
8	Non compliance with law on public finance management
9	Design, supply, integration and implementation of an operations control center
10	Procurement and supply of one hundred and fifty portable handheld VHF radios
11	Irregular purchase of ferry operations site management equipment
12	Maintenance of Fuel Management System
13	Encroachment of KPA land
14	Operational inefficiencies at Lamu Port
15	Non compliance with the law on gender and Ethnic Composition
16	**Report on Internal Controls, Risk Management and Governance**
17	Weaknesses in payroll management
18	Overtime payment not defines in KPA HR Policy Manual