REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA SCHOOL OF GOVERNMENT

FOR THE YEAR ENDED 30 JUNE, 2025

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REPORT OF THE AUDITOR-GENERAL ON KENYA SCHOOL OF GOVERNMENT 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 School of Government set out on pages 1 to 37, 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 School of Government 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 Kenya School of Government Act, No. 9 of 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Non-Current Assets

The statement of financial position reflects non-current assets balance of Kshs.9,275,165,184. However, the following observations were made: -

1.1 Excluded Leasehold Land

The non-current assets balance includes leasehold land balance of Kshs.1,923,246,996 as disclosed in Note 18 (a) to the financial statements. As previously reported, the balance excludes six (6) parcels of land valued at Kshs.1,677,336,407 located at Lower Kabete that were hived off and allocated to private individuals. Although available information indicates that these allocations have since been revoked by a court of law, the School has not obtained the respective ownership documents for the six (6) parcels of land.

1.2 Lack of Ownership Documents for Freehold Parcels of Land

The non-current assets balance includes property, plant and equipment balance of Kshs.7,347,266,625 as disclosed in Note 17 to the financial statements. As previously reported, included in the balance are freehold parcels of land owned by the School valued at Kshs.783,700,000 which Management indicated that they belong to Mombasa and Matuga Campuses. However, their title deeds were not provided for audit review. In addition, review of documents at Matuga Campus revealed that there were one hundred and thirty-eight (138) illegal allotees on the parcels of land where thirteen (13) have been issued with title deeds and sixty-one (61) have been discharged.

Further, the fixed assets register maintained by the School for Mombasa and Matuga campuses did not have information detailing the assets' description, cost, date of acquisition, location, and depreciation charge for the year, accumulated depreciation and net book value of the assets.

In the circumstances, the accuracy, ownership and completeness of the non-current assets balance of Kshs.9,275,165,184 could not be confirmed.

in accordance with ISSAI 130 on 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

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.2,238,699,830 as disclosed in Note 25 to the financial statements. An analysis of the aging report indicates that Kshs.91,060,760 has remained outstanding for over three (3) years. However, the School has not developed a clear strategy or actionable plan to address and settle these obligations. Failure to settle bills during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge. This is also contrary to Regulation 42(1) of the Public Finance Management (National Government) Regulations, 2015.

2. Long Outstanding Receivables

The statement of financial position reflects receivables from exchange and non-exchange transactions balance of Kshs.1,871,903,842 as disclosed in Note 22 to the financial statements. This balance includes trade debtors of Kshs.1,822,561,920 after provision for bad debts of Kshs.225,260,462, other receivables of Kshs.41,298,299 and staff debtors of Kshs.8,043,623. However aging analysis provided indicates an amount of Kshs.495,753,532 has been outstanding for over three (3) years. In the circumstances, Management may never recover the long outstanding receivables.

3. Delay in Settlement of Retention Fees

The statement of financial position reflects trade and other payables balance of Kshs.2,238,699,830 as disclosed under Note 25 to the financial statements. Included in this is retention money of Kshs.185,300,049 for the ultra-modern project which was handed over on 18 June, 2021 and the defects liability period was for 6 months ending on 17 December, 2021. It was however noted that School had not settled the amount due to the contractor for certificate one (1) to twelve (12) of Kshs.18,333,240 as per the letter dated 17 February, 2025 from the contractor. In addition, the contractor had indicated that he had charged interest on retention of Kshs.8,550,523. Its therefore not clear why Management has not settled the retention fees. Further, there was no retention register maintained by the School to enable confirmation of the current status of retention fees.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the effect of 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 Matters

In the prior years' audit reports, 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. Review of the status during audit of the School in the financial year 2024/2025, revealed that the issues remained unresolved as listed in **Appendix I.**

Other Information

Management is responsible for the Other Information set out on page iii to xxx which comprise of Key Entity Information and Management, Statement by the Chairman, Statement by Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit of the School'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 and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

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. Delay in completion of Projects

1.1 Construction of Deputy Director's House at Baringo Campus

The contract for the proposed completion works for the Deputy Director's house at Baringo campus reference No. KSG/BAR/039/2013-2014 was awarded in 2014 at a sum of Kshs.4,426,212. According to the contract, the construction was to be completed by

September, 2016. However, site visit carried out October, 2025 revealed that the contractor had abandoned the site in 2017 due to non-payment of certified works valued at Kshs.2,001,756 as per Certificate Number 01 of 19 October, 2017. The works done so far have deteriorated and in addition there is an ongoing court case on the same.

1.2 Construction of Convention Centre at Embu Campus

As previously reported. the construction works for the tuition block at Embu Campus was awarded on 29 June, 2020 at a sum of Kshs.1,129,696,989. The project was to be completed in one hundred and thirty (130) weeks by 29 December, 2022. During the year under review the contract was revised to 29 December, 2024. However, documentary review and physical verification of the project in October, 2025, revealed that the project was at approximately 50% completion. The project is significantly behind schedule.

1.3 Construction of Tuition Block at Matuga Campus

The proposed construction of a tuition block at Matuga Campus was awarded at a contract price of Kshs.745,050,231 for a period of one hundred and fifty-six (156) weeks, commencing 07 July, 2020 and ending on 07 July, 2023. During the year under review the contract completion date was extended to February, 2025. However, review of the progress report and physical inspection carried out in the month of October, 2025, revealed that although the contractor was on site, the project was approximately at 36% completion. However, the project is yet to be completed.

In the circumstances, value for money on the projects may not be achieved and Management may incur additional costs to rehabilitate some of the facilities which have already dilapidated.

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, Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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 control, 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 the Council

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 School 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 Council is responsible for overseeing the School'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

18 December, 2025

Appendix I: Unresolved Prior Year Audit Matters

No.	Financial Year	Audit Issue
1	2023/2024	Excluded Leasehold land
2	2023/2024	Lack of ownership documents for Freehold parcels of land
3	2023/2024	Long Outstanding Payables
4	2023/2024	Construction Tuition block at Baringo Campus
5	2023/2024	Construction Deputy Directors House at Baringo Campus
6	2023/2024	Construction of a Convention Centre Embu Campus
7	2023/2024	Construction of Tuition Block Matuga Campus
8	2023/2024	Net pay One -Third Basic Rule
9	2023/2024	Failure to prepare Car and Mortgage Financial Statements
10	2023/2024	Long Outstanding Receivables
11	2023/2024	Weakness in ERP System used by the school
12	2023/2024	Under-staffing at the Kenya School of Government