REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA SCHOOL OF LAW

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA SCHOOL OF LAW 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 Law set out on pages 1 to 34, 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 effects of the matter 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 Law 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 Law Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Trade Payables

The statement of financial position reflects trade and other payables amounting to Kshs.216,658,345 as disclosed in Note 26 to the financial statements, which includes trade payables of Kshs.11,095,868, However, long outstanding trade payables totalling Kshs.2,590,787 were not supported by any documentation, such as statements, invoices, or payment vouchers.

In the circumstances, the accuracy and completeness of the trade payables balance of Kshs.11,095,868 could not be confirmed.

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

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 effects of the matter 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 Audit Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management, and Governance. However, review of the implementation status of the recommendations revealed that the issues detailed below remained unresolved as at 30 June, 2025.

No.	Financial Year	Audit Issue
1	2023/2024	Variances Between the Assets Register and the Financial Statements Balance
2	2023/2024	Unsupported Trade and Other Payables
3	2023/2024	Budgetary Control and Performance-Under-collection of Revenue and Underutilization of Receipts
4	2022/2023 and 2023/2024	Failure to Optimize Use of the Enterprise Resource Planning (ERP)
5	2023/2024	Presentation and Disclosure of the Financial Statements-Non-Compliance with the Prescribed PSASB Reporting Template
6	2023/2024	Non-Compliance with the One Third of the Basic Salary Rule
7	2023/2024	Non-Conformity to the Staff Establishment
8	2022/2023 and 2023/2024	Delayed Construction of Ultra-Modern Library and Moot Courts
9	2023/2024	Non-Remittance of Value Added Tax
10	2023/2024	Incomplete Assets Register

Other Information

The Management is responsible for the Other Information set out on pages iv to xlv which comprise of Key School Information and Management, The Board Members, Key Management Team, Chairperson'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 Board of Directors and the Statement of Board's Responsibilities. The Other Information does not include the financial statements and my audit report thereon. 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.

In connection with my audit on 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 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 the One-third of Basic Salary Rule

Review of the School's payroll for June, 2025, revealed that twenty-one (21) employees had net pay that fell below one-third of their basic salaries in various months. This was contrary to Section 19(3) of the Employment Act, 2007, which requires that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

2. Failure to Remit Value Added Tax

The statement of financial position reflects trade and other payables balance of Kshs.216,658,345 as disclosed in Note 26 to the financial statements. Included in this balance are third-party payments of Kshs.63,396,841, out of which Kshs.1,574,813 relates to withholding tax that was not remitted to the Kenya Revenue Authority. This was contrary to Section 42 (A) and (B) of the Tax Procedures Act (Cap. 469B), 2024, which states that tax withheld under this section shall be remitted to the Commissioner within five working days after the deduction is made.

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

3. Delayed Completion of Ultra-Modern Library and Moot Courts

As previously reported, the School entered into a contract for the construction of an Ultra-Modern Library and Moot Courts at a cost of Kshs.488,704,449. The contract commenced on 24 June 2013 with a contract period of three (3) years, to 30 June 2016. Progress report dated 15 October 2025 on the construction revealed that works amounting to Kshs.475,122,994 had been certified. Although practical completion and handing over certificates had been issued to the School by the State Department of Public Works and the Contractor respectively, review of the certificate of practical completion revealed a list of deliverables yet to be completed by the Contractor including key labelling, replacing chipped man-hole and completing the stone pitching of the storm drain at the high level tank area and install Arabian showers at all ground floor toilets among others, about nine (9) years after the expected completion date.

In the circumstances, the School may not achieve value for money on the amount of Kshs.475,122,994 spent on the project.

4. Non-Compliance with Capacity Building Levy Requirements

Review of records revealed that Management did not withhold capacity building levy on payments totalling Kshs.41,681,409 under use of goods and services processed during the year. This was contrary to Order 3(1) of the Public Procurement Capacity Building Levy Order, 2023, which requires payment of a levy at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

5. Incomplete Implementation and Functionality of the Enterprise Resource Planning System

Note 25 to the financial statements reflects Kshs.24,526,754 in respect of the cost of intangible assets. Included in this amount is Kshs.14,998,510 for the supply, delivery, installation, configuration, testing and implementation of an Integrated Enterprises Resource Planning (ERP) system. The contract was signed on 27 June, 2018, to automate and integrate the School's core business processes in real-time.

Although a certificate of completion was signed on 11 May, 2020, a physical verification revealed that key modules of financial and accounting management, procurement, inventory, and stores had not been fully automated. As a result, the scope of the contract was not fully operationalized, despite the contractor receiving full payment for all the modules.

In the circumstances, the School has not achieved the intended objectives of automation, and the value for money realized from the expenditure of Kshs.14,998,510 could not be confirmed.

6. Non-Compliance with the Approved Staff Establishment

Review of the human resource records revealed that the School had one hundred and twenty-four (124) employees against an approved staff establishment of one hundred and ninety-two (192) positions, resulting in an overall deficit of sixty-eight (68) employees or 35% across various cadres, including key positions.

The staff shortage, if not addressed, may adversely affect the School's operations and service delivery to the public.

7. Non-Compliance with Climate Change Regulatory Requirements

Review of records revealed that the School did not comply with the provisions of the Climate Change Act, 2016 and the National Treasury Circular Reference CONF/MOF/36/021/ C/ (39) dated 1 July, 2020 on tracking and reporting of climate finance flows and climate change-related expenditures as follows:

i. There was no designated climate change unit, nor has a senior officer been appointed to coordinate climate-related mandates, contrary to Section 15(5)(c) of the Act;
ii. The School did not report on its sectoral greenhouse gas emissions nor submit annual reports to the Climate Change Council, in breach of Sections 15(5)(b) and 15(5)(f) of the Act;
iii. There was no evidence of regular monitoring or review of climate change functions as per Section 15(5)(d) of the Act;
iv. The School did not incorporate climate-related disaster risk reduction strategies into its budgets or operations as required by Section 18 of the Act, and;
v. The School did not submit quarterly reports on climate-related expenditure in line with The National Treasury's circular dated 1 July, 2020.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions, and information reflected in the financial statements comply in all material respects with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT, AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter 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

Incomplete Staff Compliment Data

Review of the personnel complement register of the School revealed incomplete data capture, resulting in missing key information such as date of exit, reason for exit, records of present and former staff employed by the School since inception, NSSF number, NHIF numbers, among other details.

In the circumstances, the credibility and integrity of the staff data used for processing payroll payments 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 the Management and the Board

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'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 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 it 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

8 December, 2025