REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
*Enhancing Accountability*

# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# THE KENYA SCOUTS ASSOCIATION

# FOR THE YEAR ENDED 30 JUNE, 2025

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON THE KENYA SCOUTS ASSOCIATION 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 The Kenya Scouts Association set out on pages 1 to 31, 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 The Kenya Scouts Association 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), the Kenya Scouts Association Act, 2008 and the Public Finance Management Act, 2012.

**Basis for Qualified Opinion**

**Lack of Ownership Documents**

As previously reported, the statement of financial position and as disclosed in Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.1,814,155,339 which includes land valued at Kshs.1,670,527,285. Included in the balance are twenty-two (22) parcels of land, of which only seven (7) had land title documents while the remaining fifteen (15) lacked ownership documents. Further, the property, plant and equipment balance of Kshs.1,814,155,339 excludes twelve (12) parcels of land of undetermined value owned by the Association and located in ten (10) Counties.

In addition, status report issued by the Association's advocates revealed that the ownership of a parcel of land situated at Miritini, Rabai Ndogo area within Mombasa County whose title is held by the Association is the subject of ongoing litigation at the Environment and Land Court in Mombasa. The said parcel has been invaded by squatters.

Similarly, Baden-Powell House situated in the Nairobi County central business district was registered in the names of three persons who are since deceased. The Association has since appointed three new trustees in line with its constitution. However, the new Trust Deed that governs the relationship between the Trustees and the Kenya Scouts Council has not been approved and executed.

Further, the following parcels of land included in the fixed assets register are grounds for hire and not part of the Association's land;

| | **Description** | **Balance (Kshs)** |
|---|---|---|
| 1. | Honi Scouts Campsite | 45,000,000 |
| 2. | Kabiru-Ini Campsite | 38,000,000 |
| 3. | Mt Kenya Scouts Campsite, Gathiuru | 43,000,000 |
| 4. | Kyuso Scouts Office | 900,000 |
| | | **126,900,000** |

In the circumstances, the accuracy, completeness, existence and ownership of property, plant and equipment balance of Kshs.1,814,155,339 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of The Kenya Scouts Association 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 Matters**

In the prior year's audit report, several issues were raised under the Report on Financial Statements, 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 Association in 2024/2025 revealed that the following six (6) matters remained unresolved;

| | Issue |
|---|---|
| 1. | Unsupported Property, Plant and Equipment Balance |
| 2. | Inaccuracies in Designated Funds |
| 3. | Long Outstanding Provision for Gratuity |
| 4. | Lack of Internal Control Policies |
| 5. | Weaknesses in Human Resource Management |
| 6. | Lack of Annual Board Performance Evaluations |

**Other Information**

The Directors are responsible for the Other Information set out on pages iii to xix which comprise of Key Entity Information and Management, The National Scouts Board, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities and Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Association'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. Long Outstanding Provision for Gratuity**

As previously noted, the statement of financial position reflects a balance of Kshs.1,540,095 in respect of provision for gratuity as disclosed in Note 22 to the financial statements. However, the provision has been outstanding since the year 2014 and at the time of the audit in the month of November, 2025 had not been paid to the beneficiaries. This was contrary to Regulation 42(1a) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that, debt service payments shall be a first charge.

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

**2. Failure to Deduct and Remit Capacity Building Levy**

The statement of financial performance reflects use of goods and services, contracted services and repairs and maintenance amounts of Kshs.37,348,835, Kshs.11,707,323 and Kshs.5,922,252 as disclosed in Notes 9, 13 and 15 to the financial statements respectively. However, no capacity building levy of 0.03% was deducted and remitted to the Public Procurement Regulation Authority in respect of contracts signed after 1st September, 2024. This was contrary to paragraph 3(1) of the Levy Order, 2023 which provides that, there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, 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.

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 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**

**Weak Internal Controls over Revenue Collection and Banking at Scout Centers**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.703,970 as disclosed in Note 17 to the financial statements. Audit review of the Association's revenue management systems and internal audit reports revealed weak internal controls over the collection, recording, and banking of income generated from various Scout Centers and Enterprises. In particular, the internal audit of Embu Scouts Centre conducted between September, 2022 and December, 2023 revealed that sales revenue amounting to Kshs.362,780 had not been banked by an officer in the Scouting Enterprise Department and the amount is subsequently being recovered through salary deductions. Further, the audit noted that there was lack of daily cash reconciliations and delays in banking, contrary to Regulation 64(1)(a) the Public Finance Management (National Government) Regulations, 2015, which require all national government revenue or other public moneys to be promptly collected and accounted for.

In the circumstances, there is potential risk of misappropriation, loss or diversion of revenue due to weak internal controls.

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 National Scouts 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 Association'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 National Scouts Board is responsible for overseeing the Association'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**

**27 November, 2025**