REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYATTA NATIONAL HOSPITAL 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 Kenyatta National Hospital set out on pages 1 to 57 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 the 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 Kenyatta National Hospital 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 Legal Notice No. 109 of 1987 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Revenue from Rendering of Services

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects revenue from rendering of services amount of Kshs.9,507,612,000 out of which Kshs.8,868,422,000 relates to medical services revenue. However, review of supporting records, including receipt registers revealed unreceipted revenue amounting to Kshs.188,847,816. p

In the circumstances, the accuracy and completeness of rendering of services revenue of Kshs.9,507,612,000 could not be confirmed.

2. Variance in Trade and Other Payables

The statement of financial position and as disclosed in Note 29 to the financial statements reflects trade and other payables balance of Kshs.3,066,523,000 out of which Kshs.6,697,303 relates to outstanding balance for Kenya Medical Supplies Authority (KEMSA). However, confirmations obtained from KEMSA indicated a balance of Kshs.117,085,915 resulting in an unexplained variance of Kshs.110,388,612.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.3,066,523,000 could not be confirmed.

3. Material Uncertainty Related to Going Concern

The statement of financial performance reflects a deficit of Kshs.2,686,213,000 which signifies an increase of Kshs.2,386,505,000 from Kshs.299,708,000 reported in the previous year, leading to a decline in the revenue reserves. In addition, the Hospital has reported a deficit for the las four (4) consecutive years and if the trend continues into the foreseeable future, the Hospital may not be able to meet its obligations as and when they fall due.

In the circumstances, the Hospital is technically insolvent and may not be able to meet its obligations as and when they fall due

4. Long Outstanding Receivables

The statement of financial position and Note 24 to the financial statements reflects receivables from exchange transactions balance of Kshs.5,720,288,000. However, review of schedules and aging analysis revealed a balance of Kshs.6,671,774,000 which has remained uncollected for more than three years, with no evidence of effective recovery efforts or enforcement of credit controls. Despite the existence of a credit policy, receivables increased significantly by Kshs.1,655,659,000 from the prior year balance of Kshs.4,036,957,000,

In the circumstances, the recoverability on debt management and the adequacy of credit monitoring and collection mechanisms could not be confirmed

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenyatta National Hospital 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.

My opinion is not modified in respect of this matter.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget amount of Kshs.22,570,204,000 and actual on a comparable basis of Kshs.17,591,088 resulting to underfunding of Kshs.4,979,116,000 or 22% of the budget. Similarly, the Hospital had a final expenditure budget of Kshs.22,570,204,000 and actual on a comparative basis of Kshs.18,292,113 resulting to an under-absorption of Kshs.4,278,091,000 or 19%.

The underfunding and under-expenditure may have affected the Hospital's mandate which may impact negatively on service delivery to the public.

2. Unpaid Government Grants

The statement of financial position and Note 25 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.1,225,114,000 out of which Kshs.268,167,994 relates to grant receivable from Government of Kenya (GoK). However, the balance has remained outstanding for over three years without any payment plan.

In the circumstances, the recoverability and effectiveness of internal controls on grant receivables could not be confirmed.

3. Defined Benefit Pension Scheme Deficit

The statement of financial performance and Note 14 to the financial statements reflects employee costs amount of Kshs.14,918,398,000, which include Kshs.1,235,275,000 relating to the defined benefit scheme. The actuarial valuation of the Kenyatta National Hospital (KNH) Defined Benefit Scheme as at 30 June, 2025 reported a defined benefit liability of Kshs.14,630,305,000 against scheme assets of Kshs.4,353,542,000, resulting in a funding deficit of Kshs.10,276,763,000 payable by the Hospital being the scheme sponsor. Although the Hospital has been requesting budgetary support from the Government to address this deficit, there is no evidence that any funding has been received, nor is there documentation of alternative measures being implemented to manage or reduce the liability.

The substantial underfunding of the defined benefit scheme exposes the Hospital to significant risks, including long-term financial strain, inability to meet future pension obligations, increased actuarial liabilities, and potential legal or industrial relations disputes.

My opinion is not modified in respect of these matters.

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 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 year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Hospital in 2024/2025 revealed that matters detailed in **Appendix I** remained unresolved as at 30 June, 2025.

Other Information

The Management is responsible for the Other Information set out on page i to lxxxix which comprise of Key Hospital's Information and Management, The Board of Management, 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 Directors, and the 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 Hospital'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 Trade Payables

The statement of financial position and Note 29 to the financial statements reflects trade and other payables balance of Kshs.3,066,523,000. Review of the aging analysis revealed that Kshs.917,979,000 of these payables has remained outstanding for more than one year without any documented payment plan or settlement strategy.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

In the circumstances, Management was in breach of law

2. Violation of the One-Third Rule on Basic Pay

The statement of financial performance and Note 14 to the financial statements reflects employee costs of Kshs.14,918,398,000. The amount includes basic pay of Kshs.38,189,878 paid to four hundred and ten (410) employees in the month of June 2025 who earned less than a third of their basic salary. This was contrary to Section19(3) of Employment Act 2007 which stipulates that Without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total

amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

In the circumstances, Management was in breach of law.

3. Comingling of Retention Funds

The statement of financial position and Note 29 to the financial statements reflects trade and other payables balance of Kshs.3,066,523,000, which include retention money balance of Kshs.117,069,000. However, the retention funds were commingled with the Hospital's general operational bank accounts instead of being deposited in a separate designated retention account. This was contrary to Regulation 43(b) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and appropriated by the National Assembly.

In the circumstances, Management was in breach of law.

4. Irregularities in the Construction of the Oxygen Generation Plant Project

The statement of financial position and Note 27 to financial statements reflects property, plant and equipment balance of Kshs.12,718,113,000, which includes capital works/work in progress of Kshs.1,803,238,000 out of which Kshs.300,000,000 relates to the construction of an Oxygen Generating Plant (OGP). It was noted that this contract was awarded on 12 May, 2022, at a cost of Kshs.443,659,400, with an agreed completion period of six months ending November 2022. However, as at November, 2025, thirty-six (36) months after the expected completion date, the project remained incomplete.

Further, the Contract Implementation Team (CIT) report of 05 August, 2025 indicated that the zeolite tanks, calibrate the PSA units, alarm systems were not installed while integrating the GSM monitoring had not been done. Also, there was no evidence to confirm that the contract was terminated despite issuance of a 14-day termination notice on 07 August, 2025.

In addition, an assessment by the plant manufacturer, indicated that the molecular sieves had been irreversibly damaged due to unsuitable environmental conditions and unstable power quality at the installation site. However, there was no evidence that architectural or technical assessments to confirm the suitability of the site prior to installation were performed. Consequently, the Hospital has continued to procure oxygen incurring cumulative costs amounting to Kshs.596,258,000.

In the circumstances, the value for money incurred on the construction of an Oxygen Generating Plant (OGP) could not be confirmed.

5. Delayed Procurement of Linear Accelerator Machine

During the year under review, the Hospital was allocated Kshs.500,000,000 to strengthen cancer management services and subsequently Management initiated procurement of a Linear Accelerator (LINAC) Machine which was awarded at a contract sum of Kshs.297,950,000. However, the contract was not executed since no funding was received. Further, the Hospital continued to experience prolonged downtime of the existing linear accelerator resulting in treatment interruptions, extended patient waiting periods, referral of patients to other facilities, and delayed commencement or completion of radiotherapy sessions.

In the circumstances, Management of cancer patients and service delivery was adversely affected.

6. Incomplete Pediatrics Emergency and Burn Centre

The statement of financial position and Note 27 to the financial statements reflects property, plant and equipment balance of Kshs.12,718,113,000. The balance includes capital works/work in progress of Kshs.1,803,238,000 out of which Kshs.1,168,177,714 relates to the ongoing construction of the Paediatric Emergency and Burns Management Centre. The project was awarded on 20 August, 2018 with an expected completion date of 20 August 2020 at a contract price of Kshs.2,959,511,555 which was financed through a consortium of three (3) development partners and Government of Kenya. Despite several extensions granted at the contractor's request, the project remained incomplete as at December 2025, representing a delay of more than five (5) years beyond the original completion timeline. Further, the loan agreement with the external financiers expired on 30 April 2025, and no evidence was provided to confirm continued commitment to fund the project. In addition, the contractor vacated the site citing non-payment of certified claims under IPC 15 amounting to Kshs.103,030,397, accrued interest of Kshs.69,384,745 and interest of the consultant of Kshs.11,903,966.

In the circumstances, value for money incurred on the construction of the Paediatric Emergency and Burns Management Centre 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. Long Outstanding Imprest

The statement of financial position and Note 25(a) to the financial statements reflects receivables from non-exchange transactions balance of Kshs.1,225,114,000 out of which Kshs.25,145,000 relates to staff receivables. Review of schedules revealed an amount of Kshs.9,834,025 in respect to long overdue imprest issued to staff which has not been surrendered nor recovered from staff salary.

In the circumstances, the effectiveness of internal controls on management of imprest could not be confirmed.

2. Weaknesses in the Use of Manual Processes

During the year under review, it was noted that the Hospital operates four (4) different information systems. First for processing payments and financial reporting, the second for uploading payments data for onward remittance to individual accounts, the third for managing human resource and payroll functions and the fourth for supply chain operations, cashier shift management, revenue collection, patient registration, and imprest processing. However, these systems are not integrated, resulting to keying manually output data of one system to another.

In addition, staff creditors' banking details are maintained manually while stock requisition, approval, issuance, and recording are handled manually using bin cards, and physical requisition forms.

In the circumstances, the repeated manual interventions disrupt workflow efficiency and significantly increase the risk of data integrity issues, errors, and inconsistencies.

3. Weaknesses in Hospital Security Arrangements

The statement of financial performance and as disclosed in Note 18 to the financial statements reflects administrative expenses of Kshs.1,284,205,000 which includes Kshs.74,565,000 incurred on outsourced security. However, in the year under review, two admitted patients were murdered in the wards indicative of weaknesses in physical security controls. In addition, the Hospital has accumulated over the years an amount of Kshs.866,570,817 from seventeen thousand nine hundred and six (17,906) patients with abscondment cases indicating lapses in ward-level access controls, patient monitoring, and surveillance.

In the circumstances, the effectiveness of internal controls in security could not be confirmed.

4. Senior Officers Serving in Acting Position

Review of other information on pages 2 and 3 revealed that key management personnel, including the Senior Director at Mwai Kibaki Hospital, Director of Affiliation and Institutional Development and Director of Medical Services, were serving in an acting capacity. Further, the current Chief Executive Officer is serving in an acting capacity but there was no evidence to confirm that the appointment in an acting capacity was made by the Board in consultation with the Cabinet Secretary Ministry of Health. In addition, there was no evidence that Management performed governance audit.

In the circumstances, the effectiveness of overall governance could not be confirmed.

5. Bed Occupancy Constraints

Review of inpatient statistics revealed that the Hospital recorded an average yearly bed occupancy rate of 126% and several wards in Medicine, General Surgery, Pediatrics, and Specialized Medicine exceeded 140% occupancy. In addition, the Average Length of Stay (ALOS) increased from 8.2 to 10.2 days, leading to higher Occupied Bed Days (OBD). The prolonged stays and increased OBD have resulted in persistent congestion and overutilization of inpatient beds.

In the circumstances, the effectiveness of internal controls in patient management could not be confirmed.

6. Weaknesses in the Management of Property, Plant and Equipment

The statement of financial position and Note 27 to the financial statements reflect property, plant and equipment balance of Kshs.12,718,113,000. The balance includes Kshs.4,931,426,631 relating to fully depreciated assets that were still in use with no evidence of revaluation to determine their remaining useful lives or current value. In addition, essential equipment including Generator B, the NBU Lavamac dryer, the main laundry washer extractor, and Boilers No. 1 and 2 experienced prolonged downtime of between six (6) to twelve (12) months due to mechanical breakdowns, resulting in significant disruptions of the respective operations. Further, physical verification at the Mwai Kibaki Hospital Renal Unit revealed that although the department has a capacity of six (6) dialysis beds and is equipped with six (6) hemodialysis machines only one machine was functional and these machines were not recorded in the assets register.

In the circumstances, the effectiveness of internal controls on management of property, plant and equipment control could not be confirmed.

7. Loss of Hospital Funds

The statement of financial position and Note 23 to the financial statements reflects cash and cash equivalents balance of Kshs.1,660,825,000. Review of prior-year information revealed that Kshs.47,818,276 was diverted to incorrect bank accounts during payment processing. Although the incident was reported to the Director of Criminal Investigations (DCI) and the Banking Fraud Investigation Unit (BFIU), and management indicated that

part of the funds had been recovered. However, there is no evidence to indicate the current status, progress of the case and the measures and efforts to recover the outstanding balance.

In the circumstances, the effectiveness of internal controls for cash and cash equivalents could not be confirmed.

8. Deficits in Equipment at the Accident and Emergencies Department

The statement of financial position and Note 27 to the financial statements reflects property plant and equipment balance of Kshs.12,718,113,000. However, review of the equipment status for the Accident and Emergency (A&E) Department revealed significant shortages and gaps in essential medical equipment as detailed below;

i. Critical life-saving equipment including ventilators, cardiac monitors and suction machines which had deficits of sixteen (16), fifteen (15) and sixteen (16), respectively.
ii. Essential emergency and trauma equipment is not sufficient, for instance the deficit for advanced ICU was 12 beds, procedure trolleys deficit was 20, advanced point-of-care ultrasound deficit was 3, video laryngoscope deficit was 4, tourniquet machine 1 was faulty, crash carts deficit was 10, and wall-mounted suction units deficit was 12.
iii. Diagnostic and monitoring devices are inadequate, including glucometers with a deficit of 10, capnography monitors deficit of 12, blood gas analyzer deficit of 1, and coagulometer deficit of 1.
iv. Support equipment used in emergency interventions are not sufficient, such as ergonomic chairs with a deficit of 50, air warming blankets deficit of 4, patient cabinets a deficit of 8, and x-ray viewers a deficit of 5.
v. Resuscitation and critical-care equipment are outdated or beyond life expectancy, such as automated defibrillators and cardiac monitors.
vi. Infusion management equipment is inadequate, with a deficit of ten (10) infusion pumps and thirty (30) syringe pumps, and eight (8) infusion pumps that are functional but not usable due to lack of giving sets.

In the circumstances, the deficits recorded ranged from 20% to 100% indicating the A&E Department is significantly under-equipped relative to its operational requirements.

9. Weaknesses in Rent Management

The statement of financial performance and Note 11 to the financial statements reflects rental revenue of Kshs.139,731,000. However, Kshs.43,616,000 of this amount, representing a 52% increase from the previous financial year, remained outstanding at year-end. Further, it was noted that that several lease agreements had expired but had not been renewed, resulting in rental collections being made without valid contractual terms. In addition, the Hospital does not maintain a dedicated rental deposit account and lacks an automated property management system, leading to weak monitoring of tenant accounts, rental billings, arrears, and deposit administration.

In the circumstances, the effectiveness of internal controls on rental income could not be confirmed.

10. Inconsistencies in Claims Management

The statement of financial position and Note 24 to the financial statements reflects receivables from exchange transactions balance of Kshs.5,720,288,000 which includes of Kshs.1,840,311,803 receivable from National Health Insurance Fund (NHIF). However, review of claims submitted by Kenyatta National Hospital (KNH) to the Social Health Authority revealed a number of rejections arising from lapses within the hospital's documentation and billing processes.

In the circumstances, the effectiveness of internal controls in Hospital claims management could not be confirmed.

11. Pending Handing Over of Mwai Kibaki Referral Hospital

Mwai Kibaki Referral Hospital was gazetted as a state corporation on 20 September, 2024 and the chairman and board members gazetted on 22 November, 2024 vide Kenya Gazette No. 15334 and 15353 respectively. However, review of correspondences revealed that the planned joint meeting between the boards of Kenyatta National Hospital (KNH) and Mwai Kibaki Referral Hospital (MKRH) to discuss handover was not held.

In the circumstances, the effectiveness of the process of handing over Mwai Kibaki Referral Hospital (MKRH) could not be confirmed.

12. Deficiencies in Oversighting the Hospital

During the year under review, Management of Mwai Kibaki Referral Hospital did not provide internal audit reports for verification contrary to the requirements of Regulation 160(1) of the Public Finance Management (National Government) Regulations, 2015. In addition, it was noted that the audit committee did not have a chairperson, and there was no evidence that this committee held meetings.

In the circumstances, the effectiveness of internal controls, risk management and overall governance could not be confirmed.

13. Lack of Board Charter

The statement of financial performance and Note 15 to the financial statements reflects board of management expenses amount of Kshs.36,469,000. However, the board of Mwai Kibaki Hospital was operating without a board charter contrary to Chapter 1.1(1) and (2) of Mwongozo Code of Governance for State Corporation, 2015 which states that the board should develop and adopt a board charter and that the board charter should define the role, responsibilities and functions of the board in the governance of the organization

In the circumstances, effectiveness of overall governance 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 Board of Management

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 Hospital'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 Management is responsible for overseeing the Hospital'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