REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL OIL CORPORATION OF KENYA LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL OIL CORPORATION OF KENYA LIMITED 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 National Oil Corporation of Kenya Limited set out on pages 1 to 75, 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 National Oil Corporation of Kenya Limited 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 Companies Act 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities totalling Kshs.8,819,331 which exceeded the current assets of Kshs.4,602,475,000 by Kshs.4,593,655,669 which is a negative capital. The negative capital implies that the Corporation may struggle to settle its obligations as and when they fall due. In addition, during the year under review, the Corporation registered sales of Kshs.542,624,000 compared to the prior year sales of Kshs.1,276.526,000. The decline in sales yielded a gross profit of Kshs.22,228,000 against operating expenses of Kshs.1,846,090,000 resulting in an operating loss of Kshs.1,823,862,000.

The above conditions and others not reflected in the financial statements indicate material uncertainty relating to the Corporation's ability to continue as a going concern. Therefore, the Corporation was technically insolvent and its continued existence as a going concern was dependent upon the financial support from the Government, bankers, and its creditors. Further, the material uncertainty in relation to going concern was not disclosed in the financial statements, and mitigating measures put in place by the Directors to address the matter were not indicated or provided for review.

In the circumstances, the existence of the Corporation as going concern could not be confirmed.

2. Unresolved Hived-Off Petroleum Products

The statement of financial position reflects inventories valued at Kshs.227,656,000 which as disclosed in Note 21(a) to the financial statements comprise of gross inventory value of Kshs.2,285,615,000 adjusted for provisions totalling Kshs.2,057,959,000. Included in the inventory gross value is Kshs.1,494,624,828 in respect of the total value of products captured as hived off in the books of the Corporation. The classification was based on a resolution by the Corporation Management in October, 2016 to hive-off all historical non-reconciling items in a separate non-trading stock point to ensure new variances were not created. The historical non-reconciling items continue to be carried in the books of the Corporation. However, they lack documentation to support their physical existence.

Although the Board of Directors approved the write-off of the amount, the matter was still pending.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.227,656,000 could not be confirmed.

3. Unreconciled Payables to Ministry of Energy and Petroleum

The statement of financial position reflects trade and other payables balance of Kshs.3,859,817,000 as disclosed in Note 31 to the financial statements. Included in the trade payables is an amount of Kshs.149,627,793 owed to the Ministry of Energy and Petroleum in respect of surface fees and training levies. Review of the Production Sharing Contract between the Government of the Republic of Kenya and the Corporation for Block 14T, entered into on 15 November, 2010, revealed that the Corporation owed the State Department surface fees and training fees amounting to Kshs.149,627,793 as at 30 June, 2025. However, the amount was not disclosed in the State Department for Petroleum financial records and no reconciliation was provided for audit during the year under review.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.3,859,817,000 could not be confirmed.

4. Unvalued Property Plant and Equipment

The statement of financial position reflects balances of Kshs.5,553,844,000. Kshs.15,784,000 and Kshs.9,165,000 in respect of property, plant and equipment, intangible assets and investment property respectively, as similarly disclosed in Notes 17,18 and 19 to the financial statements. Review of the fixed asset register revealed that the assets were not revalued during the financial year. The Corporation policy on non-current assets provides that certain categories of property, plant and equipment and investment property are revalued at an interval of five (5) years. The assets were last revalued in 2019/2020 financial year and were due for revaluation in the year under review. However, Management did not undertake revaluation of the assets in the categorized asset classes.

In the circumstances, the accuracy and completeness of property, plant and equipment, investment property and intangible assets balances of Kshs.5,553,884,000, Kshs.15,784,000 and Kshs.9,165,000 respectively could not be confirmed.

5. Unsupported Other Income

The statement of profit or loss and other comprehensive income reflects total other income balance of Kshs.9,091,329,000 and as disclosed in Note 9 to the financial statements. Included in this balance is discount received-financing costs of Kshs.3,477,665,000 and GoK recurrent grants balance of Kshs. 4,913,000,000. However, the discount received balance was not supported by a ledger or any breakdown giving composition of the entire balance as disclosed in the financial statements. In addition, the

GoK Recurrent grants balance of Kshs.4,913,000,000 was not supported by the accompanying conditions attached to it on how the grants were to be applied by the Corporation.

In the circumstances, the accuracy and completeness of the other income balance of Kshs.9,091,329,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Oil Corporation of Kenya (NOCK) 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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a sale of goods budget of Kshs.1,488,824,000 against actual on comparative basis of Kshs.542,624,000 translating to revenue underperformance of Kshs.946,200,000. In addition, the prior year actual revenue was Kshs.1,276,526,000 in comparison to the current year of Kshs.542,624,000 resulting a decline in sales by Kshs.733,902,000.

The underperformance in revenue may have affected the planned operations during the year and contributed to insolvency state at the Corporation.

2. Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,859,817,000 as disclosed in Note 31 to the financial statements. Included in the trade payables amount is Kshs.868,607,618 which had been outstanding for more than sixty (60) days with some dating back to 2021. Management did not provide explanations for non-settlement of long outstanding payables, implications to Company operations and measures undertaken by Management to meet obligations to its creditors as and when they fall due.

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/Material Uncertainty Related to Going Concern 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 report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Corporation in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Material Uncertainty Relating to Going Concern
2	2023/2024	Unresolved Hived Off Petroleum Products
3	2023/2024	Unreconciled Trade and Other Payables
4	2023/2024	Non -Payment of the Audit Fees
5	2023/2024	Unsupported Decline in Value of Freehold Land
6	2023/2024	Budgetary Control and Performance
7	2023/2024	Penalties on Late Payment
8	2023/2024	Unauthorized Over Expenditure
9	2023/2024	Failure to Maintain a minimum Operational Stock
10	2023/2024	Breach of Borrowing Repayment Terms
11	2023/2024	Employees on Acting Capacity Beyond Stipulated Time
12	2023/2024	Stalled Liquefied Petroleum Gas Project
13	2023/2024	Defective Cylinders
14	2023/2024	Slow Implementation of Oil Exploration Activities
15	2023/2024	Long Outstanding Receivables
16	2023/2024	Use of Outdated Information Technology Systems
17	2023/2024	Lack of Strategic Plan

Other Information

The Directors are responsible for the Other Information set out on page v to xxxviii which comprise of Key Entity, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman'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 Corporation'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. Unprocedural Engagement of a Strategic Partner

During the year under review, Management entered into a Strategic Partnership Agreement (SPA) with a local Oil Marketing Company, which is subsidiary of an International Oil Company, for purposes of injecting debt, managerial capabilities, technical expertise and innovative solutions in the Corporation's downstream business, and creating value for the business to generate return on investment for the Partner. Review of the agreement revealed several anomalies as indicated below:

i. On 28 August, 2023 the Corporation's Chief Executive Officer (CEO) wrote to the Cabinet Secretary (CS) for Energy and Petroleum seeking approval to use Specially Permitted Procurement Method for a strategic partner, which was subsequently approved, on 19 September, 2023. However, Management did not provide tender documents submitted to, and approved by the Cabinet Secretary to The National Treasury for the Strategic partner, indicating the justifications for use of the method as required by Regulation 107(2)(d) of the Public Procurement and Asset Disposal Regulations, 2020.

ii. Section 137(2) of the Public Procurement and Asset Disposal Act, 2015 requires an Accounting Officer to ensure that all contracts of a value exceeding Kshs.1 billion to be cleared by the Attorney-General before they are signed. However, no evidence of clearance from the Attorney General's office was provided for review.

iii. The SPA entitled the Partner an interest equal to 182 Treasury Bills rate plus 4% on the advanced amount, and a 30% annual share of the Corporations Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) payable twice a year. Any unpaid interest at the date of payment is to be converted into a principal amount and added to the existing loan principle. Further, funds advanced will be secured by the Corporations fixed assets with a book value of Kshs.5,694,221,000 as at 30 June, 2024.

iv. The SPA set out conditions which parties were required to fulfil before performance of respective obligations. The conditions referred to Conditions Precedent (CPs) included; an exemption or certificate of clearance from the Competition Authority, approval for use of Specially Permitted Procurement Procedure by The National Treasury and a clearance letter from Public Procurement Regulatory Authority (PPRA), confirmation of discharge and release of assets charged as security for the KCB Bank loan, implementation of Cost-of-Service Study in the Supply of Petroleum Products (COSSOP) with respect to increase in petroleum products margins charged in the pump, issuance of a circular requiring Government Ministries, Departments and Agencies (MDAs) to purchase 100% of their fuel requirements from the Corporation, and non-commencement or threat to commence any proceedings or investigations for purposes of prohibiting or otherwise challenging or interfering with matters contained in the SPA, including enactment or proposed enactment of legislation, and threat to take any action on implementation of matters contained in the agreement.

v. The Corporation also undertook to seek an exemption allowing its financial statements to be audited by an internationally recognised firm of independent auditors licenced to practice in Kenya; and to procure a commitment from the Ministry of Energy and Petroleum for allocation of adequate ullage of Kenya's petroleum requirements to support the expected growth.

vi. While the Strategic Partnership Agreement provided for utilization of the loan to finance rebranding, renovation and expansion of NOC's retail station network, there was no mention of how leased outlets will be affected by the earmarked changes including rebranding, installation of an ERP system and deployment of a fuel card system.

vii. The National Treasury through the State Department for Petroleum disbursed a total of Kshs.4,215,000,000 in two tranches comprising of Kshs.1,215,000,000 released in January 2025 and Kshs.3,000,000,000 released in July, 2025 to clear the KCB Bank loan. However, it was not clear why the funding support would have been utilized to support the Corporations operations and return to profitability as was more that the funds sought from the strategic investor for working capital facility loan.

In the circumstances, the validity of the Strategic Partnership Agreement between the Corporation and the Oil Marketing Company could not be confirmed.

2. Penalties for Late Payment

The statement of profit and loss and other comprehensive income reflects cost of sales amounting to Kshs.520,396,000 as disclosed in Note 7 to the financial statements. Included in the cost of sales is Kshs.2,508,720 incurred on penalties and fines. Review of the ledger provided in support of the amount revealed that the Corporation was charged penalties and fines amounting to Kshs.2,508,720 on account of delays in remitting statutory payments to the Kenya Revenue Authority and National Social Security Fund.

In the circumstances, fines and penalties paid on delayed statutory remittances did not amount to a proper charge on public funds and would have been avoided.

3. Failure to Operate a Minimum Operational Stock

The statement of financial position reflects inventories valued at Kshs.227,656,000 which included petroleum products stock. Review of inventory records on petroleum products revealed that during the year under review, the Corporation did not operate a minimum operational stock stored by the Kenya Pipeline Company Limited, and replenished to its optimal levels upon drawdowns as required in Regulation 3 of the Energy (Minimum Operational Stock) Regulations, 2008. The regulation provides that all importers of petroleum products intended for use in Kenya shall maintain at all times physical operational stock in quantities not less than the minimum amounts specified in the Schedule of the Regulations.

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

4. Non-Compliance of Borrowing Repayment Terms

The statement of financial position reflects total borrowings amounting to Kshs.4,954,653,000. As disclosed in Note 28 to the financial statements, the balance comprises of Kshs.1,954,653,000 in respect of a local commercial bank CFC short term loan which has been long outstanding. During the year under review, the Corporation had three (3) loan facilities with the local commercial bank which comprised of Collateral Financing Facility of USD15,000,000, an overdraft facility of Kshs.300,000,000 and a short-term loan facility of Kshs.709,000,000.

The facilities letter agreement with the Bank provided that the Corporation would pay interest on amount drawn down on the Short-Term Facility at a rate of the Central Bank of Kenya plus 3.5% per annum. Similarly, the Corporation was to pay an interest on amount drawn on the Collateral Financing Facility, the Overdraft Facility and on the Short-Term Loan Facility at the Central Bank of Kenya plus 4% per annum on. However, no payments had been made to honor the agreement which continues to accumulate interest.

In the circumstances, the ability of the Corporation to meet obligations set out in the agreements could not be confirmed.

5. Defective LPG Cylinders

The statement of financial position and as disclosed in Note 21(a) to the financial statements reflects inventories with a net book value of Kshs.227,656,000 held by the Corporation as at 30 June, 2025. Included in the inventory are 46,757 defective Liquified Petroleum Gas (LPG) cylinders valued at Kshs.89,155,892 stored at the Corporation's Nairobi National Terminal. However, Management did provide measures undertaken to address the defective cylinders which were not in use and continued to lose value.

In the circumstances, the value for money incurred on liquified petroleum gas (LPG) cylinders could not be confirmed.

6. Employees on Acting Capacity Beyond Stipulated Period

The statement of profit or loss and other comprehensive income reflects administration costs balance of Kshs.910,033,000 as disclosed in Note 10 (a) to the financial statements. Included in the amount is Kshs.350,175,000 incurred on employee costs. However, review of the payroll data revealed that eleven (11) employees were paid acting allowances totalling Kshs.3,694,191 for periods exceeding allowed maximum of six (6) months. This is contrary to the Human Resource Policies and Procedures Manual for Public Service, 2016 Section C.14 (1) When an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of the Human Resource Policy and Procedures Manual.

7. Slow Implementation of Oil and Gas Exploration Activities

The statement of financial position and as disclosed in Note 36 to the financial statements reflects exploration expenditure on block 14T of Kshs.2,346,952,000. As reported in prior years, the Corporation spent over thirteen (13) years undertaking initial exploration activities whose stipulated period was three (3) years from effective date of the contract.

Further, records provided by Management in respect of exploration activities indicated that the Corporation entered into the first additional exploration period under the Production Sharing Contract (PSC) for Block 14T on 15 February, 2023 which has been extended to 15 February, 2025. The activities include acquisition of additional 500 kilometers of 2D seismic surveys over the most prospective areas of the block, acquisition of 100sq kilometers of 3D seismic surveys and drilling of one (1) exploration well to depth of 3000m in a period of two years. However, review of the Block T11(formerly Block 14T) report for the period between July, 2024 to June, 2025 revealed that drilling of an exploration well was yet to commence. In addition, evidence of the acquisition of 100 square kilometers of 3D seismic surveys were also not provided for review.

In the circumstances, the six (6) extensions to the exploration period may not have contributed to effective resource utilization and service delivery to public.

8. Delays in Laboratory Refurbishment Works

The statement of financial position and as disclosed in Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.5,553,844,000. The balance included capital work in progress balance of Kshs.396,309,000, involving construction and equipping of a Geochemical and Petrophysical laboratory under a contract awarded to Joint venture of two construction companies on 27 May, 2024 at contract price of Kshs.22,863,567.

Review of implementation status of the laboratory refurbishment works revealed the following anomalies;

i. In the prior year, the Corporation purchased equipment amounting to Kshs.406,978,000. However, the equipment could not be installed as the construction had not been completed as at the time of audit, which risked the equipment becoming obsolete due to evolving technology and damages at the store.

ii. Review of the minutes of the Contract Implementation Team (CIT) for the contract revealed that testing and commissioning of the laboratory equipment upon installation had stalled due to nonpayment; partial supply of consumables and standards for the equipment; and delay of payment to the supplier. As a result, the remaining time to expiry of the Defect Liability Period (DLP) would likely not be sufficient for equipment installation and any engagements with the contractor thereafter may be subject to additional attendance fees.

In the circumstances, the value for money incurred on the Project 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 Receivables

The statement of financial position and Note 22 (a) to the financial statement reflects trade and other receivables balance of Kshs.3,839,547,000. Review of an ageing analysis and ledgers provided revealed that trade receivables amounting to Kshs.570,527,682 had been outstanding for more than 360 days. The balance accounts for 89% of all trade receivables totalling to Kshs.644,123,000. Management's attempt to recover the accounts receivables through issuance of demand letters, were yet to yield results.

In the circumstances, existence of effective mechanisms and strategies for debt recovery could not be confirmed.

2. Lack of Governance Audit

During the year under review, the Board did not undertake a governance audit as required by the Mwongozo Code of Governance for State Corporations guidelines. The audit is expected to address among other areas governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder and stake holders value enhancement among others.

In the circumstances, Management is in breach of Mwongozo Code of Governance.

3. Outdated Information Technology Systems

Review of the Corporation's information technology systems revealed that an oracle system which was in use at the Corporation was outdated. The use of an outdated system increased vulnerability of crucial data and interruption of business operations. Further, as reported in prior years, a contract signed during 2016/2017 financial year at a cost of Kshs.95,624,321 for implementation in a period of fifteen (15) months was terminated on 10 July, 2020 by Management on the basis of non-performance. In addition, there was no evidence of recommendation from contract implementation team to terminate the contract as required in Section 151(2)(g) of the Public Procurement and Asset Disposal Act, 2015.

The provider filed a suit in the High Court against the Corporation for non-payment of outstanding invoices totalling Kshs.102,462,096 inclusive of interest. Subsequently, the systems attained their End of Life (EOL) which meant that updates and patches that enhance the system's security or any technical support from Oracle could no longer be received. Further, the Corporation had not paid the software vendor for three financial years and had accrued debts amounting to Kshs.57,145,833 in respect of annual software updates, technical support and additional license fees risking the data and business interruption in the case of a security attack.

In addition, during the year under review, Management did not have an Information Communication Technology Steering Committee with a mandate to oversee development of the Information Communication Technology strategy of the Corporation. This implied existence of gaps in information technology governance that might have affected the achievement of the organization's mandate.

In the circumstances, the value for money on the amount of Kshs.95,624,321 incurred on the system could not be confirmed.

4. Weaknesses in Management of Service Stations

During the year under review, the Corporation operated sixty-eight (68) service stations with seventeen (17) leased to third parties under facilities lease arrangements. A visit to sampled service stations owned by the Corporation in September, 2025 in Western Region, Central Region and Coastal Region revealed weakness in the facilities management as detailed below:

i. Some stations were neglected and in a dilapidated state with equipment such as filling pumps and generators left unguarded and at risk of being vandalized.

ii. Some stations were in a state of despair having been unmaintained over a long period of time which contributed to loss of customers and revenue.

iii. In most stations Liquefied Petroleum Gas (LPG) orders took long to deliver and orders for lubricants were not received.

In the circumstances, effectiveness of operations of the service stations 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that:

i. 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;

ii. The information given in the Directors' report on pages xxxvi to xxxviii is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on page 26 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Corporation's compliance with laws and regulations. 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 Corporation'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 Corporation'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