REPUBLIC OF KENYA

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

REPUBLIC OF KENYA

OAG
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL TRANSPORT AND SAFETY AUTHORITY 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 Transport and Safety Authority set out on pages 1 to 42, 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 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 National Transport and Safety Authority 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 National Transport and Safety Authority Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,692,337,472 which, as disclosed in Note 25 to the financial statements includes an amount of Kshs.264,749,747 in respect of land and buildings. Review of land ownership documents and progress report on land ownership revealed that out of fifteen (15) parcels of land established for motor vehicle inspection centres across the country, only two (2) parcels had been issued with title deeds. Management indicated that they were following up on the issue of title deeds with National Land Commission (NLC) and had obtained letters of allotment on six (6) parcels of land. However, the remaining nine (9) parcels of land were not supported by either allotment letters or ownership documents such as title deeds. Further, the balance of Kshs.264,749,747 excluded value for land occupied by the National Transport and Safety Authority (NTSA) inspection teams throughout the country which had not been valued.

In the circumstances, the accuracy and ownership of the property, plant and equipment balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Transport and Safety Authority 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 final receipts budget and actual amounts of Kshs.5,552,680,000 and Kshs.4,080,629,727 respectively, resulting to under- funding of Kshs.1,472,050,273 or 27% of budget. However, the Authority spent Kshs.4,274,632,867 against actual receipt amount of Kshs.4,080,580,253 resulting to over-performance of Kshs.194,052,614 or 5% of the budget.

The underfunding may have affected planned activities of the Authority and may have impacted negatively on service delivery to the public fund.

2. Long Outstanding Payables

The statement of financial position and as disclosed in Note 30 to the financial statements reflects trade and other payables balance of Kshs.836,067,585 which showed an increase of Kshs.197,504,727 or 31% from the prior year reported amount of Kshs.638,562,858. Further, review of records revealed that trade creditors amount of Kshs.158,547,797 and staff creditors of Kshs.11,893,568 has been outstanding for over one year. Management did not provide explanations why the payables were not settled when due. Delayed settlement of pending bills may attract penalties and interest resulting to loss of public funds.

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 effects of the matter described in the Basis for Qualified Opinion section, There are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, several issues were raised under the Basis for Qualified Opinion, Emphasis of matter, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Authority in 2024/2025 revealed that the following five (5) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracy in property, plant and equipment
2	2023/2024	Long outstanding trade and other Payables
3	2023/2024	Inefficient reporting module in Transport Information Management System
4	2023/2024	Failure to enforce Smart Driving License and Un-Utilized Smart Card driving Licenses
5	2023/2024	Weaknesses in ERP System

Other Information

Management is responsible for the Other Information set out on page v to lxxxv which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Director General, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and 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 Authority'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. Low Uptake of Smart Driving Licenses

As previously reported, on 8 March, 2017 the Authority entered into a contract with the National Bank of Kenya Consortium for the supply, delivery, installation and maintenance of five (5) million second-generation smart card-based driving licenses at a contract sum of Kshs.2,028,991,964.

Review of the project status as at 30 June, 2025 revealed that one million nine hundred and seventy-nine thousand four hundred and thirty-six cards (1,979,436) or 40% of total contracted cards had been printed since inception with three hundred and forty-one thousand five hundred and twenty-six (341,526) or 7% having been printed during the year under review, an indication of very low performance. Further, 231,148 cards valued at Kshs.71,147,354 are still in the Authority's store after a total of 1,750,000 cards were returned to the supplier to reduce un-invoiced stock earlier delivered. The uptake for the cards is still low and Management did not demonstrate efforts to improve the situation.

In the circumstances, the value for money expended on this project could not be confirmed.

2. Lack of Scalability of ERP System

Review of the Authority's systems revealed that the Authority uses an ERP System which was procured from a company in March, 2015 at a cost of Kshs.51,052,255.23. However, it was noted that the system is outdated and has diminished in functionality. The System does not perform key functions in the various user departments such as generation of reports, printing of payment vouchers and is slow in responding to commands, making it difficult for different user departments to achieve efficiency in the performance of their tasks. This has brought challenges in service delivery. Although Management has indicated that they have initiated implementation of an upgraded system, no evidence was provided to support claim. Further, the ERP Inventory System Module does not generate stock balances since it is not fully integrated into the ERP system'.

In the circumstances, the effectiveness of the ERP System 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. Multiple Applications Outside Intelligence Transport Integrated Management System (iTIMS)

During the year under review, the Authority operated multiple Applications outside Intelligence Transport Integrated Management System (iTIMS). The practice resulted to transactions amounting to Kshs.546,264,539 transacted outside the Integrated Transport Management System (iTIMS). Further, there is a likelihood for the amounts collected outside iTIMS failing to be accounted for fully and may result to loss of public funds.

In the circumstances, the effectiveness of internal controls on revenue collection through the multiple applications could not be confirmed.

2. Gaps in Business Continuity (BCP) and Disaster Recovery Preparedness (DRP)

Review of the Authority Disaster Recovery Plan and Business continuity plan revealed the following gaps:

i. The Disaster Recovery Plan identifies seven (7) personnel assigned as disaster recovery leads to guide the recovery process. However, the Plan does not specify a designated team leader responsible for declaring a disaster and initiating the response, which could lead to confusion and delays in mobilizing the disaster recovery efforts.

ii. The Disaster Recovery Plan does not specify alternative sites or workplace arrangements in the event of a disaster for regional offices and the Head Office.

iii. The disaster recovery plan does not clearly identify the key personnel responsible for preparing communications during a disaster. In addition, contact details of the communication lead and team members are not specified, which may hinder timely and coordinated communication efforts during an emergency.

iv. During the year under review, Management did not conduct critical disaster recovery test contrary to NTSA's ICT Security Policy and Disaster Recovery Policy provisions that requires annual testing to ensure system resilience.

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

3. Weak Software Asset Management

Review of software asset management revealed the following gaps:

i. The Authority's antivirus monitoring tool revealed that out of approximately one thousand three hundred and sixty-seven (1,367) devices, around six hundred (600) were inactive and not monitored by the antivirus software, increasing exposure to outdated signature updates and vulnerability to attacks.

ii. The devices are not receiving regular updates, which poses a security risk as they could be exploited to gain unauthorized access to the organization's network;

iii. The device inventory recorded in the antivirus tool does not align with the inventories maintained in the SIEM and vulnerability management tools and as a result the security team could not confirm that all devices within the organization are being reviewed and monitored, increasing the risk of untracked and potentially vulnerable assets remaining in the environment;

iv. Microsoft corporation, the sole manufacturer of window 10 operating system through their website issued retirement notifications for Windows 10 on October 14, 2025 ending their mainstream support. However, it was noted that the Authority was still using unsupported windows 10 operating system.

v. The Integrated Transport Management System (iTIMS platform) serves multiple high-volume users and handles sensitive vehicle ownership and transaction data. The Authority has implemented an information security unit to oversee the critical system. However, the Management has not established a Security Operations Center (SOC) whose mandate shall be to ensure 24/7 real time monitoring and proactively identify, analyze, and mitigate security threats that could affect data confidentiality, integrity, and availability. Lack of a dedicated Security Operations Center (SOC) exposes the system to increased cybersecurity risks, including data breaches, system compromise, and service interruptions, which may result in reputational damage, legal liabilities, and loss of public trust.

In the circumstances, effectiveness of internal controls in software asset management 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 those Charged with Governance

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 Authority'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.

Those charged with governance are responsible for overseeing the Authority'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

19 December, 2025