REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

PEST CONTROL PRODUCTS BOARD

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON PEST CONTROL PRODUCTS BOARD 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 Pest Control Products Board 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 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 Pest Control Products Board 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 Pest Control Products Act, 1982 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Expenditure on Laboratory Consumables

The statement of financial performance reflects use of goods and services amount of Kshs.127,798,347 as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.2,716,994 in respect of laboratory consumables. However, store's ledger, stock control card (S3) or counter requisition and issue vouchers were not provided for audit review.

In the circumstances, the accuracy, completeness and occurrence of Kshs.2,716,994 expenditure on laboratory consumables could not be confirmed.

2. License and Permit Revenue

The statement of financial performance reflects licenses and permits amount of Kshs.383,526,136 as disclosed in Notes 8 to the financial statements. Included in the amount is Kshs.40,410,558 which was not classified to the relevant class but indicated as E-Citizen. Further, records from the E-Citizen platform indicate Kshs.173,643,408 as collected and transferred to the Board while the total revenue recognized as collected through E-citizen was Kshs.383,526,136 resulting to unreconciled variance of Kshs.209,882,728.

In the circumstances, the accuracy and completeness of licenses and permits revenue totalling Kshs.383,526,136 could not be confirmed.

3. Unsupported Board Expense

The statement of financial performance and as disclosed in Note 13 to the financial statements reflect board expense of Kshs.12,787,398. However, review of Board expenditure revealed that an amount of Kshs.377,000 was not supported by documents including boarding passes, attendance registers and invitations.
In the circumstances, the accuracy and propriety of board expenses totalling Kshs.12,787,398 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Pest Control Products Board 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

Long Outstanding Insurance Claim Settlement

The statement of financial position and as disclosed in Note 22 to the financial statements reflect property, plant and equipment balance of Kshs.1,738,857,053, which include motor vehicles valued at Kshs.74,878,408. During the year under review, the Board wrote off a Toyota Prado, with a carrying amount of Kshs.12,780,000, against an insurance settlement of Kshs.11,617,000 as per discharge voucher (motor vehicle loss) claim . The Board submitted the compensation agreement form and transferred ownership of the vehicle to the insurer through the National Transport and Safety Authority on 28 June, 2024 and 30 July, 2024, respectively. However, as at 30 June, 2025, the insurer had only remitted Kshs.850,000, leaving an outstanding balance of Kshs.10,767,000. The insurer had not settled the claim in full, more than one year and four months after submission of the required documentation and transfer of ownership contrary to Section 203(1) of the Insurance Act, Cap 487 (2023), which requires insurers to settle claims within ninety (90) days from the date of reporting or, where liability is determined by a court, within ninety (90) days of such determination.

In the circumstances, the delay in settling the outstanding balance of Kshs. 10,767,000 was non-compliance with statutory requirements.

My opinion is not modified in respect of this matter.

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 previous year's audit report, several issues were raised under the Basis for Qualified Opinion, Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management, and Governance. Issues which were raised in the report of 2023/2024 are as listed below:

Summary of Issues;

1. Unsupported fuel, oil and lubricants.
2. Failure to revalue fully depreciated assets.
3. Unsupported employer contribution to health insurance scheme.
4. Lack of capital work in progress register.

5. Repairs and maintenance of property, plant and equipment.
6. Issuance of local purchase order without signed contract.
7. Lack of disaster recovery plan.
8. Non-compliance with treasury guidelines.
9. Understaffing in staff establishment.

Other Information

The Directors are responsible for the Other Information set out on pages iv to lii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, 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, 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 Board'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. Irregular Engagement of Property Valuation Services

The statement of financial performance and as disclosed in Note 16 to the financial statements reflect Kshs.5,551,520 in respect of contracted services which includes Kshs.1,650,000 being cost of valuation of land by a private valuer. This was contrary to Section 119 of the Guidelines on Asset and Liability Management in the Public Sector (2020) issued by The National Treasury that require revaluation of assets to be performed by the government valuer or a professional valuer appointed by a government valuer.

Further, review of supporting documents revealed several procurement irregularities, such as the requisition from the user department and the quotations opened on 14 May, 2025 were not provided for audit review, the chairperson of the opening committee was not among the appointed members, evaluation of quotations was done on May 16, 2025 for five firms but did not indicate the bid amounts and professional opinion dated May 26, 2025 did not specify the contract price contrary to the Public Procurement and Asset Disposal Act, 2015.

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

2. Expired Laboratory Reagents

Review of stores and inventory management analysis identified thirty-five (35) units of expired laboratory reagents, indicating lapses in inventory control and stock management practices contrary to Regulation 172 (j) of the Public Procurement and Asset Disposal Regulations, 2020 that requires the officer in charge of stores of a procuring entity to ensure that stores are not allowed to expire through a lapse of shelf life.

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

3. Absence of Designated Climate Change Coordination Unit

Discussions with Management revealed that there was no designated unit with adequate staff and financial resources. In addition, there was no senior officer appointed as head of the unit to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions and mandates into sectoral strategies for implementation. This was contrary to Climate Change Act, 2016 Part IV(15) (5) which states that each state department and national government public entity shall (c) designate a unit with adequate staff and financial resources and appoint a senior officer as head of the unit to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions and mandates into sectoral strategies for implementation.

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

4. Contract Management Practices- Fuel Procurement

The statement of financial performance and as disclosed in Note 11 to the financial statements reflect use of goods and services amounting to Kshs.127,798,347 which includes transport operating expenses of Kshs.11,645,281. Review of supporting documents for fuel expenditure revealed that the contract in place was initiated in 2010 whose contract period was not defined. Further, a payment of Kshs.490,000 was made in advance for delivery of fuel, contrary to Sections 146 and 147 of the Public Procurement and Asset Disposal Act, 2015 and Regulation 136 (2) of the Public Procurement and Asset Disposal Regulations, 2020 which require that no payment shall be made for works, goods or services before execution.

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

5. Irregular Receipt of Goods Beyond Thirty (30) Days of LPO Issue

The statement of financial performance reflects use of goods and services of Kshs.127,798,347 as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.2,716,994 in respect of laboratory consumables which further includes an expenditure of Kshs.576,990 for forced air-drying oven. Review of the expenditure revealed that the Board procured a forced air-drying oven through local purchase order dated 21 February, 2025. However, the goods were delivered on 24 June, 2025 four (4) months after the LPO was issued. This was contrary to Regulation 53(1) of the Public Procurement and Asset Disposal Regulations, 2020, which provides that local purchase orders or local service orders are valid for thirty days from the date of issue. Further, the requisition from user department was not provided for audit review. In addition, the equipment was delivered on 24 June, 2025 while the inspection and acceptance were conducted on June 23, 2024.

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

6. Failure to Tag Assets Acquired During the Year

The statement of financial position and as disclosed in Note 22 to the financial statements reflect total non-current assets amounting to Kshs.1,738,857,053. However, physical verification revealed that newly acquired assets costing Kshs. 49,921,622 had not been tagged for identification and tracking purposes as required by Regulation 139 (1) (b) that requires Accounting Officer of a national government entity to take full responsibility and ensure that proper control systems exist for assets and that movement and conditions of assets can be tracked.

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

7. Non-Compliance with Staffing Gaps in Recruitment and Promotion of Staff

The statement of financial performance and as disclosed in Note 12 to the financial statements reflect employee costs of Kshs.200,025,560. Review of the related expenditure and recruitment records indicated that the Board recruited eighty (80) employees during the year despite the initiating memo dated June 6, 2024 from the Human Resource Department to the Chief Executive Officer, highlighting staffing gaps and recommending consideration of thirty-five (35) individuals who were serving under temporary engagement. Further, an internal advertisement for various job opportunities targeting temporary staff—Ref No: PCPB/CEO/2025/VOL.6/016—was issued on 1st April, 2025. There was no documentary evidence that a competitive process was followed to recruit the eighty (80) employees. Further, the Board promoted sixteen (16) employees during the year. Apart from the advertisement of four (4) General Manager positions published on the Board's website on February 12, 2024, no document was provided to confirm that the promotions were preceded by a competitive recruitment process. The approach contravened the principles of fairness, transparency, merit-based appointment and competitive recruitment as expressed in Article 232(1)(g), (h), and (i) of the Constitution of Kenya, 2010.

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 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. Ownership and Control Over Online Pesticide Registration System

The Board utilizes the Online Pesticide Registration System to automate the operations of its registration department that was funded by the East African Community Secretariat as part of a regional initiative, with the Pest Control Products Board selected as the pilot Institution. Although the Secretariat directed that the Board assume ownership of the system, including the source code and data backup, the system and its associated data continue to be hosted and owned by the East African Community. As a result, the Board is unable to independently manage key system functions such as user administration, upgrades, routine maintenance, operational support and data backup.

In the circumstances, the Board control over data security, confidentiality and effective management of potential operational disruptions in the event of system malfunction or failure could not be confirmed.

2. Lack of a Risk Management Policy

During the financial year under review, Management did not establish or implement a Risk Management Policy to identify, assess and mitigate potential risks. The lack of a formal policy may have exposed the organization to unforeseen challenges, vulnerabilities and inefficiencies in addressing operational, financial and compliance-related risks. A comprehensive risk management framework would have been critical in safeguarding the organization's assets and ensuring long-term sustainability.

In the circumstances, the risk management strategies 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 Directors

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 Board'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 Board'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