REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

RIVATEX EAST AFRICA LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

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REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA 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 Rivatex East Africa Limited set out on pages 1 to 36, 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 Rivatex East Africa 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 Kenyan Companies Act, 2015.

Basis for Qualified Opinion

1. Inaccuracy in Revenue

The statement of profit or loss and other comprehensive income reflects revenue of Kshs.298,527,493 as disclosed in Note 8 to the financial statements. During the financial year under review, Rivatex Ltd had four (4) sales outlet shops in different parts of the Country which uses PESA FLOW System. However, examination of the PESA FLOW system and the documents revealed that the sales schedule could not be confirmed from the system neither was it supported by any system data from a centralized point for all the shops.

Further, the system in place could not generate centralized stock levels within a given period of time or commodity per shop being a very high-risk gap which may be leading to revenue leakages.

In the circumstances, the accuracy and completeness of sales of Kshs.298,527,493 could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.65,686,830 as disclosed in Note 19 to the financial statements. However, review of the debtors ageing analysis revealed that out of the total balance of Kshs.65,686,830, Kshs.31,623,722 were for more than one year old. This implies that the Company is unable to collect its debts as and when they fall due. In addition, it was noted that trade receivables of Kshs.2,327,417 were non performing debts. Further, the balance of receivables of Kshs.65,686,830 included Kshs.16,863,598 which relates to receivables from Moi University for the supply of goods out of which Kshs.10,899,056 was for the deductions which had not been remitted to Rivatex East Africa Limited.

In the circumstances, the validity and recover-ability of the long outstanding trade receivables balance of Kshs.65,686,830 could be not confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rivatex East Africa Limited Management in accordance with ISSAI 130 on 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.

Material Uncertainty Related to Going Concern

1. Material Uncertainty on Going Concern

We draw attention to Note 23 in the financial statements, which indicates that the Company has continued to record significant losses. The Company's accumulated losses increased from Kshs.3,408,535,666 in 2024 to Kshs.3,767,092,363 in 2025. During the year ended 30 June 2025, the Company also incurred a gross loss of Kshs.240,096,718 (2024: Kshs.278,576,759).

As disclosed by Management, the sustained poor performance has been attributed to persistent shortages and high costs of raw materials, fuel, spares, and consumables, as well as escalating repair and maintenance expenses. These conditions have continued to exert pressure on the Company's liquidity and operational capacity.

These events or conditions, along with other matters set forth in Note 23, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Emerging Issues – Incorporation of a Strategic Partner

Review of the minutes of the Special Full Board Meeting of Directors held on 14 February, 2025 indicated that the Board deliberated on the Cabinet Approval and Management's request to initiate the procurement process for the onboarding of a non-equity strategic partner to revitalize Rivatex East Africa Ltd. The Board noted that Cabinet had approved the engagement of a suitable strategic non-equity partner with the overall objective of reducing the Company's dependence on Government funding, enhancing utilization of existing facilities, attracting capital investments and private sector expertise, modernizing the plant and securing adequate working capital. The envisaged partner was expected to progressively establish a textile ecosystem around Rivatex through backward integration with Kenya's cotton production, creation of a farm-to-ginning value chain, and the design, development, and operationalization of an industrial park within the adjacent Special Economic Zone (SEZ) as approved by Cabinet. At the time of our review, the legal and regulatory processes necessary to complete this engagement were still in progress, thereby introducing legal uncertainties with potential implications on the Company's going concern.

As a result, emerging information indicates that the financially distressed Rivatex East Africa Ltd has been leased to Arise Integrated Industrial Platforms (Arise IIP), an operator of industrial facilities in several African countries for a 21-year term, with the new operator committing to inject Kshs.2.6 billion (US$20 million) to support the Company's revitalization. The handover, confirmed on 28 October, 2025 by the Ministry of Investment, Trade and Industry, represents a significant transition from State management to private operational control. This development follows substantial Government investments exceeding Kshs.7.5 billion in machinery and modernization, notwithstanding the Company's continued operation at less than 10% capacity, accumulated losses of Kshs.3.04 billion, and debts above Kshs.140.92 million as at 30 June, 2025. Under the new arrangement, Arise IIP is expected to assume all operational costs and remit a fixed lease fee to the National Treasury. However, no detailed documentation was provided to corroborate or clarify the full terms, obligations, and implications of these emerging developments, thereby creating uncertainties that may materially affect the assessment of the Company's operational continuity and future financial reporting.

Further, Moi University as a major shareholder, was not involved in the procurement of a strategic partner and the ensuing transactions.

In the circumstances, the Company's continued existence as a going concern under the new arrangements could not be ascertained.

My opinion is not modified in respect of these matters.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.480,000,000 and Kshs.312,654,493 respectively resulting to an under-funding of Kshs.167,345,507 or 35% of the budget. Similarly, the Company spent Kshs.671,211,190 against an actual receipt of Kshs.312,654,493 resulting to an unapproved over-expenditure of Kshs.358,556,697 or 115% of actual receipts.

The underfunding and over expenditure affected the planned activities and liquidity of the Company and may have impacted negatively on service delivery to the public.

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.218,803,066 as disclosed in Note 25 to the financial statements. Included in the balance is Kshs.108,553,959, Kshs.11,567,021, Kshs.90,406,078 and Kshs.8,276,008 in respect of trade payables, retention/contract monies, Moi University Pension Scheme staff deductions, and Rivatex East Africa Limited Savings and Credit Co-operative Organization (SACCO) deductions respectively. However, the trade and other payable ageing analysis provided for review revealed that payables for goods and services rendered, and works done amounting to Kshs.13,532,029 had been outstanding for more than one (1) year. No plausible explanation was provided for non-payment.

In the circumstances, the ability of the Company to settle it obligations as and when they become due is doubtful.

3. Performance and Profitability Trends

Rivatex East Africa Ltd. reported a net loss of Kshs.358,556,697 for the year, resulting into an accumulated loss of Kshs.3,767,092,363. During the year, the Company realized gross revenue amount of Kshs.298,527,493 against cost of sales (net of depreciation charge) amount of Kshs.538,624,211 as reflected in the statement of profit or loss and other comprehensive income and Note 8 and 9 to the financial statements. Review of the operations of the Company revealed the following trends contributing to the loss;

2.1 Revenue

The Company's principal activity and main income stream remains textile manufacturing which includes printed fabrics, dyed fabrics, cloth (greige), bleached fabrics, garments, grade B, yarn and waste. Year on year comparison revealed that contribution to revenue from four (4) of the main revenue streams declined compared to the previous year as shown in the table below:

Product	2024-2025	2023 – 2024	Decline
	Kshs	Kshs	Kshs
Bleached Material	18,376,328	20,352,689	-1,976,361
Yarn	3,461,310	37,609,662	-34,148,352
Printed Fabrics	40,372,638	53,151,025	-12,778,387
Dyed	121,658,689	149,602,833	-27,944,144

In addition, it was observed that revenue from the main income streams fluctuated significantly from year to year as shown in the table below, making it difficult to determine performance of each revenue stream and its contribution to the overall performance of the Company.

Product/Period	2025-2024	2023 – 2024	2022 – 2023	2021 - 2022
	(Kshs)	(Kshs.)	(Kshs.)	(Kshs.)
Printed Fabrics	40,372,638	53,151,025	52,676,227	71,323,467
Dyed	121,658,689	149,602,833	33,124,631	80,717,969
Clothe (Greige)	16,833,067	19,626,084	11,697,896	17,251,216

Product/Period	2025-2024 (Kshs)	2023 – 2024 (Kshs.)	2022 – 2023 (Kshs.)	2021 - 2022 (Kshs.)
Bleached Material	18,376,328	20,352,689	37,512,000	81,980,449
Garments	91,288,777	49,654,618	111,581,531	58,640,000
Grade B	5,458,020	958,541	926,667	2,356,415
Yarn	3,461,310	37,609,662	82,208,562	57,408,110

In the circumstances, volatile of fluctuations in revenue may impact negatively on the profitability of the Company.

2.2 Cost of Sales and Operating Expenses

The statement of profit or loss and other comprehensive income reflects net loss amount of Kshs.358,556,697 which was a marginal decrease from the previous year net loss amount of Kshs.367,063,834. During the year, the gross loss reduced marginally to Kshs.240,096,718 from Kshs.278,576,759 in the previous year. However, the total operating expenses decreased to Kshs.132,586,979 from Kshs.185,426,569 in the previous year, with the main contributors to the increase shown in the table below:

Description/Period	2024-2025 (Kshs)	2023 – 2024 (Kshs)
Direct Labour	114,790,404	115,955,290
Factory Electricity	44,470,286	56,623,961
Factory Water	6,822,915	7,180,584
Fuel wood expenses	10,359,025	19,701,749
Lubricants and Oils	5,891,878	11,544,088
Spares and Consumables	5,314,000	11,881,680
Repairs and Maintenance	13,268,845	20,896,996
Salaries and Wages	43,737,900	47,443,980
Staff Uniforms and Consumables	1,065,120	1,587,600
Tailoring Consumables	10,418,926	17,016,351

In the circumstances, the loss-making trend will continue as operating expenses have escalated and Management has not engaged in cost cutting measures.

3. Financial Assistance from Moi University

Rivatex East Africa Ltd. is a wholly owned subsidiary of the Moi University. However, the University reported a deficit of Kshs.597,496,000 during the year, bringing the accumulated deficit to Kshs.3,884,646,000. In addition, Moi University owes the Company an amount of Kshs.16,863,598 from sale of goods to the University.

In the circumstances, the University is not in a position to offer financial assistance to Rivatex East Africa Ltd and put it back in the path to profitability.

My opinion is not modified in respect to 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 and 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 Audit Matters

In the audit report of the previous year, two (2) issues were raised under the Report on Financial Statements, six (6) issues were raised under Emphasis of Matter, three (3) issues under the Report on Lawfulness and Effectiveness in Use of Public Resources, and three (3) issues under the Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issue have remained unresolved contrary to Section 68(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for National Government entities to try to resolve any issues resulting from an audit that remain outstanding. See **Appendix I**

Other Information

The Board of Directors is responsible for the Other Information set out on page iv to 1 which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Managing Director, Statement of Performance against predetermined Objectives, Corporate Governance Statement, 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 Rivatex East Africa Limited 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 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. Non-Compliance with Ethnicity on Staff Composition

The statement of profit or loss and other comprehensive income reflects administration costs amount of Kshs.115,054,627 as disclosed in Note 13 to the financial statements. Included in the amount is staff costs of Kshs.4,252,517. However, review of the payroll and human resource records revealed that the Company employed a total of six hundred and twenty-four (624) employees on contract and permanent basis out of which six hundred and ten (610) representing approximately 79% of the total number of members of staff were from the dominant community. In addition, the Company recruited twenty-three (23) employees during the year and all were from the same local dominant community an indication that Management was not making enough effort to bridge the existing ethnicity gap. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community

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

2. Delay in Completion of Proposed Godown at Nyando

The statement of financial position reflects property, plant and equipment balance of Kshs. 5,813,163,591 which includes buildings (work in progress) additions during the year of Kshs.53,295,262 as disclosed in Note 16 to the financial statements. Review of documents revealed that Management awarded the contract for the construction of a Godown at Nyando to a construction Company at a contract sum of Kshs.49,419,685 for a duration of twenty-four (24) weeks. The contract was signed on 02 February, 2022 and site handover was done on 28 February, 2022. The contract completion was delayed and an addendum was signed on 03 August, 2022 extending the contract period by a further one year to 3 August, 2023 to enable the contractor complete the construction works.

As at the time of the audit in October, 2025, the Company had paid the contractor a total sum of Kshs.44,567,262 leaving unpaid balance of Kshs.8,728,000. However, the payment was for the previous year and the Company had not made any payment during the year under review due to ongoing budgeting constraints arising from the government budget cuts. Physical verification in September, 2025 revealed that the contract was yet to be completed twenty (20) months after the lapse of additional contract period and the Company.

In addition, Management failed to prepare and submit monthly progress reports to the Accounting Officer contrary to Section 152 of the Public Procurement and Assets Disposal Act, 2015. Further, Management did not submit quarterly reports on variation or amendment of procurement contracts to the Public Procurement Regulatory Company.

In the circumstances, value for money on the expenditure of Kshs.44,567,262 on the project could not be confirmed.

3. Failure to Remit Statutory Deductions

The statement of financial position reflects trade and other payables balance of Kshs.218,803,066 which includes Moi University Pension Scheme staff deductions balance of Kshs.90,406,078 and Rivatex East Africa Limited (SACCO) deductions balance of Kshs.8,276,008 all totaling to Kshs.90,682,086 as disclosed in Note 25 to the financial statements. The two balances relate to pension and SACCO dues deducted from employees' salaries but had not been remitted. Failure to remit SACCO deductions was contrary to Section 35 of the Co-operative Societies Act, 2012 which states that where an employer has made a deduction from the employee's emoluments but fails to remit the deductions, he shall be liable to pay the sum deducted together with compound interest and legal proceedings may be instituted for recovery of the sums. In addition, Management also contravened Part VII, Section 53A(1) of the Retirement Benefits Act, 2012 which states that, where an employer has made a deduction from the employee's emoluments and fails to remit the deduction, the scheme may institute proceedings for the recovery of the deductions.

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

4. Anomalies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs. 5,813,163,591 as disclosed in Note. 16 to the financial statements. Included in the balance is Kshs.650,724,697, Kshs.53,295,262, Kshs.5,073,263,024, Kshs.31,977,936, Kshs.255,730, Kshs.440,676, Kshs.756,861 and Kshs.2,449,404 in respect of buildings, Buildings (work in progress) plant and equipment, plant and equipment (work in progress) furniture and fittings, computer and accessories and motor vehicle respectively However, examination of available documents and records revealed the following anomalies;

4.1 Failure to Revalue Property, Plant and Equipment

The Company assets have not been revalued for several years. This was contrary to Paragraph 44 of International Public Sector Accounting Standards (IPSAS 17) on property, plant and equipment which provides that the frequency of revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. No records were provided in support of major assets valuation since inception in the year 2007 and no indication of asset tagging

In addition, Management did not provide evidence that the major assets were revalued since inception of the Rivatex in the year 2007. In Addition, Management did not provide records for assets count and verification carried at regular intervals to confirm existence and condition of the recorded assets. It was noted that most of the assets were not tagged despite some of the assets being distributed in various departments within the Company and asset movement registers were not properly maintained.

Audit inspection and verification revealed that the fixed assets were not coded or assigned distinct identification tags as required. The correctness of the fixed assets register could not be confirmed.

4.2 Failure to Revalue Fully Depreciated Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.5,813,163,591 as disclosed in Note 16 to the financial statements. However, the Company had depreciated motor vehicles whose original cost amounted to Kshs.62,392,192 to Nil value. These assets were still in use but had not been revalued to reflect current market value. Further, it was also noted that office equipment and furniture and fitting and some assets were fully depreciated before the eighth year ended.

4.3 Failure to Establish a Sinking Fund

The Company had not established a sinking Fund to help in the replacement of its assets as required by Section 16(1) of the State Corporations Act, (Revised 2012) which requires that every state corporation shall make provision for the renewal of depreciating assets by the establishment of sinking Funds and for contributions to such reserve and stabilization funds as may be required.

4.4 Revaluation Reserve Balances

As previously reported, revaluation reserve balance of Kshs.73,652,680 has remained constant since the assets were last valued in 2007. The anomaly contravenes International Accounting Standard No.16 which requires that the transfers be made to the revenue reserves on an annual basis as the assets are depreciated. Further, the standard requires that fixed assets be revalued periodically. However, the revaluation for Rivatex assets had not been done since inception.

4.5 Failure to Insure the Fixed Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.5,813,163,591 as disclosed in Note 16 to the financial. However, there was no evidence of the insurance policy against any unforeseen disaster to the properties and core critical assets owned by the Company. This was contrary to Section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to manage its inventory, assets and stores for the purpose of preventing wastage and loss, and continued utilization of supplies. The Company's assets are at risk in case of a calamity or damage affecting the fixed assets.

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 are in compliance, 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. Lack of an Approved Inventory Management Policy

The statement of financial position reflects inventories balance of Kshs.477,675,645 as disclosed in Note 18 to the financial statements. However, the Company did not have in place an approved Inventory Management Policy to guide inventory handling. In addition, it had no Robust Inventory Management System, recording, movement and access, valuation and only relied on excel spreadsheets with no backup to manage its inventories which is prone to manipulations. This was contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 requiring that the Accounting Officer shall ensure that the National Government entity develops;(a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

In the circumstances, control over inventory management could not be confirmed.

2. Weaknesses in ICT Internal Controls

As previously reported, the ICT internal control environment of the Company has critical deficiencies. The Company does not have in place an approved ICT Policy, IT Strategic

Committee, IT Security Policy, IT Strategic Plan and a Steering Committee to guide IT-related decision-making processes, with IT task prioritized and implemented based on this plan as a framework. Further, Management has no IT Business Continuity Plan which makes it difficult for the Company to recover critical information resources in case of a disaster, potentially adversely impacting the operations of the Company. In addition, the Company does not have in place back up and retention strategy including secondary sites in offsite locations.

Whereas the server room has Closed Circuit Television (CCTV) system for surveillance of the server room, the access to this Facility is not effectively controlled since the Entity lacks biometric access to its server room. Supplementing CCTV cameras with biometric access control is critical for enhancing security measures by introducing a multi-layered approach to access management. While CCTV cameras provide visual surveillance, biometric access control adds an extra layer of authentication. This dual-layered system significantly reduces the risk of unauthorized access, enhancing overall security in the server room. Biometric access control ensures that only authorized personnel with verified credentials can physically enter the server room, thus mitigating the potential for security breaches, data theft, and unauthorized tampering with critical infrastructure. The combination of video surveillance and biometric authentication not only deters unauthorized access but also facilitates rapid response and forensic analysis in the event of a security incident.

In addition, it was noted that the Company has fire extinguishers located in strategic locations, however, none has been installed at the server room. The Entity also has in place Uninterruptible Power Supply (UPS) and back-up generator. However, the UPS are not effective as they can only back up power for less than five minutes while the standby generator is not operational, defeating the purpose for which it was installed. The operations of the Company literally come to a standstill whenever there is power black-out or electricity outages.

Inspection of the ICT servers of the Company also revealed existence of Enterprise Resource Planning software (SERA ERP) which was procured in April, 2016 at a cost of Kenya shillings Four million, four hundred and forty-nine thousand, three hundred thirty-four. (Kshs.4,449,334). However, the system is not in use hence the Company did not get value for money.

In the circumstances, the operations of the Company may be negatively affected as the Company is not prepared to any eventualities.

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 Company'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 Company'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

04 December, 2025

Appendix I: Unresolved Prior Year Audit Matters: 2023-2024

No.	Issue
	Report on Financial Statements
1.	Inaccuracy in Revenue
2.	Long outstanding trade and other receivables
	Emphasis of Matter
3.	Budgetary Control and Performance
4.	Material Uncertainty on Going Concern
5.	Long outstanding Trade and Other Payables
6.	Performance and profitability trends
7.	Revenue
8.	Cost of Sales and Operating Expenses
9.	Financial Assistance from Moi University
	Report on Lawfulness and Effectiveness in use of Public Resources
10.	Failure to Observe Ethnic Balance on Staff Composition
11.	Delay in Completion of Proposed Godown at Nyando
12.	Failure to Remit Statutory Deductions
	Report on Effectiveness of Internal Controls, Risk Management and Governance
13.	Lack of an Approved Inventory Management
14.	Anomalies in Inventory Management
15.	Weakness in ICT Internal Controls