REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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

Opinion

I have audited the accompanying financial statements of Technical and Vocational Education and Training Authority set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2025, 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 for 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, the financial statements present fairly, in all material respects, the financial position of Technical and Vocational Education and Training Authority 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 Technical and Vocational Education and Training Authority Act, 2013 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Technical and Vocational Education and Training 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 opinion.

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, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, several issues were raised under the Report on Financial statements, Lawfulness and Effectiveness in the Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Authority in 2024/2025 revealed that the following five (5) matters remained unresolved as at 30 June 2025:

No.	Audit Issues
1.	Long Outstanding Accounts Receivables
2.	Budgetary Control and Performance
3.	Failure to Surrender Excess Appropriation-In-Aid
4.	Shortage of Staff in the Authority
5.	Lack of Approved Risk Management Policy

Other Information

The Directors are responsible for the Other Information set out on pages v to lx which comprise of Key Authority Information and Management, The Board of Directors, Key Management Team, Chairperson's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the 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. Irregularities in the Accreditation Processes

The statement of financial performance reflects accreditation, quality assurance and standards amount of Kshs.174,154,545 as disclosed in Note 13 to the financial statements. Included in the expenditure is an amount of Kshs.18,349,500 in respect of accreditation of TVET institutions. However, the following issues were noted;

1.1 Expired Licenses for Registered / Accredited Institutions

Review of information relating to accredited institutions revealed that as at the time of audit in the month of November, 2025, the Authority had two thousand one hundred and twenty (2,120) registered institutions. However, eight hundred and twelve (812) or 38% of the institutions had their licenses expired.

1.2 Expired Licenses for Trainers, Assessors & Verifiers

Review of licensed trainers, assessors and verifiers register revealed that ten thousand eight hundred ninety-three (10,893) trainers were licensed. However, two thousand four hundred twenty-four (2,424) or 22% of the trainers had expired licenses. The expired licences pose risk of;

i. Exposure to reputational risk for failing to effectively regulate and enforce compliance within the sector;

ii. The institutions offering substandard training and assessment due to unlicensed or expired practitioners remaining active;
iii. Legal and regulatory exposure for allowing operations, contrary to statutory and policy requirements;
iv. The institutions being held accountable for not ensuring compliance with licensing regulations;
v. Allowing expired institutions to operate undermines National TVETA policies and strategic goals;
vi. Institutions with expired licenses operating without adhering to the required quality standards.

In the circumstances, the quality of service delivery may be impacted negatively the expired licensees.

2. Weaknesses in the Accreditation and Monitoring of Enforcement

Review of accreditation procedures revealed the absence of a standardized follow-up mechanism to monitor accreditation timelines or escalate cases of non-responsiveness. It was noted that response deadlines for institution applicants were neither clearly established, communicated, nor enforced. Further, it was observed that, the compliance and enforcement department only issues compliance notices to the applicants without any follow-up and further action as evidenced by review of eighty-seven (87) registered institutions awaiting accreditation since year 2014.

This was contrary to Section 20(1),(2), and (3) of TVETA Act, 2013, on registration and licensing of institutions which states that; (1) where the Board is satisfied that the applicant meets the conditions for establishment of an institution, it shall enter the particulars of the institution in its register and issue the institution with a license to offer training in the prescribed format as shall be set out by the Board. (2) Where the Board is of the opinion that the application does not meet the conditions for the establishment of an institution, it may (a) reject the application; or (b) make its comments or recommendations thereon and forward them to the applicant. (3) An applicant whose application has been commented upon in accordance with subsection (2)(b) may resubmit a revised application within a period of six months.

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

3. Failure to Handover ERP Database Access Rights to the Authority

The statement of financial performance reflects contracted professional services amount of Kshs.35,762,600 as disclosed in Note 12 to the financial statements. Included in this amount is Kshs.5,140,095 relating to payment for Enterprise Resource Planning (ERP) annual software and user licenses. Audit enquiries with the ICT department revealed that database access rights for the ERP system were not handed over to the Authority as required under clause 18.1 of the Service Level Agreement between the Authority and the system implementer dated 13 June, 2019. This poses the risk of: -

i. Loss of system control, exposing the Authority to operational and security risks;
ii. Data integrity risk which, includes unauthorized modification or deletion of data;
iii. Dependency risk, where the Authority is reliant on the vendor for routine administrative tasks;

iv. Business continuity failures in the event of vendor disengagement or dispute.

In the circumstances, value for money may not be achieved on Kshs.5,140,095 spent the ERP software and license and Management was in breach of the law.

4. Officers Serving in Acting Positions Beyond the Stipulated Period

Review of employee records revealed four (4) officers who have been serving in acting capacities for periods of more than six (6) months, contrary to Section 34(3) of the Public Service Commission Act, 2017 (Revised, 2023) which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

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

5. Staff Earning Less than One Third of Basic Pay

During the year under review, forty-two (42) members of staff earned monthly net salaries of below one third of their basic salary. This was contrary to Section C. 1(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which prohibits commitment of salaries beyond two thirds of basic salaries. Management has not provided justification for paying net salaries which are below one third of the basic salaries.

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. Understaffing of the Authority

As previously reported, the Authority's staff biodata indicated staff-in-post of sixty-two (62) against approved staff establishment of one hundred and forty (140). Thus, the Authority has a staff shortage of seventy-eight (78) staff. Shortage of staff results to non-achievement of the operational goals set by the Authority. Further, the existing staff are likely to be overworked and become less productive. In addition, the staffing capacity within the accreditation department had authorized staff establishment of eighteen (18) technical staff. However, the department had only four(4) staff members, resulting to a shortage of fourteen(14) or 78% staff members. This significant shortfall in staffing is likely to impede the department's ability to meet service delivery expectations, thereby exposing the Authority to operational delays and potential reputational risk in executing its core mandate.

In the circumstances, the effectiveness of the existing staff in implementing the Authority's mandate could not be confirmed.

2. Long Outstanding Receivables from Exchange Transactions

Note 16 to the financial statements discloses trade receivables balance of Kshs.22,241,365 that has been outstanding for over one (1) year. Although management has fully made provisions for the likely impairment, the Authority did not have a policy in place on management of receivables.

In the circumstances, the effectiveness of the Authority's controls over management of receivable 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 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 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.

The Board of Directors is 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

01 December, 2025