REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

UWEZO FUND OVERSIGHT BOARD

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON UWEZO FUND OVERSIGHT 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 Uwezo Fund Oversight Board set out on page 1 to 21, 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 Uwezo Fund Oversight 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 Legal Notice No.21 of Public Finance Management (Uwezo Fund) Regulations, 2014 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Recoverability of the Long Outstanding Loans

The statement of financial position reflects long term receivables – outstanding loans balance of Kshs.4,188,880,827 as disclosed in Note 21 to the financial statements. However, the balance has been outstanding for over three (3) years .

In the circumstances, the recoverability, accuracy and completeness of long-term receivables–outstanding loans amount of Kshs. 4,188,880,827 could not be confirmed.

2. Receipts in Bank Statement Not in Cashbook

The statement of financial position reflects cash and cash equivalents of Kshs.1,824,638,636 as disclosed in Note 17 to the financial statements. However, review of the bank reconciliation statements revealed receipts amounting to Kshs.127,091,150 in the bank statements but not in the cash books which dates back to 2018. Further, no official receipts had been issued to the groups that deposited the funds. In addition, the loan accounts of the affected groups were not adjusted to reflect the repayments.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,824,638,636 could not be confirmed.

3. Inaccuracies under Cash Generated from Operations

Note 24 to the financial statements reflects debit net cash flows balance from operating activities of Kshs.41,935,584 which includes Kshs.2,821,293 in respect of contributed assets. However, the amount relates to purchase of property, plant and equipment which has already been captured in the statement of cash flows.

In the circumstances, the accuracy and completeness of cash generated from operations of Kshs.2,821,293 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Uwezo Fund Oversight 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

1. Financial Performance

The statement of financial performance reflects a deficit of Kshs.47,025,312 for the year under review. Although, Management and as disclosed under the statement of Directors/Fund Committee responsibilities states that the Fund will remain a going concern for at least the next twelve months from the date of this statement, strategies need to be put in place to avert such occurrences in the future.

In the circumstances, the Fund is likely to face financial challenges in future if strategies are not put in place to reverse the trend.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.384,979,540 and Kshs.400,885,867 resulting in over-collection of Kshs.15,906,327. However, the Fund spent Kshs.200,566,127 against the final approved budget of Kshs.388,442,540 resulting to an under-expenditure of Kshs.187,876,413 or 48% of the budget.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion 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 audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in the Use of Public Resources. The issues as detailed in the **Appendix I** remain unresolved as at 30 June, 2025.

Other Information

The Management is responsible for the Other Information set out on page iv to xxx which comprise of comprise of Key Entity Information and Management, The Board of Directors/Fund Committees, Key Management Team, Chairman's Statement, Report of the Executive Officer/Fund Administrator, Statement of Performance against

Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors/Fund Committees and Statement of Directors'/Fund Committee Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund'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

Staff Under-Establishment

The Fund has an in post of twenty-nine (29) members of staff representing 7% of its approved establishment of three hundred and ninety-three (393) members of staff. Review of records indicated that the twenty-nine members of staff are on secondment from several State Departments.

Further, at the constituency level the Fund has employed one member of staff from the State Department of Youth Affairs and Creative Economy who are officials supporting the Fund's objectives in disbursing loans and other support to youth groups within their respective regions. It was observed that these officers are responsible for the whole constituency which are very expansive.

In the circumstances, failure to adequately staff the Fund with employees of requisite skills and tenure of service may impede its effective service delivery to the citizens.

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 effects of the matter 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

Lack of a Disaster Recovery Plan and Business Continuity Plan

Review of the Fund's ICT environment revealed that there was no disaster recovery plan/business continuity plan in place. In case of any disaster, the Fund may not be able to recover any information because its' operations are manual system. In the absence of a disaster recovery plan/business continuity plan, the Fund lacks a blueprint for identifying, preventing and mitigating against disasters and ensuring its operations are not interrupted.

In the circumstances, existence of effective disaster management measures 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 Fund'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 Fund'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

20 November, 2025

Appendix

Unresolved Prior Year Matters 2023-2024

Reference No. of the Auditor-General's Report	Observation
	Report on Financial Statements
1	Long Term Receivables
1.1	Lack of Provision for Bad and Doubtful Debts
1.2	Non-Distinction between Current and Non-Current Receivables
	Emphasis of Matter
1	Financial Performance
2	Budgetary Control and Performance
	Report on Lawfulness and Effectiveness in the Use of Public Resources
	Unrecovered Administrative Fees