


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 FEB 2026	DAY. WEDNESDAY
TABLED BY:	LEADER OF MAJORITY LEADER (HON. KIMANI ICHUNGWATH)
CLERK-AT-THE-TABLE:	J. KEMERELLE

REPORT

OF

THE AUDITOR-GENERAL

ON

MANAGEMENT AND SUPERVISION FUND

**FOR THE YEAR ENDED
30 JUNE, 2025**

STATE DEPARTMENT FOR COOPERATIVES



**MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND
MEDIUM ENTERPRISES (MSMEs) DEVELOPMENT**

STATE DEPARTMENT FOR COOPERATIVES

MANAGEMENT AND SUPERVISION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Public Sector Accounting Standards (IPSAS)**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

The Management & Supervision Fund was established Under Co-operatives Societies Rule No. 18 and 19. The Fund is managed by the department for Co-operatives as authorized by the Co-operatives Societies Act 2004 and the Co-operatives Societies Rules.

Co-operatives Societies Act 2004 and the Co-operatives Societies Rules 18:

(1) There is hereby established a fund to be known as the Management and Supervision Fund and every registered society shall, unless exempted in writing by the Commissioner, pay annually an audit and supervision fee.

(2) The Commissioner shall administer the Fund and the balance of the Fund shall be kept with the accounting officer who shall be authorized to accept receipts and to make payments in accordance with the provisions of these Rules: Provided that the accounting officer shall not make any payment from the Fund unless he holds a cash balance on behalf of the Fund sufficient to cover the payment.

(3) The receipts to the fund shall consist of-

- (a) Fees under sub-rule (1) as fixed by the Commissioner for the better carrying out of the provisions and purposes of section 25 of the Act;
- (b) ten per centum of the audit fees paid by the society to the auditor in respect of the annual accounts in question; and (c) fees paid under rules 16 and 17 (2).

(4) Expenditure charged to the Fund may include expenditure for-

- (a) Purchases of specialized stationery, office machinery and equipment for use by the Commissioner in the administration of co-operative societies and the Fund;
- (b) Repairs of office machinery and equipment purchased from the management fund;
- (c) temporary extra clerical assistance, authorized by the Commissioner as necessary from time to time in connection with the audit and supervision of co-operative societies.
- (d) Payment of professional audit fees which shall be subsequently recovered wholly or in part from co-operative societies concerned.
- (e) liquidation expenses including legal fees and costs where no money are available to the liquidator and where in the opinion of the Commissioner such expenditure should be incurred for the proper carrying out of the liquidation; and

(f) Any other expenditure approved by the Treasury including the investment of funds surplus to requirements.

Accounts of the Fund 19;

(1) Fifty per cent of the annual receipts received by the Fund shall be payable half yearly to the Government as appropriations-in-aid.

(2) All expenditure from the Fund shall be supported by vouchers and authorized by the Commissioner in the same manner as for other Government expenditure.

(3) The Fund shall be audited annually by the Auditor General.

a) Principal Activities

The principal activity of the fund is the sale of co-operatives audit services and annual registration of auditors.

Vision

“The fund of choice for the promotion of accountability and audit in Co-operatives societies.

Mission

To mobilize funds from Co-operatives societies and other sector players and utilize the same towards the attainment of a globally competitive and sustainable co-operative sector.

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and teamwork.

b) Key Management

Ref	Name	Position
1	Patrick K. Kilemi	Accounting Officer
2	David K. Obonyo	Commissioner for Co-operatives Development
3	Javel Murira	Director Co-operatives Audit (AIE Holder)
4	Kipyegon Henry Siele	Senior Deputy Accountant General

e) Registered Offices

P.O. Box 30547-00100
NSSF Building
Bishop Road
Nairobi, Kenya.

d) Fund Contacts

Telephone: (254) 020-273531-9
E-mail: ps.ushirika@gmail.com
Website: www.ushirika.go.ke

e) Fund Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya.

Note: No other Commercial Banks

f) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

g) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya.

2. FUND ADMINISTRATION TEAM

	<p>Principal Secretary Patrick K. Kilemi Patrick Kiburi Kilemi is the Principal Secretary (PS) in the Ministry of Co-operatives and Micro, Small & Medium Enterprises (MSMEs) Development, State Department for Co-operatives. His career spans over 20 years in sales, marketing, commercial planning and pricing experience in the petroleum industry in Kenya and the East and Central African region mainly with International Oil majors Total Kenya Limited (11 years), Chevron (Caltex) Kenya Limited (4 years) and Mobil Oil Kenya Limited (3 years). He holds a master's degree in economics and Bachelors of Arts Degree in Economics from The University of Nairobi. He is a CPA (K) finalist.</p>
	<p>Commissioner for Co-operative Development The Commissioner for Co-operatives Development and currently the Head Finance and Marketing Division. Holds a Master of Arts Rural Economics and Co-operation (Bundelkhand University, India); Bachelor of Arts, Economics, Sociology and Political Science and Diploma Industrial Relations. Has 24 years' service in the Co-operatives Administration serving as Ag. Secretary Ethics Commission for Co-operatives Societies (ECCOS), Head of Department, Co-operatives Finance and Banking, Co-operatives County commissioner, Provincial Co-operatives Officer and District Co-operatives Officer. A member of Kenya Society for Professional Co-operators. (KSPC).</p>
	<p>Kipyegon Henry Siele CPA Kipyegon Henry Siele is a Senior Deputy Accountant General and head of accounting unit in the State Department. He holds an MBA (Finance), B.Sc. (Mathematics), CPA(K), CPS(K) and PGDE</p>
	<p>Javel Muthee Murira Director Co-Operative Audit. He holds a MBA in Finance, B.A in economics and sociology. KACE and KCE. He is a professional Accountant; He is in currently Director of Co-operatives Audit State department for Co-operatives. He has worked in various government units from the year 1994 to date. He is a member of ICPAK and Institute of internal auditors (IIA).</p>

3. KEY MANAGEMENT TEAM



Principal Secretary Patrick K. Kilemi

Patrick Kiburi Kilemi is the Principal Secretary (PS) in the Ministry of Co-operatives and Micro, Small & Medium Enterprises (MSMEs) Development, State Department for Co-operatives. His career spans over 20 years in sales, marketing, commercial planning and pricing experience in the petroleum industry in Kenya and the East and Central African region mainly with International Oil majors Total Kenya Limited (11 years), Chevron (Caltex) Kenya Limited (4 years) and Mobil Oil Kenya Limited (3 years). He holds a master's degree in economics and Bachelors of Arts Degree in Economics from The University of Nairobi. He is a CPA (K) finalist.



**Mr. David K. K. Obonyo
Commissioner for Co-operative Development**

The Commissioner for Co-operatives Development and currently the Head Finance and Marketing Division. Holds a Masters of Arts Rural Economics and Co-operation (Bundelkhand University, India); Bachelor of Arts, Economics, Sociology and Political Science and Diploma Industrial Relations. Has 24 years' service in the Co-operatives Administration serving as Ag. Secretary Ethics Commission for Co-operatives Societies (ECCOS), Head of Department, Co-operatives Finance and Banking, Co-operatives County commissioner, Provincial Co-operatives Officer and District Co-operatives Officer. A member of Kenya Society for Professional Co-operators. (KSPC).



Kipyegon Henry Siele

CPA Kipyegon Henry Siele is a Senior Deputy Accountant General and head of accounting unit in the State Department. He holds an MBA (Finance), B.Sc. (Mathematics), CPA(K), CPS(K) and PGDE



**Javel Muthee Murira
Director Co-Operative Audit.**

He holds a MBA in Finance, B.A in economics and sociology. KACE and KCE. He is professional Accountant; He is in currently Director of Co-operatives Audit Stat department for Co-operatives. He has worked in various government units from the year 1994 to date. He is a member of ICPAK and Institute of internal auditors (IIA).

4. REPORT OF THE PRINCIPAL SECRETARY

The fund administrator submits the report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Fund affairs.

Entity's compliance with statutory requirements

During the reporting period the fund has complied with all statutory requirements. The institution has no non-compliance that may expose it to potential contingent liability.

Key projects and investment decisions the entity is planning/implementing

There are no key projects or investments the fund is planning to implement.

Sustainability

The fund and its stakeholders are increasingly emphasizing the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Major risks facing the entity

The fund is exposed to liquidity risk. The fund overall risk management framework focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risk on its performance by setting acceptable levels of risk.

Material arrears in statutory/financial obligations

During the reporting period the Fund has no material arrears and any financial obligations

The entity's financial probity and serious governance issues

During the reporting period the fund has no case of financial improbity reported and no governance issues were raised.

Principal Activities

The principal activity of the fund is the sale of co-operatives audit services and annual registration of auditors and societies.

Auditors

The Office of the Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Conclusion

Good progress was made in the financial year and the momentum has been created to enable Management and Supervision Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve in the subsequent years.

I take this opportunity to express my sincere gratitude and appreciation to the State Department for Co-operatives, Co-operative Auditors, and other Stakeholders, for their continued support which made us achieve these results.

I look forward to your continued support in the years to come.

Signed: _____



PATRICK K. KILEMI

PRINCIPAL SECRETARY.

5. STATEMENT OF PERFORMANCE AGAINST ENTITY'S PREDETERMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year the accounting officer when preparing financial statements include a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the Management and Supervision Fund (Co-operative Accounts and Audit) are to:

- a) Implement policy and operational guidelines on Co-operative Audit services
- b) Regulate and monitor compliance with the provisions of the Co-operative Societies Act and subsidiary legislation
- c) To promote good governance in co-operative societies
- d) To ensure effective and efficient service delivery

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives: -

Program	Objective	Outcome	Indicator	Performance
Governance and accountability	Implement policy and operational guidelines on Co-operative Audit services	Guidelines were issued to cooperative societies	One technical updates completed and signed	Developed one technical updates and achieved the targets by 100%
	Regulate and monitor compliance with the provisions of the Co-operative Societies Act and subsidiary legislation	Promotion of accountability through registration of 4,062 audited accounts	4,062 audited accounts	Registered 4,062 audited accounts against a target of 3800, hence a score of 102%.
		Regulation of audit services and promoted ethical practices	314 Audit firms were registered and approved to audit cooperatives	Approved list of auditors for 2023-2024 done
		Enforcement of the legal	Compliance audit of societies in the 47 Counties	Compliance audits were carried out in the

		requirements on audit		Counties and reports issued
	To promote good governance in co-operative societies	Promotion of accountability during liquidation of societies	Reviewed liquidators' schemes of distribution and society status	Review of liquidated sacco's ongoing
		Inquiry and investigation of suspected mismanagement and fraud	Cooperative Auditors took part in 8 inquiries and 2 inspections of societies	Cooperative auditors were assigned inspection and inquiry work in 10 societies
	To ensure effective and efficient service delivery	Lender services to the public in accordance with Citizen Service Delivery Charter	Attendance to public requests and complaints	Attended to all the customer requests and provided the necessary assistance.

6. CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

The fund has throughout the FY2024/2025 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The management are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board approves the work plan supported by the financial plan for the year on an annual basis. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis.

Management Team

The management team headed by the Fund Administrator implements advisory decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Office of the Auditor-General.

7. MANAGEMENT DISCUSSION AND ANALYSIS

The fund earned revenues amounting to KShs 10,527,706: which were collected from audit and supervision and inquiry fees.

During the reporting period, the fund has complied with all statutory requirements. The institution has no non-compliance that may expose it to potential contingent liability.

With the expected operationalization of the new National Cooperative Policy and finalization of the new Cooperative Bill, the management and supervision fund revenue streams will be streamlined with that at the county government level.

Key challenges:

Slow processing of legal instruments for the delineation of functions between the National and County Governments, frequent budget-cuts and shortage of technical staff are some of the challenges facing the department

8. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 84 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a national public fund established by the constitution or an Act of Parliament shall prepare financial statements for the fund in a form prescribed by the Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and at the end of the financial year ended on June 30, 2025. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud
- (iv) Safeguarding the assets of the Fund
- (v) Selecting and applying appropriate accounting policies
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

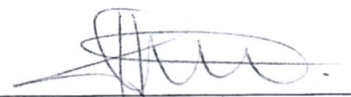
In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of Going Concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved on 20th November 2025 and signed by:



Patrick K. Kilemi
Principal Secretary



Kipyegon Henry Siele
Senior Deputy Accountant General

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON MANAGEMENT AND SUPERVISION FUND FOR THE YEAR ENDED 30 JUNE, 2025 - STATE DEPARTMENT FOR COOPERATIVES

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 Use the 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 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, the risk management environment and the 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 Management and Supervision Fund set out on pages 1 to 19, which comprise of the statement 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 do present fairly, in all material respects, the financial position of the Management and Supervision Fund 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variances in the Comparative Balances

Review of financial statements for the financial year 2024-2025 revealed variances between the prior year and comparative amounts as shown below:

Statement/Item	Prior Year Certified Amounts 2023-2024 (Kshs)	Comparative Amounts 2024-2025 (Kshs)	Variances (Kshs)
Statement of Financial Performance			
Audit and Supervision Fees	11,973,468	12,169,993	(196,525)
Statement of Financial Position			
Debtors	17,587,751	17,754,276	166,525
Accumulated Surplus	11,667,529	11,864,054	(196,525)
Statement of Cash Flows			
Audit and Supervision Fees	11,973,468	12,169,993	(196,525)

In the circumstances, the accuracy and completeness of comparative amounts could not be confirmed.

2. Unconfirmed Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.5,346,450 as disclosed in Note 8 to the financial statements. However, as previously reported the Fund does not have its own separate bank account and cashbook. It uses the deposit account for the State Department for Co-operatives. It was therefore not possible to trace the receipts to the cash book and in the bank statement. This was contrary to Section 68(2)(b) of the Public Finance Management Act, 2012 which requires

an accounting officer to ensure that the entity keeps financial and accounting records that comply with the Act.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.5,346,450 could not be confirmed.

3. Long Outstanding Debtors

The statement of financial position reflects debtors balance of Kshs.11,287,204 as disclosed in Note 9 to the financial statements. However, included in the balance is cooperatives' debtors balance of Kshs.10,219,347 which has remained outstanding for more than ten (10) years and no provision for bad and doubtful debts has been made.

In the circumstances, the accuracy, completeness and recoverability of the cooperatives debtors' balance of Kshs.10,219,347 could not be confirmed.

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

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, Emphasis of Matter and Report on Lawfulness and Effectiveness in Use of Public Resources. The issues as detailed in **Appendix I** remain unresolved as Parliament has not deliberated on the same.

Other Information

The Management is responsible for the Other Information set out on page iii to xiv which comprise of Key Entity Information and Management, Fund Administration Team, Key Management Team, Report of the Principal Secretary, Statement of Performance against Entity's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Management and Supervision 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, I confirm that nothing 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

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 overall 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 ISSAI 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

26 November, 2025

Appendix I

Unresolved Prior Year Matters

No	Reference	Observation
		Basis of Qualified Opinion
1	249.1	Cash and Cash Equivalents – Unconfirmed Balance
2	249.2	Inaccuracies in Statement of Cash Flows
3	250	Unsupported Debtors Balance
4	251	Failure to Remit Appropriations-In-Aid to The National Treasury
5	252	Irregular Retention Revenue
6	253	Unsupported Retention Payables
		Emphasis of Matter
7	254	Budgetary Control and Performance
		Lawfulness and Effectiveness in Use of Public Resources
8	256	Irregular Payment of Meal Allowance

10. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2025.

	Note	FY2024/2025	FY2023/2024
Revenue from non-exchange transactions			
Audit and Supervision fees	5	11,514,706.00	12,169,993.00
Inquiry fees		1,535,078.00	579,348.00
Retention deposits		-	8,848,507.00
Trade fair and exhibition sponsorship		=	<u>300,000.00</u>
Total Revenue		13,049,784.00	21,897,848.80
Expenses			
AIA expense/ transfers	6	5,757,353.00	-
Inquiry expenses		2,648,560.00	486,500.00
General expenses	7	4,868,355.00	5,262,694.00
Retention paid		-	3,984,600.00
Trade fair & exhibition expenses		-	300,000.00
Total expenses		<u>13,274,268.00</u>	<u>10,033,794.00</u>
Surplus/Deficit) for the period		<u>(224,484.00)</u>	<u>11,864,054.00</u>

The notes set out form an integral part of these Financial Statements. The entity financial statement was approved on 20th November 2025 and signed by:



Patrick K. Kilemi
Principal Secretary



Javel Murira
Director for Co-operative Audit



Kipyegon Henry Siele
Senior Deputy Accountant General
ICPAK Number: 8879

11.STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2025

	Note	FY2024/2025	FY2023/2024 Audited
		KShs	
Assets			
Current assets			
Cash and cash equivalents	8	5,346,450.00	7,764,617
Debtors	9	<u>11,287,204.00</u>	<u>17,784,276.</u>
Non-current assets		16,633,654.00	25,548,893.00
Property, plant and equipment	10	<u>1,170,719.00</u>	<u>1,398,414.</u>
Total assets		17,804,373.00	26,947,307.00
Liabilities			
Accounts Payable - AIA	11	1,932,190.00	4,863,907.
Net Assets		<u>15,872,183.00</u>	<u>22,083,400.00</u>
Financed by;			
Management & Supervision Fund Capital	12	10,219,347.00	10,219,347.
Accumulated surplus/(deficit) for the year		5,652,836.00	11,864,054.00
Total equity		<u>15,872,183.00</u>	<u>22,083,401.00</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20th November 2025 and signed by:



Patrick K. Kilemi
Principal Secretary



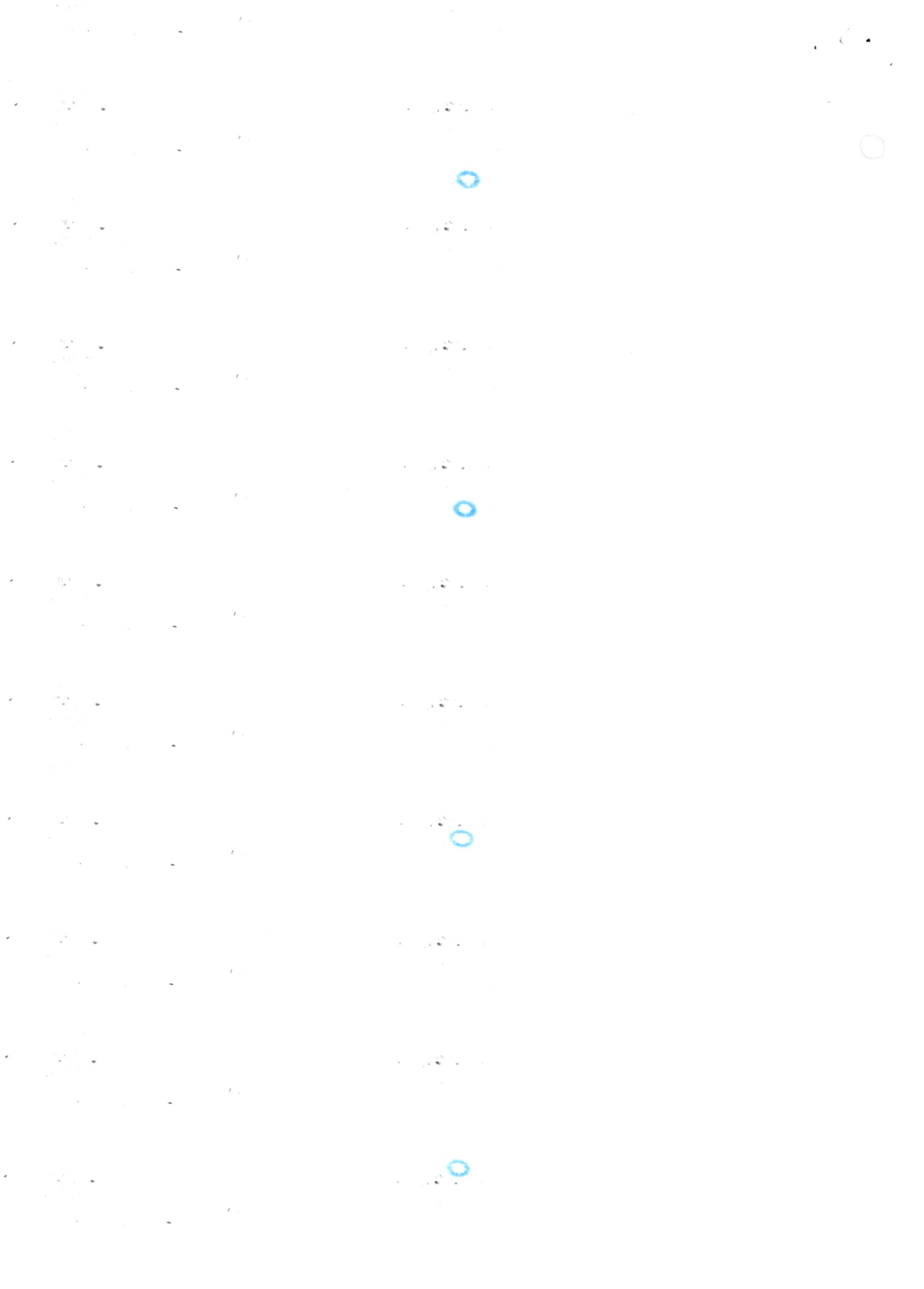
Javel Muriira
Director for Co-operative Audit



Kipyegon Henry Siele
Senior Deputy Accountant General
ICPAK Number: 8879

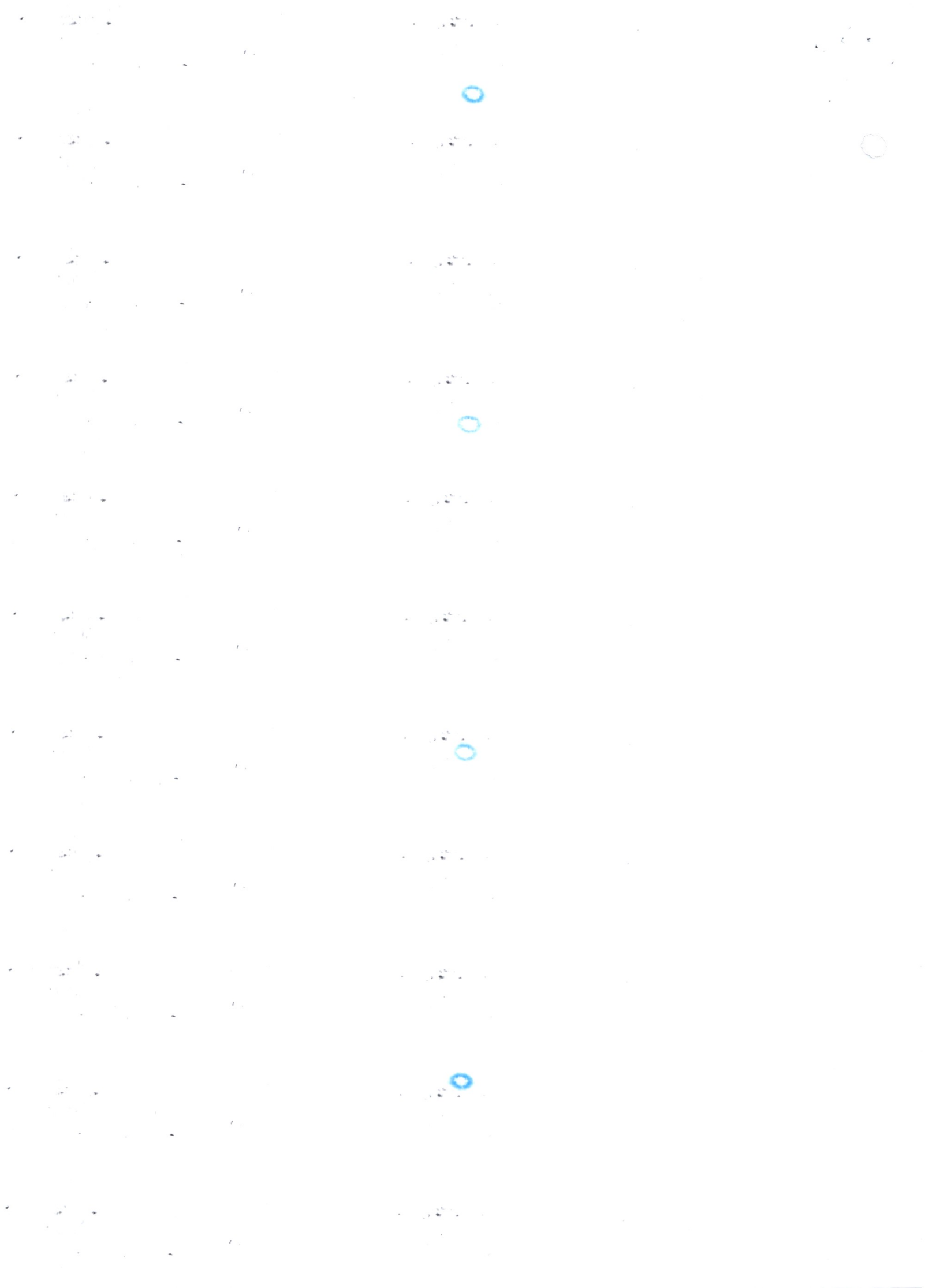
12.STATEMENT OF CHANGE IN NET ASSET AS AT 30TH JUNE 2025

	Fund/Capital	Accumulated surplus	Total
		KShs	KShs
Balance bf July 1st, 2023	10,219,347.00	6,861,155.00	17,080,502.00
Surplus/(deficit) for the period	-	5,002,898.00	5,002,898.00
Funds received during the year		-	-
Balance as at 30 June 2024	10,219,347.00	11,864,054.00	22,083,401.00
Balance bf July 1st, 2024	10,219,347.00	11,864,054.00	22,083,401.00
Funds received during the year	-	-	-
Prior year AIA paid	-	(5,986,734.00)	(5,986,734.00)
Surplus/(deficit) for the period	-	(224,483.00)	(224,483.00)
Funds received during the year	-	-	-
Balance as at 30 June 2025	10,219,347.00	5,652,836.00	15,872,184.00



**13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th
JUNE 2025**

	Note	FY2024/2025	FY2023/2024
		KShs	
Cash flows from operating activities			
Cash inflows			
Audit and Supervision fees		11,514,706	12,169,993
Inquiry and inspection fees		1,535,078	579,348
Trade Fair and Exhibition Sponsorship Revenue		-	300,000
Retention revenue		-	8,848,507
Total cash inflows		<u>13,049,784</u>	<u>21,897,847</u>
AIA Transfers paid		-9,811,897	-
General expenses		-7,289,220	-5,749,194
Retention paid out		-	-3,984,600
Trade Fair and Exhibition Sponsorship Expenses		-	-300,000
		<u>-17,101,117</u>	<u>10,033,794</u>
Net Cash flow from operations		<u>-4,051,333</u>	<u>11,864,052</u>
Add depreciation		-	199,773.00
Increase/ Decrease in debtors – remittances from Govt. Digital Services		6,497,072.00	-
Increase/ Decrease in Retention deposits	11	-4,863,906.80	-
Changes in capital fund		-	-
Net cash flows from operating activities	13	<u>1,633,165.20</u>	<u>12,063,827.00</u>
Net increase/(decrease) in cash and cash equivalents		<u>-2,418,168.00</u>	<u>4,468,018</u>
Cash and cash equivalents at 1 July bf	8	<u>7,764,617.00</u>	<u>4,299,210.00</u>
Cash and cash equivalents as at 30 June, 2025	8	<u>5,346,449.00</u>	<u>7,764,617.00</u>



**14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD
 ENDED 30th JUNE 2025**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2024/25	2024/25	2024/25	2024/25	2024/25	2024/25
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Audit and Supervisory Fee	11,100,000		11,100,000	10,527,706	- 566,294	94.90%
Annual Auditors Registration fees(350 audit firms @sh 3,000)	900,000		900,000	987,000	87,000	109.67%
Total Income	12,000,000		12,000,000	11,514,706		
Expenses						
Transfer-AIA	6,000,000		6,000,000	3,825,163	- 4,916,97	18.05%
Purchase of stationery and printing	1,500,000		1,500,000	1,147,460	- 352,540	76.50%
Purchase of office equipment, furniture and machinery	500,000		500,000	-	- 500,000	0%
Repair & Maintenance of office equipment & motor vehicle	550,000		550,000	0	- 550,000	0%
Hire of temporary extra clerical services	100,000		100,000	-	- 100,000	0%
Payment of audit fees	50,000		50,000	-	- 100,000	0%
General Inquiry and Inspection				0	-	0%
Liquidation expenses	100,000		100,000	-	- 100,000	0%
Training and Development expenses	700,000		700,000	1,172,400	672,400	234.48%
Hospitality	-		-	-	-	0%
Inspection, inquiries & compliance Audit	2,500,000		2,500,000	3,493,200	993,200	139.73%
Total expenditure	12,000,000		12,000,000	6,896,088	- 4,953,912	57.47%
Surplus/Deficit	-		-	5,103,912		

15. Notes to the Financial Statements

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) Accrual. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Adoption of new and revised standards

3. Summary of Significant Accounting Policies

i) Revenue recognition

ii) Revenue from non-exchange transactions

iii) Audit and supervision fees

Audit and supervision fees is recognized when audited accounts is presented to commissioner for approval or registration are billed for payments. Currently no registration of accounts is allowed without full payments having been done.

The income relates to

1. 10% of audit fees from private auditors
2. 30% of audit and supervision fees from county Co-operative Auditors
3. Annual registration fees from private audit firms at Ksh.3000 per year.

iv) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is

acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The assets have been depreciated as furniture and fittings at 12.5% and computers at 33% on straight line basis.

v) Fund surplus fees

Fund surplus are realised from excess income over expenditure, the surplus is carried forward to the next financial year.

vi) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

vii) Cash and cash equivalents

Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

viii) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

ix) Events after the reporting period

There were no material adjusting and non-adjusting events after the reporting period.

x) Currency

The financial statements are presented in Kenya Shillings (KShs).

4. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are

described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the assets

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Related Party Relationships

The Fund has a related party relationship with the State Department for Co-operatives Nature of related party relationships

5. Fund receipts and other receivables

Description	FY2024/2025	FY2023/2024
	KShs	ksh
Receipts		
Audit & Supervision Fees	10,527,706.00	11,200,993.00
Auditors' registration fees	987,000.00	969,000.00
Inquiry fees	1,535,078.00	579,348.00
Donation - Trade fair	-	300,000.00
Retention deposits	-	8,848,507.00
Total	<u>13,049,784.00</u>	<u>21,897,848.00</u>

6. AIA EXPENSE

Description	FY2024/2025	FY2023/2024
AIA expense (50% of fund receipts) (50% of Ksh.11,514,706 = 5,757,353)	5,757,353	-
	5,757,353	-

7. General and inquiry expenses

Description	FY2024/2025	FY2023/2024
	KShs	ksh
General inquiry and inspection expenses	-	225,494.00
Daily Subsistence	1,851,600.00	657,600.00
Annual Subscription Fee	812,600.00	1,172,400.00
General Office Supplies	1,147,460.00	826,700.00
Hospitality	829,000.00	2,052,600.00
Maintenance of office equipment	-	30,000.00
Depreciation and amortization costs	227,695.00	297,900.00
Total	<u>4,868,355.00</u>	<u>5,262,694.00</u>

8. Cash and cash equivalents

Description	FY2024/2025	FY2023/2024
	KShs	ksh
Cash in Bank -Audit and Supervision Fund	5,346,450.00	4,450,341.00
Inquiry fees	-	675,438.00
Cash in Bank- Suppliers' retention money	-	3,314,276.00
Total cash and cash equivalents	5,346,450.00	7,764,617.00

9. Management & Supervision Fund-Debtors.

Description	FY2024/2025	FY2023/2024
	KShs	Audited ksh
Debtor cooperatives	10,219,347.00	10,219,347.00
Government Digital Services	1,067,857.00	7,564,929.00
Total cash and cash equivalents	11,287,204.00	17,784,276.00

10. Property, plant and equipment

	Furniture and fittings 0.125	Computers ICT 0.33	Total
Cost	KShs		KShs
NBV as at June 2024	1,140,398.00	258,016.00	1,398,414.00
NBV as at 1 st July 2024	1,140,398.00	258,016.00	1,398,414.00
Additions	-	-	-
Disposals	-	-	-

Adjusted NBV	1,140,398.00	258,016.00	1,398,414.00
Less; Depreciation	142,550.00	85,145.00	227,695.00
NBV as at June 2025	997,849.	172,870.00	1,170,719.00

11. Accounts payable

AIA payable	FY2024/2025	FY2023/2024
Amount payable to the Government - 50% of fund receipts	5,757,353.00	-
Paid during the year	(3,825,163.00)	=
Balance carried forward	1,932,190.00	-
Retention payables		
Dalton Enterprises	-	2,079,893.00
Coricom Limited	-	1,448,066.00
Contra Links	-	1,335,948.00
Total	-	4,863,907.00
Total Payables	1,932,190.00	4,863,907.00

12. Management & Supervision Fund-Capital

	FY2024/2025	FY2023/2024 Audited
Fund Capital	10,219,347.00	10,219,347.00

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TRIAL BALANCE 2024/25

ITEM	Dr.	Cr.
Audit and supervision fees	-	10,527,706.00
Auditors' registration fees		987,000.00
Inquiry fees		1,535,078.00
Inquiry expenses	2,648,560.00	
AIA expense	5,760,353.00	
Daily subsistence	1,851,600.00	
Annual subscription fees	812,600.00	
General office supplies	1,147,460.00	
Hospitality	829,000.00	
Depreciation	227,694.95	
AIA PAYABLE		1,935,190.00
Cash at bank -Management & Superv. fund	5,346,449.00	
Cash at bank -retentions	-	
Debtors -cooperatives	10,219,347.00	
Govt digital	1,067,857.00	
Property, plant & equipment	1,170,719.08	
Management & supervision fund capital		10,219,347.00
Surplus & loss accounts	-	5,877,319.60
	31,081,640.03	31,081,640.60

16. Appendix I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
249.1	<p>The statement of financial position reflects cash and cash equivalents balance of</p> <p>Kshs.7,764,617 as disclosed in Note 6 to the financial statements. However, the Fund</p> <p>does not have its own separate bank account but utilizes the deposit account for the State</p> <p>Department for Co-operatives. It was therefore not possible to trace the receipts in the</p>	<p>We have initiated the process to resolve the matter</p>	<p>Senior Deputy Accountant General</p>	<p>Not resolved</p>	<p>31st March 2026</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>bank statement. This was contrary to Section 68(2)(b) of the Public Finance Management Act, 2012 which requires an accounting officer to ensure that the entity keeps financial</p>				
	<p>The statement of cash flows reflects closing cash and cash equivalents balance of Kshs.7,764,617. However, re-computation of the balances yielded a balance of Kshs.15,163,901 resulting to an unexplained variance of Kshs.7,399,284</p> <p>In the circumstances, the accuracy and completeness of cash and cash equivalents</p>	<p>We have initiated the process to resolve the matter</p>	<p>Senior Deputy Accountant General</p>	<p>Not resolved</p>	<p>31st March 2026</p>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	balance of Kshs.7,764,617 in both statement of cash flows and statement of financial position could not be confirmed.				
250	The statement of financial position reflects debtors balance of Kshs.17,587,751 relating to management and supervision fees as disclosed in Note 9 to the financial statements. However, the balance was not supported by detailed analysis of the debtors. Further,	We have initiated the process to resolve the matter	Senior Deputy Accountant General	Not resolved	31 st March 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>included in the balance was an amount of Kshs.10,219,347 which has been outstanding</p> <p>for the last ten (10) years that has been classified under current assets. This was contrary</p> <p>to the provisions of paragraph 76(c) of the International Public Sector Accounting Standards No. 1 which states that an asset shall be classified as current when it is</p> <p>expected to be realized within twelve months after the reporting date.</p> <p>Similarly,</p> <p>Management did not explain why these debts have not been collected and what measures</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>had been put in place to ensure full recovery of the debts.</p> <p>In the circumstances, the completeness, accuracy and recoverability of the debtors</p> <p>balance of Kshs.17,587,751 could not be confirmed.</p>				
	Non-compliance with Co-operative Societies Rules		N/A	N/A	N/A
251	<p>The statement of financial performance reflects total revenue from non-exchange</p> <p>transactions of Kshs.21,701,323 which includes audit and supervision fees of</p> <p>Kshs.11,973,468 as disclosed in Note 1 to the financial statements. However, the Fund</p>	We have initiated the process to resolve the matter	Senior Deputy Accountant General	Not resolved	31 st March 2026

**State Department for Cooperatives
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>did not remit 50% of the amount to The National Treasury as Appropriations-In-Aid (AIA) during the year under review. This was contrary to the provision of Rule No. (19) (1) of the Co-operative Societies Rules, 2004 which states that fifty percent of the annual receipts received by the Fund shall be payable half yearly to the Government as appropriations-in-aid This may have overstated the surplus for the year and understated the liabilities by Kshs.5,986,734 in the circumstances, the accuracy and completeness of audit and supervision</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	fees of Kshs,11,973,468 could not be confirmed.				

