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Enhancing Accountability

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OFFICE OF THE AUDITOR-GENERAL ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2025

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 19 FEB 2026 DAY: Thurs

Hon. Gitonga Munugara, MP
Modo Miriam



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VISION

Making a difference in the lives and livelihoods of the Kenyan people



MISSION

Audit services that impact on effective and sustainable service delivery



OUR CORE VALUES

Integrity • Credibility • Relevance •
Accountability • Independence

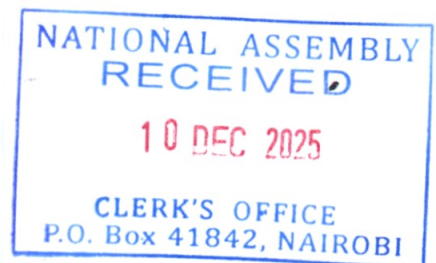


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1. Acronyms and Definition of Key Terms

A: Acronyms and Abbreviations

AfDB	African Development Bank
AFROSAI	The African Organization of Supreme Audit Institutions
AFROSAI-E	African Organization of English-speaking Supreme Audit Institutions
AIA	Appropriation in Aid
AIE	Authority to Incur Expenditure
AMS	Audit Management System
ARCC	Audit, Risk and Compliance Committee
BIA	Business Impact Analysis
CBK	Central Bank of Kenya
CCAA	Climate Change Adaptation Actions
COMENSUM	Community Environmentally Sustainable Mariculture
CSI &S	Community Social Investment and Sustainability
DAG	Deputy Auditor-General
DRP	Disaster Recovery Plan
EACC	Ethics and Anti-Corruption Commission
FAS	Financial Audit Services
FLLoCA	Financing Locally-Led Climate Action
ICT	Information and Communication Technologies
IDI	INTOSAI Development Initiative
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ITCBC	Institutional Technical Capacity Building Committee
OAG	Office of the Auditor-General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PFMR	Public Financial Management Reforms
PPE	Property and Equipment
RPOS	Recovery Point Objectives

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RTOs	Recovery Time Objectives
SAS	Specialized Audit Services
TNT	The National Treasury

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

2. Key Information and Management

(a) Background information

The Office of the Auditor-General (OAG) is an Independent Office established by Article 229(1) of the Constitution of Kenya. The Office derives its mandate from the Constitution of Kenya 2010 and the Public Audit Act, 2015. The Auditor-General is mandated to audit the accounts of any entity that is funded from public funds and report to Parliament and the relevant County Assemblies within the statutory timelines. In addition, Article 229 (6) requires the Auditor-General to confirm whether public funds are spent lawfully and effectively.

The Office was first established in 1955 as the Office of Controller and Auditor-General through the Exchequer and Audit Ordinance, which stipulated the duties and powers of the Office in undertaking Public Sector Audit. Section 128 (1) of the Constitution of Kenya 1963, established the Office of the Controller and Auditor-General as an office in the Public Service. The Office had dual functions as per the Constitution and under the Exchequer and Audit Act Cap 412; (1) to audit all public funds in the Central Government, Local Authorities and State Corporations and (2) to authorize release of funds from the Exchequer Account. In 1985, the Exchequer and Audit Act was amended to provide for the appointment, duties and powers of the Auditor-General (Corporations) with the responsibility for auditing the accounts of the Statutory Boards, Commissions and Independent Offices.

The Public Audit Act, 2003 merged both Audit Offices and established a more independent Office of the Controller and Auditor-General and renamed it, Kenya National Audit Office (KENAO). The Constitution of Kenya, 2010 separated the two functions previously under the Controller and Auditor-General and created two Independent Offices namely, the Office of the Auditor-General and the Office of the Controller of Budget.

The Accounting Officer of OAG is the Auditor-General who is also responsible for the general policy and strategic direction of the Office.

(b) Mandate

The mandate of the Auditor-General as stipulated in the Constitution of Kenya, 2010 and the Public Audit Act, 2015 is to carry out audits of all entities funded by the Government and to report to Parliament and the relevant County Assemblies.

Specifically,

1. Article 229(4) of the Constitution of Kenya provides that within six months after the end of each financial year, the Auditor-General shall audit and report, in respect of that financial year, on -
 - a) The accounts of the national and county governments;
 - b) The accounts of all funds and authorities of the national and county governments;
 - c) The accounts of all courts;
 - d) The accounts of every commission and independent office established by the Constitution;
 - e) The accounts of the National Assembly, the Senate and the county assemblies;
 - f) The accounts of political parties funded from public funds;
 - g) The public debt; and
 - h) The accounts of any other entity that legislation requires the Auditor-General to audit.
2. Article 229(6) requires the Auditor-General to confirm whether public money has been applied lawfully and in an effective way. This requires the Auditor-General:
 - a) to conduct compliance audits;
 - b) to perform work that addresses the economy, efficiency and effectiveness with which public resources have been applied and utilized; and
 - c) to evaluate the impact of Government funded programmes on the lives of citizens
3. The Public Audit Act, 2015 Section 7(1a-g) states that the Auditor-General shall:
 - a) give assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments;
 - b) undertake audit activities in state organs and public entities to confirm whether

public money has been applied lawfully and in an effective way;

- c) satisfy himself or herself that all public money has been used and applied to the purposes intended and that the expenditure conforms to the authority for such expenditure;
- d) confirm that: -
 - i. all reasonable precautions have been taken to safeguard the collection of revenue and the acquisition, receipt, issuance and proper use of assets and liabilities; and
 - ii. collection of revenue and acquisition, receipt, issuance and proper use of assets and liabilities conforms to the authority;
- e) issue an audit report in accordance with Article 229 of the Constitution;
- f) provide any other reports as may be required under Article 254 of the Constitution;
- g) perform any other function as may be prescribed by any other written legislation.

4. As an independent office, the Office of the Auditor-General is expected to meet the objectives and goals of Commissions and the Independent Offices as stipulated in Article 249(1) of the Constitution of Kenya, namely,
- (a) protect the sovereignty of the people;
 - (b) secure the observance by all State organs of democratic values and principles; and
 - (c) promote constitutionalism.

(c) Key Management

The Office of the Auditor-General's day-to-day management is under the following key organs:

- Auditor-General,
- Executive Committee comprising the Auditor-General and the Deputy Auditor Generals.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended June 30, 2025 and who had direct fiduciary responsibility were:

No	Designation	Name	Date of Appointment
1	Auditor-General	FCPA Nancy Gathungu, CBS	17 July, 2020
2	Deputy Auditor General – Corporate Services	CPA Isaac Ng'ang'a	17 January, 2023
3	Director, Finance	CPA James Njuru	01 July, 2022
4	Director, Supply Chain Management	Rosemary Ogwago	17 November 2021

(e) Fiduciary Oversight Arrangements

The Auditor-General has the overall fiduciary oversight role assisted by the Deputy Auditor Generals. In addition, the Auditor-General has established various management committees with specific terms of reference to enhance proper fiduciary oversight and leadership.

	Committee	Role
1	Leadership and Strategy Committee	Provide leadership and clarity in setting strategies, cross office planning processes and policies under the Auditor-General direction. There are five work-streams under the committee.
2	Human Resource Management Advisory Committee.	Making recommendations on Human Resource policy issues to the Auditor-General. There are two work-streams under this committee.
3	Performance Management Committee	Ensure linkage between institutional strategic goals and performance contracts.
4	Learning and Development Advisory Committee	Consider and approve training objectives, staff development strategies, training needs and projections and skills inventory.
5	Risk Management Committee	Championing an effective, Office-wide risk management culture, develop and recommend risk policies, monitor risk

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		alignment with strategy, and review risk appetite statement and risk reports.
6	Ethics and Integrity	Monitor the impact of ethics and corruption prevention initiatives and actions taken following breaches of the ethics policy framework.
7	Staff Mortgage and Car Loan Scheme and Welfare	Responsible for the administration of the scheme. Processes loan applications from staff members and make financing recommendations to the service providers.
8	Professional Services and Relationship Committee	Recommend for approval of OAG auditing standards, methodologies, tools and policies
9	Project Implementation Committee	Prioritization and execution of projects based on OAG's Strategic Plan and the development blueprint of Vision 2030.

(f) OAG Headquarters

P.O. Box 30084-00100
Anniversary Towers
University Way, Nairobi, Kenya

(g) Contacts

Telephone: (254) 020-3411904/342330

E-mail: info@oagkenya.go.ke

Website: <https://www.oagkenya.go.ke>

(h) Bankers

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

2. **Kenya Commercial Bank**
University Way
P.O Box 48400-00100
Nairobi, Kenya

(i) Independent Auditors

PKF Kenya LLP

Certified Public Accountants

P.O. BOX 14077-00800

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. Profile of the Auditor-General and Key Management



**FCPA Nancy Gathungu, CBS
THE AUDITOR-GENERAL**

FCPA Gathungu is the Auditor-General of the Republic of Kenya. She was appointed to the position on 17 July, 2020. She holds a Master of Business Administration (Strategic Management), a Bachelor of Commerce (Accounting) degree, and is a Certified Public Accountant of Kenya (CPA-K). She is also a Certified Information Systems Auditor (CISA).

FCPA Gathungu is a member of ICPAK and Association of Women Accountants of Kenya (AWAK). She has vast experience in Public Sector auditing, Strategic Management and Capacity Building for Supreme Audit Institutions.



FCPA Sylvester Kiini

FCPA Kiini was a Deputy Auditor General under Financial Audit Services until his retirement on 6 July 2025. He has vast experience in Public and Private Sector Accounting. He is a holder of Master of Business Administration (Strategic Management) and Bachelor of Commerce (Accounting) degree. He is a Certified Public Accountant of Kenya (CPA-K) and a member of ICPAK.



**CPA Fredrick Odhiambo
(Deceased)**

CPA Odhiambo was a Deputy Auditor General under Financial Audit Services until his demise on 2 October 2025. He had vast experience in Public and Private Sector Accounting and was a holder of Master of Business Administration, Master of Public Policy (MPPM) and Bachelor of Science (Bsc.) degree. He was a Certified Public Accountant of Kenya (CPA-K), Certified Fraud Examiner (CFE), Certified Financial Services Auditor (CFSA) and a member of ICPAK.



FCPA Edwin Kamar

FCPA Kamar is a Deputy Auditor General under Financial Audit Services. He has vast experience in Public and Private Sector Accounting and is a holder of Bachelor of Commerce degree and is a Certified Public Accountant of Kenya (CPA-K).

He is also a Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA) and a member of ICPAK.



CPA Dr. Leonard R. Lari

CPA, Dr.Lari is a Deputy Auditor General under Financial Audit Services. He has vast experience in Public Accounting and holds a PhD (Finance), Master's degree in Commerce (Forensic Accounting) and a Bachelor's degree in Economics and Business studies. He is also a Certified Public Accountant of Kenya (CPA-K) and a member of ICPAK.



CPA Stanley Mwangi

CPA Mwangi is a Deputy Auditor General under Financial Audit Services. He has vast experience in Public and Private Sector Accounting. He is a holder of Master of Business Administration (Strategic Management) and Bachelor of Commerce (Accounting) degree. He is a Certified Public Accountant of Kenya (CPA-K) and a member of ICPAK.



CPA Joyce Ndung'u

CPA Ndung'u was the Deputy Auditor General in-charge of Specialized Audit Services until her retirement in December, 2024. She has vast experience in Public Sector Accounting and is a holder of Master of Business Administration and a Bachelor of Arts Degree. She is a Certified Public Accountant of Kenya (CPA-K) and a member of ICPAK.



CPA Isaac Ng'ang'a

CPA Isaac Kamau Ng'ang'a is the Deputy Auditor General—Corporate Services and Specialized Audit Services. He has over twenty years' experience in the audit field both in the public and private sectors.

Mr. Ng'ang'a holds a Master of Arts degree in Accounting and Finance Management from University of Hertfordshire, United Kingdom and Bachelor of Science in Business Administration from United States International University. He is a Certified Public Accountant and a member of ICPAK.

4. Statement by the Auditor-General

The Office of the Auditor-General (OAG) continues to play its constitutional role in strengthening public accountability, good governance, and transparency in the management of public resources. As guided by Article 229 of the Constitution and the Public Audit Act, 2015. The Office has consistently delivered on its mandate to audit and report on accounts of all entities that receive public funds, with a focus on the legality, efficiency, and effectiveness in use of public resources.

Our Strategic Plan 2021–2026 has been the compass guiding our journey to deliver on our mandate. Grounded on our values of Integrity, Credibility, Relevance, Accountability, and Independence, it provides a clear roadmap for delivering audits that safeguard public resources and strengthen public trust. In the performance of our constitutional mandate, we are guided by three strategic priorities:

1. To enhance the quality of audit services for improved management of public resources;
2. To position the Office for greater relevance and credibility to stakeholders; and
3. To be a model organisation for effective service delivery.

In the 2024/2025 financial year, my Office audited the accounts of 2,746 entities and the audit reports were submitted to the National Assembly, the Senate, and respective County Assemblies. Additionally, a total of ninety-nine (99) specialized audits were conducted during the year, comprising of fifteen (15) Performance Audits, sixty (60) IT Audits, three (3) Citizen Accountability Audits, five (5) Forensic Audits, eight (8) Public Private Partnership Audits and eight (8) Public Debt Audits. Notably, during the financial year, three (3) performance audit reports on the Provision of Services to Persons with Disabilities by the National Council for Persons with Disabilities (2021); the Kenya Youth Employment and Opportunities Project by the Micro and Small Enterprises Authority (2024); and the National Schools Meals and Nutrition Programme (2023) were discussed by the Parliament.

Public engagement was deepened through Citizen Accountability Audits (CAA), which promote inclusive oversight by involving citizens and community-based organizations in verifying the quality and impact of public service delivery. During the year, the Office partnered with citizens and grassroots organizations to audit afforestation and reforestation

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initiatives in Kenya. The objective was to assess climate mitigation measures undertaken by the Kenya Forest Service and to evaluate their impact on Citizens.

In advancing accountability, the Office made significant strides in the implementation of the framework for tracking and following up on audit recommendations, culminating in two audit follow-up reports submitted and tabled in Parliament. This significant milestone demonstrates my Office's commitment to providing oversight that drives actions and reforms for better governance.

The Office also actively participated in key global and regional forums, strengthening its voice and influence in championing public accountability within the international public sector audit community. During the year, the Office participated in, inter alia; Steering Committee Meetings on Coordinated Regional Illicit Financial Flows, INTOSAI Knowledge Sharing Committee and Working Group on Impact of Science and Technology on Audit, AFROSAI-E Anti-Money Laundering Workshops, African Union Conference on Debt, IMF Debt Transparency Conference, AFROSAI-E SAIs and Anti-Corruption Authorities Seminars among others. The Office's participation in these high-level meetings and engagements reflects our commitment to continue positioning our Office as a trusted leader and catalyst for impactful change in the oversight of public resources.

The audit universe of the Office has grown to over 12,000 clients with the growth driven by the reorganization of government resulting in creation of new State Departments, Agencies and other entities. In addition, Public Secondary Schools which are now self-accounting have majorly contributed to the increase in scope. The foregoing factors have necessitated the deployment of appropriate internal response and adaptation measures by the Office such as undertaking recruitments, trainings and capacity building as well as establishment of new directorates within the organizational structure to ensure continued relevance, effectiveness and efficiency in the discharge of our mandate.

To improve the quality and timeliness of audits, the Office fully migrated to a web-based Audit Management System (AMS), streamlining the audit process from planning to reporting. Further, to enhance organizational performance, the Office reviewed its Human Resource Manual introducing a Performance Management System that culminated in signing performance contracts by top management. Staff development remained a strategic priority,

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with targeted training initiatives rolled out to equip auditors with the skills required to address evolving audit risks, including those related to climate resilience, debt sustainability, and digital transformation.

Despite these gains, the Office faced operational challenges stemming from funding shortfalls and delays in exchequer releases. During the year, the Office was allocated Kshs.8.2 billion against a requirement of Kshs.10.5 billion resulting into a Kshs.2.3 billion resource gap that affected execution of the planned activities. We shall continue to engage with The National Treasury and Parliament to secure predictable and adequate funding that aligns with our growing mandate.

In line with the government's directive on the adoption of IPSAS Accrual Basis across all public sector entities, the Office has prepared its first IPSAS Accrual financial statements. As a Supreme Audit Institution, the Office is not only mandated to audit this critical reform but also to model best practices in public financial management. By embracing this shift, the Office demonstrates its commitment to setting the tone in strengthening accountability and driving excellence in financial reporting across the public sector.

As we look to the future, the Office remains committed to deepening our impact through delivering timely, relevant, and value adding audits that contribute to improved governance, fiscal responsibility, and sustainable development. We will continue to leverage on technology, strengthen partnerships, and refine our internal systems to uphold public trust and promote accountability. Together with our stakeholders, partners and citizens, we aspire to continue making a difference in the lives and livelihoods of the Kenyan people.

Finally, I take this opportunity to thank Parliament, the National Treasury, development partners and other stakeholders, as well as the staff of the Office for their continued support and collaboration.



FCPA Nancy Gathungu, CBS

AUDITOR-GENERAL

5. Statement of Performance Against Predetermined Objectives for the FY2024/25

Introduction

Article 229(4) of the Constitution requires the Office to audit and report on all accounts of public entities within six months after closure of the financial year. In addition, Article 229(6) and (7) of the Constitution and Section 7 of the Public Audit Act, 2015 require that the Office confirm and report to Parliament and relevant County Assemblies on the lawfulness and effectiveness in the use and management of public resources.

These constitutional and statutory requirements are incorporated in the Strategic Plan for implementation through the three strategic priorities. The priorities are driven by the Office strategic objectives and core values (Integrity, Credibility, Relevance, Accountability and Independence) which underpin the obligation for service delivery.

The Office has set its strategic direction based on the OAG Strategic Plan 2021-2026 to deliver its mandate. This plan emphasizes conducting impactful audits that contribute to improving citizens' lives and livelihoods. It aligns with INTOSAI's Framework for Professional Pronouncements Principle 12, which emphasizes SAls demonstrating their value and benefits to the public.

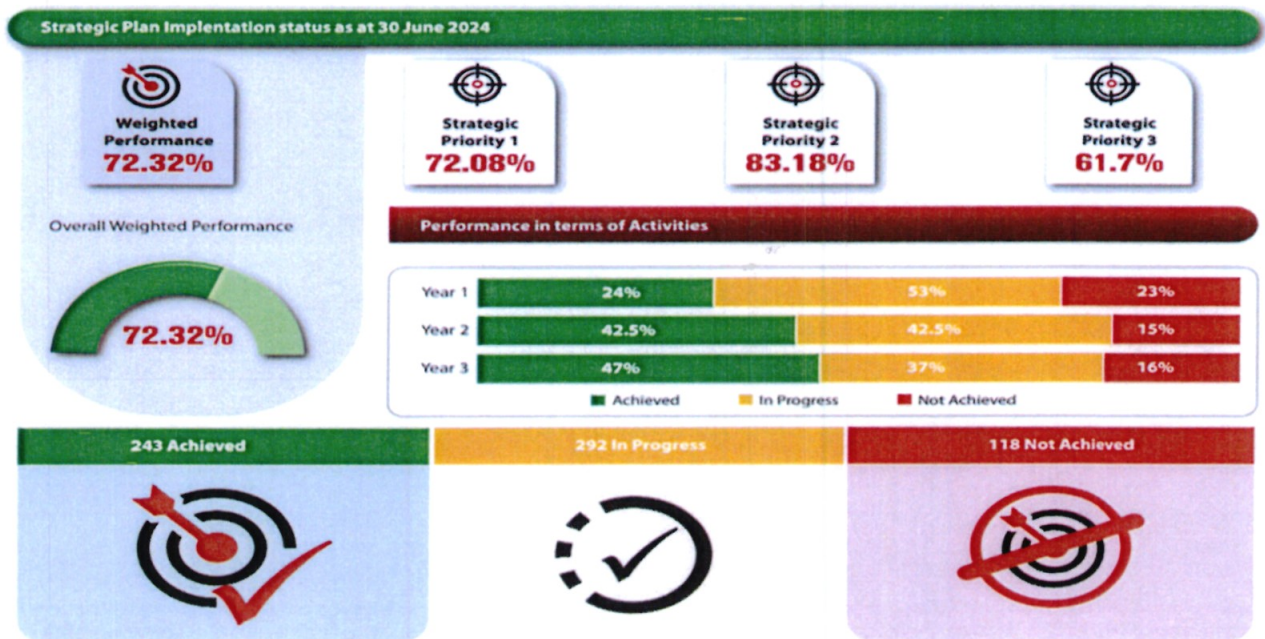
The Office strategy implementation is driven by its vision of making a difference in the lives and livelihoods of the Kenyan people in an increasingly complex audit environment, increased audit risks and emerging priorities, as well as continuously escalating stakeholder expectations, which have become a new reality. The Office undertakes its mandate through an assurance framework comprising three strategic intents namely: Certification of Accounts, Continuous Audit Presence and Assessment of Service delivery to Kenyans.

The strategic plan is anchored on three (3) strategic priorities/goals with corresponding objectives for achieving each, with the overall mission being offering audit services that impact effective and sustainable service delivery and the vision of Making a Difference in the Lives and Livelihoods of the Kenyan People. The strategic priorities are;

Strategic Priority 01	<p><i>Enhance the quality of Audit Services for Improved Management of Public Resources</i></p> <p>SO1. Provide audit services that meet professional standards SO2. Enhance the value and benefits of audit reports. SO3. Safeguard OAG independence</p>
Strategic Priority 02	<p><i>Position OAG for greater relevance and credibility to Stakeholders</i></p> <p>SO4. Sustain stakeholders' interest in audit services for greater impact SO5. Sustain OAG as a credible source of independent and objective insight on public sector accountability SO6. Enhance visibility for impact SO7. Improve OAG communication</p>
Strategic Priority 03	<p><i>Be a model organisation for effective service delivery</i></p> <p>SO8. Institutionalise good governance focusing on transparency and accountability and Cultivate a Corporate culture and change management that enhances performance SO9. Attract, retain and maintain a competent, productive & motivated workforce; and improve and sustain a conducive work environment SO10. Leverage ICT for efficient service delivery</p>

Corporate Score Card/Achievements

This being the fourth year of the strategic plan, implementation status is as follows:



Achievements during the year.

Key Result Area One: Enhance the quality of audit services for improved management of public resources

The Office met the constitutional timeline for submission of Audit reports; improved the quality of the audit report by strengthening review process. Enhanced score of 2.91 in the audit standards and methodology domain on the in the Institutional Capacity Building Framework(ICBF) of AFROSAI-E; migrated to the web-based Audit Management System; developed and rolled out a framework and tool for tracking, follow up and reporting on implementation status of audit recommendations; published the simplified audit report; translation of audit report to Kiswahili; revised various Audit manuals and policies in line with the current standards; A Performance audit report discussed by a parliamentary committee for the first time ever as a result of intense lobbying by the Office;

Key Result Area Two: Position the Office of the Auditor-General for greater relevance and credibility to stakeholders

Auditor-General chairs the Institutional Technical Capacity Building Committee (ITCBC) of AFROSAI and is the Chair Board of AFROSAI-E. The Office has representation in various sub-committees of AFROSAI-E such as Knowledge Sharing working groups. The Auditor-General has made contributions to Standards setting bodies both Locally and Internationally.

During the year, the Office hosted 13 heads of SAIs for the launch and signing of the MOU of AFROSAI, coordinated regional audit on Illicit Financial Flows (IFF), hosted the regional Anti-Money Laundering workshop, WEGITA- INTOSAI working group on information technology audit and INTOSAI knowledge sharing steering committee. In addition, OAG hosted academicians from the AFROSAI Women Leadership Academy:

Key Result Area Three: Be a model organization for effective service delivery

OAG has established and operationalized the Risk Management Committee (RMC) and set up various management committees. The Office has also strengthened capacity in Monitoring and Evaluation to track progress of the different projects and initiatives as well as

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building the capacity for various cadres in different professions to improve on general performance of the organization. During the year, there was signing of Performance Contracts for top management and undertook mid-term review of Strategic Plan (2021-2026). The Office also enhanced the work environment through provision of work tools and equipment to staff and completion of building renovations and construction.

Progress on the attainment of Strategic Objectives

Summary of Performance Trends in achievement of key activities of the year (2024-2025) as per the three Strategic Priorities.

Strategic Priority	How we performed
1.Enhance the quality of audit services for improved management of public resources.	Certified 2,746 Financial statements
	Developed Policy documents for Audit Quality, Institutional Strengthening, Research Methods and Professional Practices, Reporting and Publication and Engagement Quality Review.
	Completed 16 specialized audits focusing on various topical issues.
	Migrated to a web-based Audit Management System (AMS). This is a web-based platform developed to support the end-to-end management of the audit lifecycle, from planning to follow-up.
	Conducted In-Year audits on prioritized clients which led to faster completion of the statutory audits.
	Managed 100% representation of OAG in all oversight committee meetings of Parliament to support the oversight role of Parliament.
	The adoption of a risk-based audit methodology meant to direct the limited resources to very high-risk audit areas.

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	<p>Incorporated Framework for tracking, follow-up and reporting on status of implementation of audit recommendations, in the AMS</p>
	<p>Conducted Financing Locally Led Climate Action (FLLoCA) Programme assessment in 45 counties</p>
	<p>Three Performance Audit Reports discussed and adopted by Parliament.</p>
<p>2. Position the Office of the Auditor-General for greater relevance and credibility to stakeholders</p>	<p>Enhanced access of audit reports through publication of simplified audit report, translation of audit report to Kiswahili and uploading of reports on the website</p>
	<p>Increased social media presence and print media coverage.</p>
	<p>Published Report on Stakeholder Satisfaction Survey on Service Delivery which showed an overall satisfaction level of 75%</p>
	<p>Organised and participated in various stakeholder engagements both locally and internationally to strengthen relations and collaboration, knowledge sharing and visibility.</p>
<p>3. Be a model organisation for effective service delivery</p>	<p>Review and development of various policy documents, structure and processes.</p>
	<p>Undertook various capacity building initiatives on audit execution and reporting, AMS, professional communication, performance management, general wellness among others which enhanced staff knowledge, skills and attitude</p>
	<p>The Office has adopted analytical methods to help extract useful information from data and thus improve the quality of OAG's reports.</p>

	The Office continued the implementation of ISO 27000 in order to ensure enhanced security, confidentiality, integrity and availability of information for decision making purposes
	For enhanced transparency The Office transitioned fully to IPSAS Accrual basis of accounting and reporting effective 1 July, 2024.
	Automated Fleet and Document Management Systems.

Audit Services

The audit activities are aligned with the government administrative structure and the government priorities including Vision 2030, the Bottom-up Economic Transformation Agenda and the African Union Agenda 2063. This is done to effectively respond to the audit needs at the National and County Government levels. During the year, the Office conducted the following audits:

Financial Audits

These audits examine and evaluate financial statements of public entities to confirm whether they present a true and fair representation of their financial transactions. This is to ensure effective and lawful use of public resources. The office audit universe continues to grow and currently is over 12,000 clients.

The Office of the Auditor-General continues to improve the effectiveness and quality of the audit process to ensure that the audit reports and recommendations are credible, relevant, reliable and value adding. This is geared towards influencing improved decision making and positive impact on the lives and livelihoods of citizens and other stakeholders.

The table below summarizes the audit assignments undertaken during the 2024/2025 financial year, categorized by audit type and audited entities:

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Audit Category	Count
Financial Audit	
County Governments	961
National Government	1,268
National Government Constituency Development Fund (NG-CDF)	290
Public Secondary Schools	227
Grand Totals	2,746

Specialised Audits

During the year several specialised audits were undertaken by the various Directorates under the Specialized Audit Services Department as summarized hereunder;

Directorate	Ongoing Assignments	New Project	Totals
Citizen Accountability	1	2	3
Forensic Audit	2	3	5
Public Debt	3	5	8
Performance Audit	5	10	15
Systems Assurance & Data Science	1	59	60
Public Private Partnerships	0	8	8
Total Specialized Audit Projects	12	87	99

The Specialised Audits included;

1. Auditor General's Special Audit Report on Kenya Railways Corporation
2. Special Audit on the Importation of Edible Oils by Kenya National Trading Corporation Ltd
3. Forensic Audit on Kenya Development Corporation Limited – Zamia and Oceania Housing Development Projects in Mombasa
4. Forensic Audit on the Kenya Airports Authority and Adani Airport Holdings Limited- JKIA Leasing Plan
5. Special Audits on payrolls for all the 47 counties
6. Audit of the National Agricultural Regional Inclusive Growth Project (NARIGP),

Annual Report and Financial Statements for the year ended June 30, 2025.

7. UWEZO Fund Audit,
8. Audit of Green Zones Development Support Project
9. Management of Cash and Domestic Debt by The National Treasury
10. Consolidated Fund Services – Public Debt Expenditures for the year ended 30 June 2024
11. Statement of Obligations Guaranteed by the Government of Kenya for the year ended 30 June 2024
12. Auditor-General's Information Systems Audit Report on Pension Management Systems – The National Treasury
13. Auditor-General's Information Systems Audit Report on Public Debt Management Systems – The National Treasury
14. Audit of the Public Private Partnerships Projects Facilitation Fund (PPP-PFF) for FY ended 30 June 2024 and Prior year Financial Statements for 2018/2019 to 2022/2024.

Annual Report and Financial Statements for the year ended June 30, 2025.

Table 1: Programme performance for the financial year 2024/2025

To promote good governance and transparency in the management of public resources

Program- Audit Services	Output	Output indicator	Achievement for the FY			
			Target	Actual	Variance	Remarks
Sub-Programmes						
National Government Audit.	Audit Reports	No of Audit reports issued	1,110	1,268	158	The over achievement relates to previous years backlog.
County Government Audit			1,073	961	(112)	The remaining are being finalized and will be reported in FY 2025/26.
National Government CDF Audit			290	290	-	Set Target Achieved
Public Secondary Schools			920	227	(693)	Secondary schools' audits were under finalization
Sub Total-Financial Audits Issued			3,393	2,746	647	
Special Audit			40	27	13	Various special audits are on-going
Total-Audit Services					3,433	2,773

Key Success Factors

- i. The Office continued to optimize the use of the Audit Management Software in order to enhance efficiency and transparency of the audit process, thereby improving timelines.
- ii. The Office continued the implementation of ISO 27000 in order to ensure enhanced security, confidentiality, integrity and availability of information for decision making purposes.
- iii. The adoption of a risk-based audit methodology meant to direct the limited resources to very high-risk audit areas.
- iv. The adoption of a continuous presence approach through in-year audits aimed at preventing and deterring misuse of resources.
- v. The Office has adopted analytical methods to help extract useful information from data and thus improve the quality of OAG's reports.
- vi. The Office transitioned to IPSAS Accrual Basis of accounting and reporting effective 1 July, 2024.

6. Governance Statement

The Office of the Auditor-General (OAG) is headed by the Auditor-General (AG). The Auditor is responsible for the day-to-day management of the Office. The Office is structured into two service categories: Audit Services and Corporate Services. The Audit Services category is further subdivided into the Financial Audit Services (FAS) and the Specialized Audit Services (SAS) Departments. The Corporate Services Department supports the audit function.

a) Leadership and Strategy Committee

The Leadership and Strategy Committee oversees the overall performance of the Office of the Auditor-General. Comprises of the Auditor-General and the Deputy Auditor Generals

Composition of the Leadership Committee

S/No	Name	Designation	Position
1	FCCA Nancy Gathungu, CBS	Auditor-General	Chairperson
2	FCCA Sylvester Kiini (Retired)	Deputy Auditor General	Vice Chairperson
3	FCCA Edwin Kamar	Deputy Auditor General	Member
4	CPA Fredrick Odhiambo (Deceased)	Deputy Auditor General	Member
5	CPA Stanley Mwangi	Deputy Auditor General	Member
6	CPA Dr. Leonard Lari	Deputy Auditor General	Member
7	CPA Joyce Ndungu (Retired)	Deputy Auditor General	Member- Retired (Jan, 2025)
8	CPA Isaac Ng'ang'a	Deputy Auditor General	Member
9	CPA Wilson Maiyo	Director of Audit	Member
10	CPA Priscilla Maina	Director of Audit	Member
11	Shellmith Mugo	Director-Strategy and External Liaison	Member
12	Vivian Nyambura	Deputy Director-Legal	Secretary

Functions of the Committee

The Leadership and Strategy Committee is tasked the following responsibilities;

- i. Provide leadership and clarity in setting strategies, cross-Office planning
- ii. processes and policies under the Auditor-General's direction.

- iii. Corporate 'Think-Tank' -seeking innovative solutions and harnessing creativity in delivery of audit services.
- iv. Oversee organizational change management
- v. Monitor the delivery of OAG mandate and adherence to statutory obligations.
- vi. Consider Workstreams quarterly and annual reports and evaluate progress and achievement.

b) Audit and Risk Compliance Committee (ARCC)

The Audit and Risk Compliance Committee is appointed by the Auditor-General according to Gazette Notice No. 2690 of April 15, 2016. The Committee is responsible for monitoring and reviewing the integrity of the financial statements and supporting OAG by observing and reviewing the risk, control and governance processes established in the Office.

Functions of the Committee

The ARCC responsibilities as provided in the terms of reference include but are not limited to;

- i. Review the appropriateness of the OAG financial and performance reporting, system of risks oversight and management of internal controls.
- ii. Review internal audit reports and make recommendations for implementation.
- iii. Review the effectiveness of monitoring compliance with relevant legislative and regulatory requirements and promote a culture committed to lawful and ethical behaviour.
- iv. Engagement with external audit and assessment of adequacy of management responses to issues identified by the external auditors.
- v. Monitor the effectiveness, performance and objectivity of the internal audit.
- vi. Reporting quarterly and annually to the Auditor-General on the status of its activities

Table 1: The Composition of the Audit and Risk Compliance Committee

Name	Designation	Date of Appointment
F CPA Jane Muthaura	Chairperson	Jan 2022, Reappointed June 2024
Dr. Eunice Wandiga	Member	Jan 2022, Reappointed June 2024
CPA Francis Kitonyi	Member	June 2024
CPA Samuel Mwaura	Member	June 2024
F CPA Sylvester Kiini (Retired)	Member	Jan 2022
CPA Emily Simiyu	Secretary	March 2023

Table 2: List of meetings held by the Audit and Risk Compliance Committee

Name	19-09-24	22-10-24	31-10-24	13-12-24	13-02-25	11-04-25
F CPA Jane Muthaura	√	√	√	√	√	√
Dr. Eunice Wandiga	√	√	√	√	√	√
CPA Francis Kitonyi	√	x	√	√	√	√
CPA Samuel Mwaura	√	x	√	√	√	√
F CPA Sylvester Kiini	x	√	x	x	√	X
CPA Emily Simiyu	√	√	√	√	√	√

c) Quality Management Committee

In January 2025, the Auditor-General established the Quality Management Committee (QMC) to strengthen operational quality and align practices with international standards and national priorities. The Committee is mandated to develop, implement, and enhance a comprehensive system of quality management that is fully aligned with ISSAI 140 and the Office's strategic priorities, ensuring that all audit and assurance outputs consistently meet international standards and national expectations.

Functions of the Committee

1. Establish a System of Quality Management that considers the circumstances in which the Office operates, covering all types of engagements and integrating with other office operations.
2. Establish Quality Objectives that are appropriate to the Office's nature and circumstances, relating to governance and leadership, ethical requirements,

engagement acceptance and continuance, performing engagements, resources, and communication.

3. Identify and Assess Quality Risks based on the established quality objectives.
4. Design and Implement Responses to Address the Identified Quality Risks, ensuring responses are responsive to risk assessments.
5. Establish a Monitoring and Remediation Process to provide timely information, identify strengths and deficiencies, take corrective actions, and assess compliance with standards and regulations.
6. Evaluate and Conclude on the Effectiveness of the System of Quality Management, with evaluations covering a defined period and performed at least annually.
7. Document the System of Quality Management to provide evidence of its design, implementation, and operation, support understanding and consistent operation, enable monitoring and evaluation, and establish documentation retention periods considering relevant standards and regulations.

Composition of the Committee

S/No	Name	Designation	Position
1	Isaac Ng'ang'a	Deputy Auditor General	Chairperson
4	Fredrick Odhiambo (Deceased)	Deputy Auditor General	Member
5	Daniel Ndungu	Director of Audit	Member
6	David Cherono	Director of Audit	Member
7	Priscilla Maina	Director of Audit	Member
8	Samuel Waweru	Director of Audit- IPP	Member
9	Peris Gikandu	Director of Audit- PA	Member
10	Emily Simiyu	Director of Audit- IA	Member
11	Shelmith Mugo	Director-SEL	Member
12	Justus Ongera	Director-ICT	Member
13	Virginia Mwangi	Director - HR and Admin	Member
14	Beatrice Omari	Director- Communication	Member
15	Florence Kimani	Senior Auditor	Member
16	Dr. Mong'eri Oruke	Principal Auditor- IPP	Secretary

No. of Meetings and attendance

Name	12-03-25	03-04-25	22-05-25	29-05-25
Isaac Ng'ang'a	√	√	√	√
Fredrick Odhiambo	√	√	x	√
Daniel Ndungu	√	√	√	√
David Cherono	√	√	√	√
Priscilla Maina	√	√	√	√
Samuel Waweru	√	√	√	√
Peris Gikandu	√	√	√	√
Emily Simiyu	√	√	√	√
Shelmith Mugo	√	√	√	√
Justus Ongera	√	√	√	√
Virginia Mwangi	√	√	√	√
Beatrice Omari	√	√	√	√
Florence Kimani	√	x	x	√
Dr. Mong'eri Oruke	√	√	√	√

Trainings and Development for Key Leadership

During the Financial Year 2024/2025, the Senior Leadership attended Nine workshops and trainings for their continuous professional development.

These are the trainings attended by the members of the Senior Leadership during the year;

- i. Women on Board Network Conference
- ii. Annual seminar-ICPAK
- iii. 33rd Economic Symposium
- iv. Human Resource Information System Training
- v. Internal Audit, Risk and Forensic Conference
- vi. 19th AFROSAI-E Technical Conference
- vii. ISACA Annual Conference
- viii. The Pan African Conference on Fight Against Illicit Financial Flows
- ix. 8th National Lady Accountant Conference

Compliance with Laws and Regulations

The Office has complied with the constitutional and legal provisions as it operates in line with the vision of making a difference in the lives and livelihoods of the Kenyan people. Specifically, the Office ensures that audit reports are made available to Parliament and the relevant County Assemblies. Besides ensuring the audit reports meet the internally accepted quality threshold, the Office has endeavoured to translate them to Kiswahili as a deliberate measure to enhance access.

On the Leadership and Integrity Act, the Auditor-General has constituted the Ethics and Integrity Committee whose mandate is to monitor the impact of ethics and corruption prevention initiatives and actions taken in the event of breaches to the ethics policy framework.

The Office has also partnered with the Ethics and Anti-Corruption Commission (EACC) to enhance integrity amongst staff. During induction of newly recruited staff, an officer from the EACC is invited to sensitize the employees on integrity.

At the end of each financial year, the Office prepares and submits its annual financial statements to The National Treasury, as required under the Principles of Public Finance.

In line with the Public Officer Ethics Act, 2003 (No.3 of 2003) during the Financial Year 2024/25, OAG staff were sensitized on the Office code of conduct and were thereafter required to sign a copy of the document, as a commitment towards upholding the code of conduct. The Office continued with the implementation of the act during the year under review.

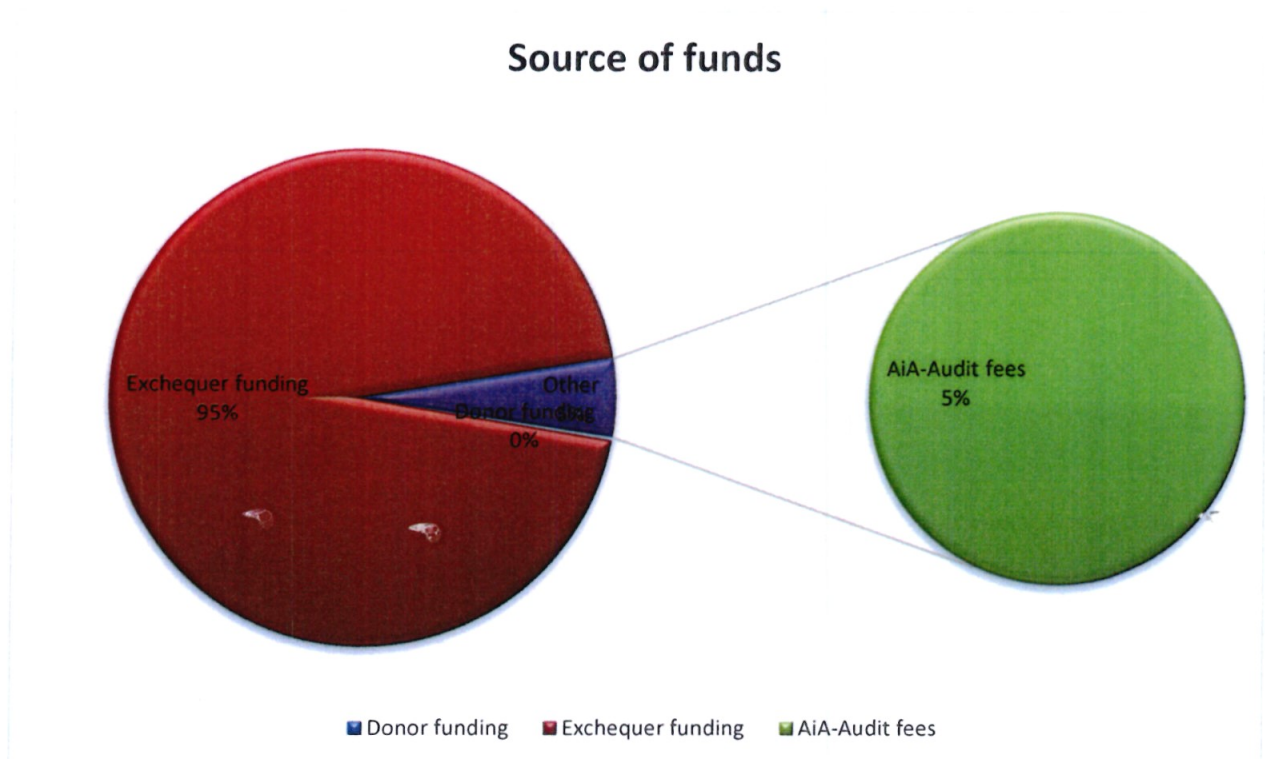
Under Section 68 of the Public Finance Management Act, 2012, the Auditor-General has ensured that resources are used in a way that is lawful, authorized, effective, efficient, economical and transparent. Consequently, the Office ensures appropriate keeping of books of accounts, preparation of strategic plans, annual financial reports and establishment of effective internal controls.

7. Management Discussion and Analysis

In FY 2024/2025, the Office had a budget of **Kshs.8,230,899,030** comprised of **Kshs.8,174,663,830** and **Kshs.56,235,200** in Recurrent and Development votes respectively. Out of this amount, **Kshs.7,791,899,030** was to be funded from the Exchequer and actual amount was **Kshs.7,777,920,464** comprising of **Kshs.7,753,685,264** and **Kshs.24,235,200** in Recurrent and Development votes respectively. In addition, the Office received grants of **Kshs.19,064,574** from African Development Bank (AfDB).

OAG had an approved Appropriations in Aid (AIA) budget of **Kshs.407 million** while actual collections during the year amounted to **Kshs.429,069,287** made up of **Kshs.420,065,186** and **Kshs.9,004,102** from **Audit fees** and **rental income** respectively.

Figure 1: OAG Sources of Funds.



The Office is 95% funded by the Exchequer while the Audit fees collected from chargeable clients contributes 5% of the budget.

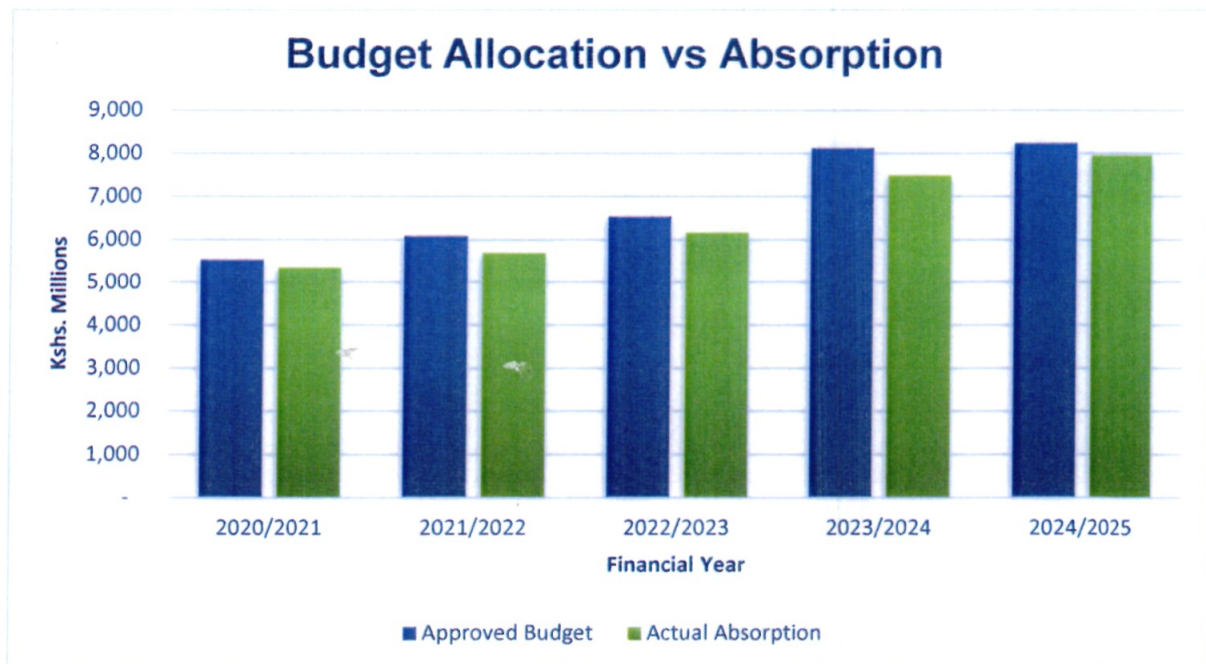
Budget Allocation and Fund Absorption Rate

In the Financial year 2024/2025, the Office incurred expenditure of **Kshs.8,091,501,222** which represents **98%** of the approved budget allocation **Kshs.8,230,899,030**. The absorption rate is **6%** better compared to **92%** achieved in 2024/2024 financial year.

Table 2: Approved Budget Allocation vs Actual Absorption for the last five years.

Financial Year	Approved Budget Allocation (Kshs)	Actual Payments (Kshs)	Variance (Kshs)	Absorption %
2020-2021	5,524,579,480	5,345,841,570	178,737,910	97%
2021-2022	6,083,450,390	5,689,798,188	393,652,202	94%
2022-2023	6,532,760,000	6,161,613,434	371,146,566	94%
2023-2024	8,118,880,000	7,485,669,213	633,210,787	92%
2024-2025	8,230,899,030	8,091,501,222	139,397,808	98%

Figure 2: Budget Allocation vs Absorption for the last five years.



Budget Utilization by Economic Items

Item	Expenditure (Kshs)	Actual Cash Payments (Kshs)
Compensation of Employees	5,127,884,349	5,127,400,251
Use of goods and services	2,486,183,989	2,882,992,448
Management fees	29,693,765	0
Acquisition of Assets	0	79,021,773
Depreciation	347,847,454	0
Expected Credit Loss	138,662,194	0
Expected Credit Loss on Schemes	8,957,852	0
Social benefits	0	2,086,750
Interest on lease liabilities	59,198,104	0
Changes in Staff Leave Accrual	6,041,579	0
Total Payments	8,204,469,286	8,091,501,222

8. Environmental and Sustainability Reporting

a) Sustainability strategy and profile

The global push towards environmental sustainability calls for a combined effort. OAG recognizes this and is committed towards this cause with a view to securing a better future. The Office has continued to contribute to a sustainable economy both locally and globally through several initiatives aimed at addressing the negative impacts of climate change, preservation of natural resources and embracing stakeholder inclusivity for mutual benefits. These efforts are all geared towards realization of OAG's vision of improving the lives and livelihoods of the Kenyan people and by extension the world.

OAG's Sustainability strategy is hinged on the commitment towards achievement of the Sustainable Development Goals coupled with OAG's Strategic Priority 3 of being a model organization for effective service delivery. In furtherance of these two areas, the Office has continued to play a pivotal role in addressing global challenges of climate change and environmental degradation through its audit recommendations and participation in relevant activities by staff including environmental conservation and community engagements.

b) Environmental Performance /Climate Change/ Mitigation of Natural Disasters

OAG is compliant with Section 15 (5) (c) of the Climate Change Act CAP 387A having established a unit that deals with **Environment and Climate Change**. As part of OAG's response to emerging areas, the Office conducted preliminary studies on Regulation of Water Abstraction, Regulation of Use of Pesticides and Provision of Weather and Climate Information by the Kenya Meteorological Department.

In addition, the Office has been engaged as an independent verifier for disbursement-linked indicators for two World Bank funded programs in which it conducts periodic performance assessments. These are; Financing Locally-Led Climate Action (FLLoCA) and Kenya Green and Resilient Expansion of Energy Program.

At the global level, the Office is involved in two climate change projects:

- i) The Climate Scanner project being implemented at the INTOSAI level under the coordination of SAI Brazil. The project involves a rapid assessment of governments' climate action in the areas of climate governance, public policies and climate finance.

The global report will be presented in Conference of Parties (CoP) 30 to be held in Amazonia, Brazil.

- ii) Global Cooperative Audit on Climate Change Adaptation Actions (CCAA) being implemented by INTOSAI/IDI. A coordinated performance that brought together 48 Supreme Audit Institutions across the world to assess their governments' performance in implementing climate adaptation interventions.

In matters Citizen Accountability, the Office conducted an audit on Green Zone Project under the Ministry of Environment and Forestry. The audit assessed the impact of afforestation, reforestation and forest conservation on the citizens.

As part of the resolutions during the procurement planning for the Financial Year 2024-2025; the Office made a deliberate effort to reduce significantly the use of printing papers and toners in an effort to safeguard the environment from degradation caused by disposal of both printed materials and used cartridges. The budget/consumption for the two items reduced by more than half in comparison to the previous year.

Under reduction of fuel/carbon emission, the Office maintained regular servicing for its fleet of vehicles ensuring functional exhaust systems, proper calibration of injector pumps and nozzles besides conducting relevant training for the drivers.

Energy and Water Efficiency

A number of environmental sustainability technologies bordering on energy and water efficiency have been incorporated in the construction of Embu Regional Office Block and management of OAG's facilities. These include installation of LED light fittings, Infrared motion switches in the toilets to control mechanical air extractors; ensuring they get on only when the toilet is in use as well as adoption of big windows and glazing partitions complemented with high head room office to ensure adequate daylight and ventilation eliminating need for mechanical ventilation for the offices, installation of push taps and calibrated urinal motion sensor switches which serve to optimize urinal flushing to manage energy and water consumption.

Waste Management

The Office through its disposal committee, contributed to sustainable waste management by making major recommendations on the proper disposal of assets to ensure a safe working environment for its staff and interaction with the various stakeholders. This included safe waste management through the ICT Authority and recycling of various items by the State Department for Correctional Services (Prisons Department). A number of items earmarked for disposal were also repurposed. The disposal recommendations are to be fully implemented and achieved in the Financial Year 2025-2026.

c). Employee Welfare

Policies guiding the hiring process

The **Office of the Auditor General (OAG)** conducts its recruitment in line with constitutional, legal, and policy requirements. In particular, the Office upholds **Article 232(1)(h) and (i)** of the Constitution, which requires public service institutions to reflect Kenya's diverse communities and provide equitable opportunities for appointment, training, and advancement—across all levels—for men and women, members of all ethnic groups, and persons with disabilities.

Recruitment practices are also consistent with **Section 7 of the National Cohesion and Integration Act, 2008**, which requires public institutions to seek representation that mirrors the diversity of the Kenyan people. Furthermore, while the **Public Audit Act No. 34 of 2015** empowers the Auditor-General to recruit staff as necessary for the effective discharge of duties, **Section 17(4)** of the Act specifies that recruitment must take into account regional, ethnic, and gender balance, as well as equal opportunities for persons with disabilities and marginalized groups.

The **OAG Human Resource Policy Manual** provides the framework for managing and developing the Office's human resource capacity, including recruitment. It emphasizes equal treatment and adherence to constitutional provisions on appointments.

This Human Resource Manual is reviewed every five (5) years, or earlier if required, to address emerging issues and maintain alignment with evolving best practices

Efforts made in improving skills and managing careers within the Office

The Office places a high priority on fostering employee career growth and development by offering a broad range of resources and initiatives. To support this commitment, Staff **Career Progression Guidelines** were established, outlining the qualifications, competencies, and experience expected for each job classification and cadre. These Guidelines serve not only to clarify roles, responsibilities and job requirements, but also to ensure that recruitment, professional development, training, and promotions are conducted fairly—based on merit, competence, and proven ability.

The Office also provides opportunities for employees to enhance their skills and knowledge through training programs, workshops, mentorship, and access to educational resources relevant to both current duties and future career ambitions. In line with the Human Resource Policy Manual, every staff member is entitled to **five (5) days of professional training** each financial year. Furthermore, officers pursuing master's degrees or professional courses are eligible for **75% reimbursement** of tuition and examination fees upon successful completion.

Employees undertaking examinable courses are also supported with **five (5) days of study leave** for exam preparation, as well as **exam leave** for the specific examination days, in accordance with the policy.

Performance Appraisal and Rewards System

The Office operates a Staff Performance Management System designed to align employee performance with the organization's strategic objectives through active participation in planning, execution, and evaluation of work. This System not only strengthens the Office's ability to deliver on its mandate but also fosters a high-performance culture where individuals and teams take ownership of both personal and institutional results.

As part of continuous improvement efforts, the Office during the year, introduced performance contracting as a key accountability mechanism for the first four levels of the organizational structure. By prioritizing the core mandate, performance contracting has become central to enhancing service delivery and ensuring accountability to stakeholders.

These contracts clearly define supervisors' expectations, hold employees accountable for agreed targets, and link individual performance directly to the Office's strategic goals.

To further strengthen performance management, the Office has begun automating the system through the Human Resource Information System (HRIS), enabling greater efficiency, tracking, and data-driven decision-making.

Additionally, the Performance Management System provides a clear framework for both rewards and sanctions, ensuring fairness, transparency, and motivation in achieving excellence.

Occupational Safety and Health Initiatives

The Office of the Auditor-General conducted fire safety sensitization exercise for staff in April and May 2025. The training was organized by the Health and Safety Committee in collaboration with the Administration unit and facilitated by officers from the County Government Fire Departments of Isiolo, Embu, Kisumu and Kakamega Counties.



Facilitators taking part in the sensitization of Kakamega/Kitale staff

This initiative forms part of the Office's broader efforts to enhance occupational safety in line with Occupational Safety and Health Act, 2007. In total, 180 staff participated in the training covering Kisumu, Isiolo, Embu, Kakamega and Kitale office. The high turnout demonstrated increased staff interest in workplace safety and commitment to emergency preparedness.



Kakamega/Kitale staff during a session

The sensitization aimed to equip staff with foundational knowledge and practical skills in fire prevention, detection, and emergency response. The session also sought to instil a fire conscious culture by encouraging individual responsibility and awareness of fire risks both at the workplace and at home.

During the theory and practical sessions, the participants were taken through multiple aspects of fire safety, including the causes and stages of fire, fire extinguisher anatomy, principles of extinguishing fires, fire classifications, and appropriate mitigation strategies. The facilitators emphasized the importance of conducting routine fire risk assessments to guide the acquisition and placement of suitable fire protection equipment across OAG and homes.



Fire-fighting equipment ready for demonstrations



Demonstration on fire blanket use



Fire-fighting demo

d) Operational Practices

Responsible Competition

The Office upholds transparent processes in sourcing and selection of all suppliers and service providers. There is open competition in addition to observance of integrity and ethical practices at every level of procurement, which has enabled the Office to realize fair competition amongst players and ensure compliance with Article 227 of the Constitution of Kenya, 2010.

Responsible Supply Chain and Supplier Relations

OAG engages suppliers in strict adherence to the provisions of the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Asset Disposal Regulations, 2020. All tenderers are subjected to a fair and transparent process as per the criteria provided during the bidding process. In circumstances where tenderers were dissatisfied,

the Office ensured timely debrief to the suppliers. The Office also continued with efforts of undertaking pre-tender meetings to ensure increased success rates and reduced complaints from participating bidders.

In addition, proper measures were put in place to ensure contracts are managed accordingly and any emerging issue is addressed with the relevant stakeholders amicably.

Responsible Advertising and Publicity

Our Publicity activities are based on ethical practices and are carried out either through responsible messages on print out of information, education and communication materials or Government Advertising Agency.

Product Stewardship

To enable staff realize full benefits from the goods and services acquired, the Office has consistently ensured that sourcing and selection is based on high quality products with warranties where applicable to guard against losses which may arise from manufacturers' defects.

Implementation of the Electronic Government Procurement (e-GP) System

The National Treasury developed an electronic government procurement system in an attempt to reduce cost of goods, works and services; increase transparency in procurement process and practices; improved efficiency in procurement by minimizing the procurement cycle time; maximized value for money; fostering accountability; improved confidentiality; integrity and authenticity of transactions between procuring entities and suppliers; streamlining procurement procedures across the government through standardization of processes and practices; and enhanced procurement information management.

OAG was among the piloting entities that successfully implemented the e-GP system including training of selected key users and we endeavor to continue implementing the system towards achievement of the anticipated benefits by reducing on use of manual system and printing of records.

Established Partnership with Kenya Airways

The Office entered into a Memorandum of Understanding (MOU) with Kenya Airways to improve the provision of air travel services. This resulted in faster acquisition of tickets and at better prices, thus achieving cost savings. This realised greater savings both for domestic and foreign travel where the airline had routes.

Business continuity

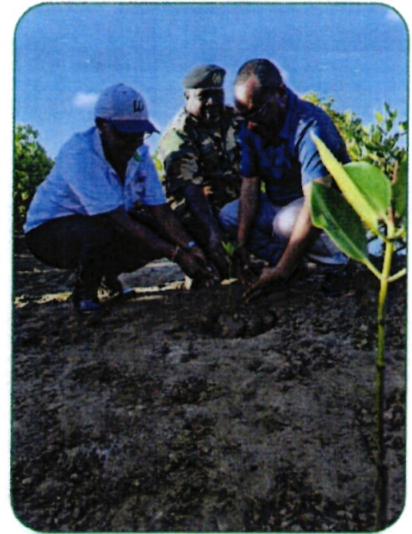
The Office has put in place predictive maintenance approaches and robust stakeholder relationship and engagement structures to ensure reduction in downtimes for guaranteed business continuity. A number of ICT related business continuity initiatives were conducted including Disaster Recovery Plan (DRP) review and update to address emerging risks and evolving operational needs. This included refining Recovery Time Objectives (RTOs) and Recovery Point Objectives (RPOs) for critical systems, Data Backup and Redundancy Enhancements through automation of off-site backups and strengthening of key systems redundancy to ensure data integrity and availability in the event of disruptions. Finally, a comprehensive Business Impact Analysis (BIA) was conducted to identify mission-critical functions and assess the potential impact of various disruption scenarios.

e). Community Engagements

The Office has lived up to this by carrying out Community Social Investment and Sustainability (CSI&S) activities as a way of giving back to communities. CSI projects undertaken by the office are meant to benefit the local community, especially vulnerable groups. The Office analyses its audience in line with its CSI&S goals and the constitutional requirement on sustainable development while considering financial feasibility before settling on a suitable project to engage in. The projects are largely supported through voluntary donations and financial contributions from OAG staff.

The CSI&S activities give OAG an opportunity to bolster its brand awareness and enhance trust with stakeholders as staff engage with citizens, sharing pertinent information about mandate of the Office while responding to relevant concerns from the stakeholders.

The Office has also been responding to environment and climate change challenges by taking proactive measures to enhance the country's afforestation initiatives. Tree growing is one of the best mitigation actions against Climate Change. The Office has been partnering with the Kenya Forest Service, the Provincial Administrative and the Majaoni Community Environmental Sustainable Mariculture (COMENSUM) in Mombasa County to provide after-planting care and management to guarantee maturity for over 1,200 mangrove seedlings that the Office has planted at the Majaoni Centre. Besides the tree growing exercise, the Office donated textbooks and book shelves in support of a community library that will go a long way in enriching the learning process among learners in the area.



OAG staff and a representative from Kenya Forest Service during a tree planting exercise in Majaonu, Mombasa County



OAG staff participating in a tree planting exercise in Majaonu, Mombasa County

In September, 2024, the Office participated in the "Adopt A Forest" tree planting exercise held at the Lianyungu area of Kakamega Forest. The event, was organised by the Association of Women Accountants of Kenya (AWAK) in partnership with the County

Government of Kakamega through the Office of the County's First Lady. This is a demonstration of OAG's commitment towards environmental conservation and climate action.

The Office has also been participating in the annual Standard Chartered Marathon that is meant to support the sports industry besides providing an opportunity for organisations to build team work and promote a healthy lifestyle among their staff. During the period, the Office took part in the 21st edition of the 2024 Standard Chartered Nairobi Marathon that was held on 26 October, 2024 in Nairobi.



OAG staff participating in the 21st edition of the 2024 Standard Chartered Nairobi Marathon

In December 2024, the Office donated foodstuffs, text books and other assorted items to a children's home in Ndenderu, Kiambu County during a CSI&S initiative. It was a joyous moment as the management joined the children at Mothers' Mercy Home to receive the items.



OAG staff visited children at Mothers' Mercy Home

The Office staff also engaged in various CSI&S activities whenever they went out for field activities such as auditing. Staff members participating in Engagement Quality Review Training in Machakos County visited the Machakos School for the Deaf and the Masaku School for the Physically Disabled. The employees donated food items, sanitary towels, and diapers, further demonstrating OAG's commitment to respond to community needs as they discharge their mandate.

As we reflect on our CSI&S activities, it is evident that OAG is dedicated to making a positive impact in society and the environment. Through our ongoing efforts, we aim to foster a culture of sustainability and social responsibility that radiates throughout the Office and beyond. Together, we are not only fulfilling our mandate but also contributing to a better future for all through CSI&S projects that have an impact on the community.

9. Statement of Management Responsibilities

Section 83 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Auditor-General is responsible for preparing and presenting the OAG financial statements, which give a true and fair view of the state of affairs at the end of the financial period ended on 30 June, 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 Office
- (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 Office;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Auditor-General is responsible for the financial statements, which have been prepared on Accrual Basis of Financial Reporting in accordance with International Public Sector Accounting Standards (IPSAS) and in conformity with the PFM Act, 2012, the Constitution of Kenya article 229(1) and the Public Audit Act, 2015.

The Auditor-General is of the opinion that the financial statements give a true and fair view of the state of the Office transactions during the financial year ended 30 June, 2025 and of its financial position as at that date. The Auditor-General further confirms the completeness of the accounting records maintained which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Auditor-General to indicate that the Office will not sustain its services for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Office of the Auditor-General financial statements were approved by the Management on 04/12/2025 and signed on its behalf by:


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

10. Report of the Independent Auditor to The National Assembly

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Office of the Auditor-General (OAG), set out on pages 1 to 45, which comprise of 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 notes to the financial statements including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Office of the Auditor-General as at 30 June 2025, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards and the requirements of the Public Finance Management Act, 2012.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Office of the Auditor-General in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have not determined any matter to be a key audit matter to be communicated in our report.

Other information

The Auditor-General is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

10. Report of the Independent Auditor to The National Assembly (continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Auditor-General and those charged with governance of the Office of the Auditor-General

The Auditor-General is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards Board, and the requirements of Public Finance Management Act, 2012, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor-General is responsible for assessing the Office's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Auditor-General is aware of the intention to terminate the office or to cease operations.

Those charged with governance are responsible for overseeing the office's financial reporting process.

Auditor's Responsibilities for the Audit of the Office of the Auditor-General Financial Statements

Our objectives are to obtain reasonable assurance about whether the Office of the Auditor-General financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 Office of the Auditor-General's financial statements.

10. Report of the Independent Auditor to The National Assembly (continued)

Auditor's Responsibilities for the Audit of the Office of the Auditor-General Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor-General.
- Conclude on the appropriateness of the Auditor-General's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue to sustain its services. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

10. Report of the Independent Auditor to The National Assembly (continued)

Auditor's Responsibilities for the Audit of the Office of the Auditor-General Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

As required by the Public Audit Act, 2015 we report to you that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion proper books have been kept by the Office, so far as it appears from our examination of those books; and
- c. The Office's financial statements are in agreement with the accounting records.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Mohamed Asif Chaudhry, Practising Certificate No. 2059.



For and on behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya

04 - December
.....2025



UNIQUE CODE: 17040251203

1364/25

Partners: A. Vadher, P. Shah, R. Mirchandani, C. Oguttu**, A. Chaudhry, K. Shah, M. Mburugu, G. Santokh, D. Shah, S. Alibhai, L. Abreu, P. Kuria, N. Shah, J. Shah, E. Njuguna, P. Kahi, A. Chandria, M. Kimundu, S. Chheda*, M. Bhavsar, C. Mukunu, K. Bharadva, S. D'Cruz
(*British, **Ugandan)

PKF Kenya LLP is registered in Kenya as a limited liability partnership, Registration number LLP-8519PL, under the Limited Liability Partnership Act, 2011.

PKF Kenya LLP is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separate and independent legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s).

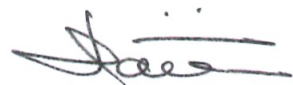
11. Statement of Financial Performance for the year ended 30 June 2025

Description	Notes	2024-2025
		Kshs
Revenue from Non-Exchange Transactions		
Transfers from Exchequer	6	7,777,920,464
Grants from Africa Development Bank (AfDB)	7	26,467,861
Total		7,804,388,325
Revenue from Exchange Transactions		
Rendering of services-Audit fees	8	520,763,681
Rental Revenue	9	8,357,500
Total from Exchange Transactions		529,121,181
Other Income	10	37,705,316
Total Revenue		8,371,214,822
Expenses		
Employee costs	11	5,133,925,928
Use of goods and services	12	2,486,183,989
Management fees	13	29,693,765
Expected credit losses	14	138,662,194
Expected credit losses- Schemes	14 (b)	8,957,852
Interest on lease liabilities	15	59,198,104
Depreciation and amortization expense	20-22	347,847,454
Total expenses		8,204,469,286
Surplus before Tax		166,745,536
Taxation		(1,201,732)
Net surplus		165,543,804

The Financial Statements set out on pages 1 to 45 were signed by:



FCPA Nancy Gathungu, CBS
Auditor-General
ICPAK M/No: 4893



CPA Isaac Ng'ang'a
DAG - Corporate Services
ICPAK M/No: 8292

12. Statement of Financial Position as at 30 June 2025

Description	Notes	2024-2025	Opening Statement
		Kshs	1 st July 2024 Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	466,030,761	351,634,551
Receivables from exchange transactions	17	118,181,876	102,083,742
Receivables from non-exchange transactions	18	1,468,340,050	1,217,140,265
Inventories	19	20,966,552	18,391,928
Total Current Assets		2,073,519,239	1,689,250,486
Non-Current Assets			
Property and equipment	20	1,942,522,260	1,995,254,550
Right of use assets	21	445,063,001	610,160,304
Intangible assets	22	-	4,935,617
Total Non- Current Assets		2,387,585,261	2,610,350,471
Total Assets (a)		4,461,104,500	4,299,600,957
Liabilities			
Current Liabilities			
Trade and other payables	23	320,062,441	141,424,286
Refundable deposits	24	21,715,267	82,720,696
Current lease liabilities	25(a)	132,512,086	191,710,190
Accrued employee leave	26	147,344,538	141,302,959
Total Current Liabilities		621,634,332	557,158,131
Non-Current Liabilities			
Non-current lease liability	25(b)	355,398,788	418,450,113
Total Non- Current Liabilities		355,398,788	418,450,113
Total Liabilities (b)		977,033,120	975,608,245
Net Assets (a-b)		3,484,071,380	3,323,992,712
Represented by:			
Accumulated Surplus		184,425,233	24,346,565

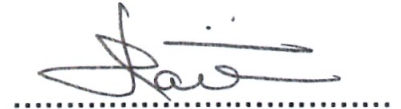
Annual Report and Financial Statements for the year ended 30 June 2025

Description	Notes	2024-2025	Opening Statement 1 st July 2024
Capital Fund		3,299,646,147	3,299,646,147
Net Assets		3,484,071,380	3,323,992,712

The financial statements set out on pages 1 to 45 were signed by:



FCPA Nancy Gathungu, CBS
Auditor-General
ICPAK M/No: 4893




CPA Isaac Ng'ang'a
DAG- Corporate Services
ICPAK M/No: 8292

13. Statement of Changes in Net Assets for the year ended 30 June 2025

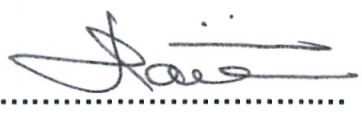
Description	Accumulated Surplus Kshs	Reserves Kshs	Capital Fund Kshs	Total Kshs
Fund balance as at 30 th June 2024	24,361,349	-	43,078,275	67,439,624
Returns to exchequer	(14,785)	-	-	(14,785)
Adjustments (Note 30)				
Recognition of Assets	-	-	2,738,331,240	2,738,331,240
Recognition of Liabilities	-	-	(892,506,048)	(892,506,049)
Recognition of Staff Schemes Balances	-	-	1,410,742,680	1,410,742,680
As at July 1, 2024	24,346,565	-	3,299,646,147	3,323,992,712
Surplus for the period	165,543,803	-	-	165,543,803
Returns to exchequer	(5,465,135)	-	-	(5,465,135)
As at June 30, 2025	184,425,233	-	3,299,646,147	3,484,071,380

14. Statement of Cash Flows for the year ended 30 June 2025

Description	2024-2025	
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from Exchequer		7,482,047,234
Grants from Africa Development Bank (AfDB)		19,064,574
Rendering of services		383,463,739
Rental revenue from facilities and equipment		9,004,102
Total receipts		7,893,579,649
Payments		
Employee costs		5,115,357,182
Use of goods and services		2,465,506,718
Interest on the lease liability		59,198,104
Total payments		7,640,062,004
Net cash flows from operating activities	28	253,517,645
Cash flows from investing activities		
Purchase of property and equipment		(156,896,774)
Net cash flows (used in) investing activities		(156,896,774)
Cash flows (used in) financing activities		
Return to Exchequer	27	(5,465,135)
Payment of the principal portion of the lease liability		(122,249,430)
Net cash flows (used in) financing Activities		(127,714,564)
Net (decrease) in cash and cash equivalents		(31,093,694)
Cash and cash equivalents at 1 July 2024	16	91,630,631
Cash and cash equivalents at 30 June 2025	16	60,536,937



FCPA Nancy Gathungu, CBS
Auditor-General
ICPAK M/No: 4893



CPA Isaac Ng'ang'a
DAG- Corporate Services
ICPAK M/No: 8292

15. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Recurrent and Development Combined

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	Absorption rate
	A	B	C=a+b	D	E=c-d	F=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers from exchequer	8,204,770,850	(412,871,820)	7,791,899,030	7,777,920,464	13,978,566	100%
Grants from international donors	55,000,000	(23,000,000)	32,000,000	19,064,573	12,935,427	60%
Rendering of services	400,000,000	-	400,000,000	420,065,186	(20,065,186)	105%
Rental revenue from facilities	7,000,000	-	7,000,000	9,004,102	(2,004,102)	129%
Total revenue	8,666,770,850	(435,871,820)	8,230,899,030	8,226,054,325	14,766,277	100%
Expenses						
Employees costs	5,176,700,000	-	5,176,700,000	5,127,400,251	49,299,749	99%
Use of goods and services	3,319,705,950	(375,058,870)	2,952,411,880	2,882,992,448	69,419,433	98%
Acquisition of fixed asset	166,964,900	(59,499,700)	99,700,400	79,021,773	20,678,626	79%
Social Benefits	3,400,000	(1,313,250)	2,086,750	2,086,750	0	100%
Total recurrent expenses	8,666,770,850	(435,871,820)	8,230,899,030	8,091,501,222	139,397,808	98%
Surplus				134,472,553		

15. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025 (continued)

(a) Variance analysis:

The Kshs.12,935,427 (40%) under-utilization under in AfDB grants was due to un-disbursed funds by AfDB.

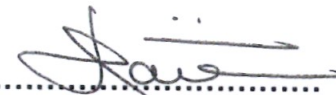
(b) Reallocations within the year:

The changes between the original and final budget were as a result of changes to final approved budget during the year.

The entity financial statements were approved on 04/12/2025 and signed by:



FCPA Nancy Gathungu, CBS
Auditor-General
ICPAK M/No: 4893



CPA Isaac Ng'ang'a
DAG- Corporate Services
ICPAK M/No: 8292

Budget Reconciliation to the Statement of Cash Flows

	Description of Particulars	Amount
		Kshs
1	Actual Surplus Amounts as per the statement of Budget	134,472,553
2	Exchequer Receipts in July 2025	(295,873,229)
3	AIA Receipts in July 2025	(36,520,899)
4	Payments in July 2025	327,975,836
5	Increase in Outstanding Imprest	(99,330,613)
6	Decrease in General Deposit	(59,740,275)
7	Staff Payroll Recoveries	3,388,068
8	Return to Exchequer	(5,465,135)
	Decrease in Cash and Cash Equivalent as per the statement of Cash flows	(31,093,693)

Budget Execution by Programmes and Sub-Programmes for FY2025

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	Kshs	Kshs	Kshs	Kshs	Kshs
Audit Services					
• National Government Audit	5,889,883,635	(435,871,820)	5,454,011,815	5,353,582,582	100,429,233
• County Governments Audit	1,638,159,135	-	1,638,159,135	1,613,933,539	24,225,596
• Specialized Audits	551,959,780	-	551,959,780	540,367,758	11,592,022
• National Government CDF	386,018,300	-	386,018,300	384,347,249	1,671,051
• Education and Health Institutions Audit	200,750,000	-	200,750,000	199,270,094	1,479,906
Total	8,666,770,850	(435,871,820)	8,230,899,030	8,091,501,222	139,397,808

16. Notes to the Financial Statements

1. Establishment

The Office of the Auditor-General is established by Article 229(1) of the constitution and derives its authority and accountability from the Constitution of Kenya 2010 and the Public Audit Act, 2015. The Auditor-General is mandated to audit the accounts of any entity that is funded from public funds and report to Parliament and the relevant County Assemblies within statutory timelines. In addition, Article 229 (6) requires the Auditor-General to confirm whether public funds are spent lawfully and effectively.

2. Statement of Compliance and Basis of Reporting

Statement of compliance

These financial statements were prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

For the purpose of these financial statements, the Office of the Auditor-General has been categorized as a Schedule 1 National Government MDA in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by MDAs is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Auditor-General on 4 December 2025.

Reporting period

The reporting period for these financial statements is for the period ended 30 June, 2025.

16. Notes to the financial statements (continued)

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). The entity transitioned to IPSAS accrual on 1 July 2024. Under an accrual basis, revenues are recognized when rights to assets are earned or levied rather than when cash is received, and expenses are recognized when obligations are incurred rather than when they are settled.

The comparative information presented in these financial statements reflects the entity's first-time adoption of IPSAS in accordance with IPSAS 33. Opening balances were restated as at the transition date, and comparative figures have been adjusted accordingly where required. Full recognition and measurement under the applicable IPSAS standards have been applied.

The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. Note 5 to the financial statements describes such judgements.

3. Adoption of New and Revised Standards

- i) **New and amended standards and interpretations in issue and early adopted in the year ended 30 June 2025.**

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of the Office.</p>

Annual Report and Financial Statements for the year ended 30 June 2025

	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17. In IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g., valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

16. Notes to the financial statements (continued)

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 30 June 2025.

Standard	Effective date and impact:
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9 – Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions – Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Office and can be measured reliably. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfillment of the set conditions.

ii) Revenue from exchange transactions

Rendering of services

The Office of the Auditor-General recognizes audit fees from the rendering of audit services by reference to the stage of completion when the outcome of the activity can be estimated reliably. The Office recognises revenue from provision of Audit services as the individual audits of chargeable clients are completed.

Rental income

Rental income arising from operating leases on leased properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Other income

Other income arising from interest earned by the Staff Mortgage Scheme and Staff Car Loan Scheme is recognized on an accrual basis using the effective interest method, reflecting the time value of money and the agreed contractual terms.

b) Budget information

The original budget for FY 2024/2025 was approved by the National Assembly in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The Office of the Auditor-General budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

b. Budget information (continued)

The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. For the purposes of the budget information, the amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the basis of difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of cashflows has been presented under section 15 of these financial statements.

c) Property and equipment

In the first year of transition to IPSAS accrual, property and equipment are initially recognized at cost where reliable historical cost information is available. Where initial cost records cannot be reliably established, the entity has applied the IPSAS 33 transitional exemption by using deemed cost, determined through an appropriate valuation such as fair value or replacement cost at the transition date. After initial recognition, property and equipment are carried at historical cost or deemed cost, less accumulated depreciation and accumulated impairment losses. Cost or deemed cost includes all expenditure necessary to bring the asset to the location and condition required for its intended use. Depreciation is charged to write off the cost or revalued amount of property and equipment on a straight-line basis over the assets' estimated useful lives using the following rates:

Buildings	2%
Motor vehicles	10-16%
Equipment	5%
Furniture and fittings	12.5%
Computers and ICT equipment	33.3%

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

c. Property and equipment (continued)

The assets' residual values, useful lives, and depreciation methods are reviewed at the end of each reporting period and adjusted prospectively, where appropriate.

The carrying amount of an asset is written down immediately to its recoverable service amount if the asset's carrying amount exceeds its estimated recoverable amount.

Items of PPE are derecognised upon disposal or when no future economic benefits or service potential are expected from their use or disposal. Gains or losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in surplus or deficit. On disposal of revalued assets, the related amount previously recognized in the revaluation reserve is transferred to accumulated surpluses/deficits.

d) Right of use assets

The right-of-use assets comprise the initial measurement of lease liability, lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Office incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the period the of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Office expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

e) Accounting for Leases

The Office as lessee

The Office leases office premises under non-cancellable agreements. Lease terms range from **5 to 6 years**, with renewal options for certain contracts. Lease payments are generally fixed, with annual escalation clauses linked to inflation. No residual value guarantees exist.

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

e) Accounting for leases (continued)

OAG transitioned from cash basis to accrual basis accounting on **1 July 2024**, adopting IPSAS 43 for the first time. In accordance with transitional provisions:

- Lease liabilities were measured at the present value of remaining lease payments at the date of transition, discounted using the Central Bank of Kenya borrowing rate.
- Right-of-use (ROU) assets were measured at an amount equal to the lease liability.
- Comparative information has not been restated, as permitted by IPSAS 43 transitional relief.

The Office as Lessor

Where the OAG has leased out assets including office space, the Office classifies each of the leases as an operating lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income arising from these leased properties is accounted for on a straight-line basis over the lease terms and included in the statement of financial performance.

Assets leased to third parties under operating leases are included under property and equipment in the statement of financial position.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the transaction. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives which are estimated to be 8 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Office does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Office financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the Office measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

i) Financial assets

Classification of financial assets

OAG classifies its financial assets as subsequently measured at amortised cost. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Office classifies its financial assets as amortized cost.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

g. Financial instruments (continued)

i) Financial assets (continued)

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any non-collectable amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Credit Risk and Impairment

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, loans receivable relating to the staff mortgage and car loan schemes, as well as credit exposures to customers, including outstanding receivables.

The Office applies the simplified approach permitted under IPSAS 41 Financial Instruments for all trade receivables and other financial assets. Under this approach, lifetime expected credit losses are recognised from initial recognition without tracking significant increases in credit risk. ECLs are measured using reasonable and supportable information available without undue cost or effort, including historical loss experience and forward-looking factors. Although the simplified approach is applied, the Entity monitors indicators of elevated credit risk, to ensure that impairment estimates remain appropriate and reflective of current conditions.

For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 365 days past due.

If the Office does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Office financial assets on the basis of shared credit risk characteristics, such as:

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

g. Financial instruments (continued)

i) Financial assets (continued)

Credit risk and impairment (continued)

- Type of instrument;
- Industry in which the debtor operates; and
- Nature of collateral.

The Office of the Auditor-General assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Office recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired include observable data about the following events:

- Significant financial difficulty of the debtor
- A breach of contract
- It is probable that the debtor will enter bankruptcy
- The disappearance of an active market for the financial asset because of financial difficulties.

Assumptions and judgements Used in the Computation of Expected Credit Losses (ECL) under IPSAS 41

The Expected Credit Loss (ECL) provision has been calculated in accordance with IPSAS 41, *Financial Instruments*, which requires entities to incorporate forward-looking information, historical performance, and current credit conditions when estimating impairment of receivables, bank balances and loans receivable relating to staff mortgage and staff car loan schemes. The model applied follows the simplified lifetime ECL approach appropriate for trade and statutory receivables. The following key assumptions informed the calculation:

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

g. Financial instruments (continued)

i) Financial assets (continued)

Credit risk and impairment (continued)

Receivables were categorized into aging buckets—1–30 days, 31–60 days, 61–90 days, 91–120 days, 121–180 days, 181–365 days, and over 365 days past due. This segmentation assumes that the age of an invoice is a reliable proxy for its underlying credit risk. The likelihood of default increases with age, and therefore older buckets attract higher expected loss rates. This structure ensures risk differentiation across the receivable's portfolio. The expected credit loss for the bank balances is determined using the ratings for the financial institutions holding the balances as declared by the international credit rating agencies. The management has assessed determined that there is no significant credit risk on the loans receivable for the staff mortgage and staff car loan schemes as these are mainly held by the current staff members of the Office and the loan repayments are done through check-off of the payroll.

Derivation of Historical Default Rates

Default rates were calculated as the proportion of invoices within each aging category that ultimately remained unpaid. These rates increase progressively from approximately 54% for receivables aged 1–30 days to 100% for those over 365 days overdue. The assumption here is that historical loss patterns remain relevant to the current reporting period and form a reasonable baseline for predicting future credit losses. The rate of 100% for invoices over one year overdue reflects the assumption that such amounts have minimal or no likelihood of recovery.

Application of Lifetime ECL

Following the simplified approach permitted by IPSAS 41, the model applies lifetime expected losses across all invoices, regardless of whether there has been a significant increase in credit risk. This assumes that applying a uniform lifetime horizon provides a more prudent and practical method suitable for the entity's receivable structure, particularly where large volumes of short-term receivables make individual credit assessments impractical.

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

g. Financial instruments (continued)

i) Financial assets (continued)

Credit risk and impairment (continued)

Forward-Looking Information

Although forward-looking information is required under IPSAS 41, the model assumes that macroeconomic conditions and operational circumstances in the foreseeable future will not materially deviate from historical patterns. No explicit macroeconomic adjustments or scenario weightings were applied. This assumption is based on the evidence that historical patterns have remained broadly consistent over time and that no significant adverse events or structural changes are expected.

No Consideration of Collateral or External Credit Enhancements

The calculation assumes that receivables are unsecured and that no recoveries will arise from collateral, guarantees, or other credit enhancement mechanisms. This reflects the nature of most statutory and trade receivables and results in a conservative ECL estimate.

Data Integrity and Completeness

The model includes all the invoices and payments data extracted for the 36-month period is complete, accurate, and free of material anomalies.

These assumptions together ensure a robust, transparent, and IPSAS-compliant ECL computation.

ii) Financial liabilities

Classification

The Office classifies its liabilities as subsequently measured at amortized.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.:

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

i) Provisions

Provisions are recognized when the Office has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Office expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

j) Contingent liabilities

The Office of the Auditor-General does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

k) Contingent assets

The Office of the Auditor-General does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Office in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Changes in accounting policies and estimates

The Office of the Auditor-General recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively. The effect of the change arising from the adoption of IPSAS accrual as disclosed in note 30.

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

m) Employee benefits

Retirement benefit plans

OAG provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Office pays fixed contributions into a separate fund, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans.

Accrued staff leave

Accrued staff leave is recognized as a liability when employees render services that entitle them to future leave benefits. In line with IPSAS 19, the liability reflects accumulated leave days that staff are permitted to carry forward, up to a maximum of 15 days. Leave balances in excess of this limit are forfeited, as the institution does not pay employees for unutilised leave days. The liability is measured at employees' current salary rates at the reporting date. On first-time transition to IPSAS Accrual, accrued leave entitlements are recognized and disclosed as part of employee benefit liabilities.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported on the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed, and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

16. Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies (continued)

p) Related parties

The Office of the Auditor-General regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Office, or vice versa. Members of key management are regarded as related parties and comprise the Deputy Auditor-Generals and the Auditor-General.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya, KCB Bank, Housing Finance Company Limited and Co-operative bank at the end of the financial year.

r) Capital Fund

The Capital Fund represents the residual interest in the assets of the Office after deducting all its liabilities, in accordance with IPSAS 1 (Presentation of Financial Statements). On first-time adoption of IPSAS Accrual, the Capital Fund has been determined based on the opening statement of financial position prepared under IPSAS 33 (First-time Adoption of Accrual Basis). It comprises the net carrying amount of all recognized assets and liabilities at the transition date, including any adjustments arising from the initial application of IPSAS standards.

The Capital Fund does not represent cash resources but serves as a measure of OAG overall financial position and long-term sustainability under IPSAS Accrual.

s) Comparative figures

In preparing these financial statements, the Office has elected to apply paragraph 79 of IPSAS 33, which allows for the election by the Office to present one statement of financial performance, one statement of cash flows, one statement of net assets and the statement of financial position, and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

16. Notes to the financial statements (continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Office of the Auditor-General's financial statements in conformity with IPSAS requires management to make judgements, 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 Office based its assumptions and estimates on parameters available when the 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 Office. Such changes are reflected in the assumptions when they occur.

Accounting for leases under IPSAS 43

Management has made various judgements and estimates under IPAS 43 as detailed below:

- Lease term includes renewal options reasonably certain to be exercised.
- Discount rate applied: **13%** based on the Central Bank borrowing rate prevailing at the date of first adoption.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in notes 16 and 20, respectively.

Useful lives and residual value of property and equipment and intangible assets

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

- a) The condition of the asset based on the assessment of experts employed by the Office.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.

16. Notes to the financial statements (continued)

5. Significant Judgments and Sources of Estimation Uncertainty

Useful lives and residual value of property and equipment and intangible assets (continued)

- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

The carrying amounts of property and equipment and intangible assets are disclosed in notes 18 and 20 respectively.

Expected Credit Losses (ECL)

The Office applies the expected credit loss model in accordance with IPSAS 41 *Financial Instruments* to financial assets measured at amortised cost and certain receivables arising from non-exchange transactions. The details for ECL are disclosed in Note 4 to the financial statements.

Leases

Under IPSAS 43 *Leases*, judgment and estimation uncertainty arise in determining the appropriate accounting treatment for the Entity's leases.

Key areas of judgment include:

- Determining whether an arrangement contains a lease: Management must assess whether the Office obtains substantially all economic benefits or service potential from use of an identifiable asset, and whether it has the right to direct its use.
- Lease term determination: Significant judgment is required in assessing whether renewal or termination options are reasonably certain to be exercised. This assessment considers operational needs, historical practices, legal or regulatory requirements, and cost implications.
- Discount rate selection: When the interest rate implicit in the lease cannot be determined, the Office uses its incremental borrowing rate, which requires estimation using government borrowing rates.
- Measurement of Right-of-Use (ROU) assets and lease liabilities: Estimating lease payments, variable payments linked to indices, and potential modifications requires forward-looking information and management judgment.
- Impairment assessment of ROU assets: At each reporting date, the Office evaluates whether indicators of impairment exist and estimates the recoverable service amount, which involves assumptions regarding service potential, use, and future economic conditions.

16. Notes to the Financial Statements (Continued)

6. Transfers from the Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers For the year ended 30 June, 2025
	Kshs	Kshs	Kshs
Recurrent			
Quarter 1	1,057,857,907	-	1,057,857,907
Quarter 2	2,460,271,134	-	2,460,271,134
Quarter 3	1,239,081,606	-	1,239,081,606
Quarter 4	2,996,474,618	-	2,996,474,618
Sub-Total	7,753,685,265	-	7,753,685,265
Development			
Quarter 1	-	-	-
Quarter 2	24,000,000	-	24,000,000
Quarter 3	-	-	-
Quarter 4	235,200	-	235,200
Sub-Total	24,235,200	-	24,235,200
Grand Total	7,777,920,464	-	7,777,920,464

7. Grants from Africa Development Bank (AfDB)

Description	Year ended 30 June, 2025
	Kshs
Direct Payment to the Consultant	9,143,001
Amount deposited to Project Special Account	17,324,860
Total Grants from AfDB	26,467,861

During the year, the Entity received grant funding from the African Development Bank to support programme activities

8. Revenue from Rendering of Services- Audit fees

Description	Year ended 30 June, 2025
	Kshs
Audit services (AIA)	520,763,681
Total	520,763,681

Revenue from audit services is recognised in accordance with IPSAS 9 (Revenue from Exchange Transactions) when the service is rendered, the stage of completion can be reliably measured, and it is probable that economic benefits will flow to the Office.

16. Notes to the Financial Statements (Continued)

9. Rental Revenue from OAG Regional Offices

Description	Year ended 30 June, 2025
	Kshs
Rent	8,357,500
Totals	8,357,500

Rental revenue from regional office properties is recognised in accordance with IPSAS 9 when the service is provided and the right to use the premises is transferred to tenants. Revenue is recognised on a straight-line basis over the lease term.

10. Other Income – Staff mortgage and staff car loan schemes

Description	Year ended 30 June, 2025
	Kshs
Interest income – deposits	8,011,551
Interest income – loanees	29,693,765
Totals	37,705,316

Other income relates to the interest income earned from the Staff Car Loan Scheme and Staff Mortgage Scheme.

11. Employee Costs

Description	Year ended 30 June, 2025
	Kshs
Basic salaries of employees	2,910,204,737
Personal allowances – part of salary	1,645,229,362
Employer contributions to social security schemes	571,966,153
Social benefit	484,097
Increase in accrued employee leave (Note 26)	6,041,579
Employee costs	5,133,925,928

12. Use of Goods and Services

Description	Year ended 30 June, 2025
	Kshs
Utilities, Supplies and Services	5,919,062
Communication, Supplies and Services	107,012,408
Domestic Travel and Subsistence, & Other Costs	1,191,679,259
Foreign Travel and Subsistence	125,211,719
Printing, Advertising and Information Supplies	27,175,070

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Training Expenses	68,643,703
Hospitality Supplies and Services	103,131,542
Insurance Costs	500,143,126
Specialized Materials and Supp	6,635,047
Office and General Supplies and Services	42,199,018
Fuel Oil and Lubricants	76,486,682
Other Operating Expenses	55,177,033
Routine Maintenance - Vehicles	41,432,129
Routine Maintenance - Other Assets	135,338,191
Total	2,486,183,989

13. Management Fees

Description	Year ended 30 June, 2025
	Kshs
Management Costs - Mortgage Scheme	28,793,675
Management Costs - Car Loan Scheme	900,090
Total management fees	29,693,765

The management fees relate to the amount charged by the scheme administrators for the Staff Car Loan Scheme and Staff Mortgage Scheme.

14. Provision for Expected Credit Losses

Description	Year ended 30 June, 2025
	Kshs
Provision for Expected Credit Losses- Audit Fees	
Beginning of the year	717,301,390
End of the year	855,582,244
Increase in ECL for Audit fees	138,280,854
Provision for Expected Credit Losses- Imprest	
Beginning of the year	2,416,474
End of the year	2,797,814
Increase in ECL on GOK Imprest	381,340
Total Expected Credit Losses	138,662,194

14 (a) Provision for Expected Credit Losses- Schemes

Description	Period ended June 2025
	Kshs
ECL - Mortgage Scheme	4,249,800
ECL - Car Loan Scheme	4,708,052
Total	8,957,852

16. Notes to the Financial Statements (Continued)

15. Interest on Lease Liabilities

Description	Year ended 30 June, 2025
	Kshs
Lease liability at the start of the period	610,160,304
Interest on lease liabilities	59,198,104
Paid during the year	181,447,533
Lease Liability end of period	428,712,770

16. Cash and Cash Equivalents

Financial Institution	Account number	Year ended 30 June, 2025	Opening statement 1 July, 2024
		Kshs	Kshs
CBK-Recurrent	1000181327	30,437,248	189,307
CBK- Development	1000182218	6,696,373	591,012
CBK-Deposits	10001822358	8,415,037	27,845,245
KCB Bank- Current	1107839173	13,300,230	47,690,896
Cash at Hand	-	1,357,805	925,717
MPESA-Paybill	714 6481	330,245	14,388,454
Sub-Total		60,536,938	91,630,631
Staff Car Loan			
HFC Bank	2054703401	188,204,469	171,068,796
Co-op Bank	01141174395000	10,068,152	169,396
Expected credit loss		(4,708,052)	-
Sub-Total Car Loan		193,564,569	171,238,192
Staff Mortgage			
HFC Bank	2054703401	158,209,772	84,686,982
Co-op Bank	01141174395000	57,969,281	4,078,746
Expected credit loss		(4,249,800)	-
Sub- Totals Mortgage		211,929,253	88,765,728
Grand Totals		466,030,760	351,634,551

The management determined that the credit risk associated with the Central bank of Kenya is minimal as it is a government entity and, therefore, did not recognize expected credit loss relating to this balance. The management also computed the credit loss

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relating to the balance held at KCB Bank and the amount was not material to the financial statements and is, therefore, not recognized in the financial statements.

16. Notes to the Financial Statements (Continued)

16. Cash and cash equivalents (continued)

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

Description	Year ended 30 June, 2025	Opening statement 1 st July 2024
	Kshs	Kshs
Cash and bank balances	474,988,612	351,634,551
Less: Restricted short term bank deposits		
Staff Mortgage Scheme		
Housing Finance Co. Ltd	158,209,772	84,686,982
Cooperative Bank of Kenya	57,969,281	4,078,746
Staff Car Loans Scheme		
Housing Finance Co. Ltd	188,204,469	171,068,796
Cooperative Bank of Kenya	10,068,152	169,396
	414,451,674	260,003,920
	60,536,938	91,630,631

The staff schemes balances are not available for day-to-day use and therefore presented as restricted.

17. Receivables from Exchange Transactions

Description	Year ended 30 June, 2025	Opening statement 1 st July 2024
	Kshs	Kshs
Exchange debtors- Audit fees	973,764,120	819,385,132
Less: impairment allowance (Note 13)	(855,582,244)	(717,301,390)
Total Receivables	118,181,876	102,083,742
a) Current receivables	118,181,876	
b) Non-current receivables		102,083,742
Total receivables (a+b)	118,181,876	102,083,742

16. Notes to the Financial Statements (Continued)

18. Receivables from Non-Exchange Transactions

Description	Year ended 30 June, 2025	Opening Statement 1 July, 2024
	Kshs	Kshs
Receivables from Exchequer	295,873,229	-
Government Imprests	143,539,361	44,208,748
Salary advances	107,532	160,533
Medical Recoveries	11,192,059	14,527,125
Staff Mortgage Scheme Receivables	972,700,623	1,096,749,718
Staff Car Loans Scheme	30,400,200	53,989,042
AfDB Grants	17,324,860	9,921,573
Receivables Totals	1,471,137,864	1,219,556,739
Less: impairment allowance	(2,797,814)	(2,416,474)
Total net of Impairment	1,468,340,050	1,217,140,265

19. Inventories

Description	Year ended 30 June, 2025	Opening Statement 1 July, 2024
	Kshs	Kshs
Consumable stores	20,966,552	18,391,928
Total	20,966,552	18,391,928

16. Notes to the Financial Statements (Continued)

20. Property and Equipment

Description	Right-of-use assets - Land	Buildings	Motor vehicles	Equipment	Furniture, fittings & Equipment	Computers & ICT Equipment	Work in progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1 st July 2024	586,084,495	440,761,848	397,964,439	33,507,373	112,977,702	59,150,800	364,807,894	1,995,254,550
Additions	-	-		2,777,873	8,592,655	35,836,717	77,875,000	125,082,245
As At 30 June 2025	586,084,495	440,761,848	397,964,439	36,285,246	121,570,357	94,987,517	442,682,894	2,120,336,795
Depreciation and impairment								-
Depreciation /Amortization	12,528,055	9,923,134	63,449,096	3,569,590	29,318,252	59,026,407	-	177,814,535
As At 30 June 2025	573,556,440	430,838,714	334,515,343	32,715,656	92,252,104	35,961,110	442,682,894	1,942,522,260
Net Book Values								-
Opening Bal as 1 st July 2024	586,084,495	440,761,848	397,964,439	33,507,373	112,977,702	59,150,800	364,807,894	1,995,254,550
As At 30 June 2025	573,556,440	430,838,714	334,515,343	32,715,656	92,252,104	35,961,110	442,682,894	1,942,522,260

Work in progress relates to incomplete works in Embu regional Office amounting to Kshs.418,447,694 which was completed on 8 September 2025 and Kshs.24,235,200 related to consultancy fees paid for the construction of the Mombasa Regional Office.

Valuation

Items of property and equipment are valued at historical cost at the point of recognition in the financial statements. Where historical cost is not available, the management has used the deemed cost based on valuation that was done during the financial year 2021/2022 by the Ministry of Lands, Public Works, Housing, and Urban Development. has been valued at the current operational value, which is the amount OAG would pay for the remaining service potential of an asset at the measurement date.

16. Notes to the Financial Statements (Continued)

20. Property and equipment (continued)

Land disclosure

The Offices has letters of allotment for pieces of land located in Kisumu, Embu, Garissa, Kakamega and Busia. There is neither the deemed cost, valuation or title documents for these pieces of land hence they have not been incorporated in the financial statements.

21. Right of use assets - Buildings

Description	Year ended 30 June, 2025
	Kshs
Cost	
As At 1 July 2024	610,160,304
Additions	-
As At 30 June 2025	610,160,304
Accumulated Depreciation	
As At 1 July 2024	-
Charge For the Year	165,097,303
As At 30 June 2025	165,097,303
Net carrying Amount	
As At 1 st July 2024	610,160,304
As At 30 June 2025	445,063,001

The Office recognizes right-of-use (ROU) assets in accordance with IPSAS 43 Leases. ROU assets represent the Office's right to use underlying leased assets over the lease term.

At initial recognition and at the transition date, the ROU assets were measured at the present value of the remaining lease payments, discounted using the government bonds incremental borrowing rate as at the end of the reporting period.

16. Notes to the Financial Statements (continued)

Right-of-use assets (continued)

The ROU assets are subsequently measured at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the asset's useful life. The leased office buildings have varying useful lives based on the agreed lease periods.

22. Intangible assets

Description	June 2025	Opening statement 1st July 2024
	Ksh	Ksh
Cost		
At start of year	39,484,935	39,484,935
At end of year	39,484,935	39,484,935
Amortisation		
At start of year	34,549,318	29,613,701
Charge for the year	4,935,617	4,935,617
At end of year	39,484,935	34,549,318
Net carrying Amount	-	4,935,617

Intangible assets with a cost of Kshs.39,484,935 have been fully amortized.

23. Trade and other payables

Description	Period ended June 2025 Kshs	Opening Statement 1st July 2024 Kshs
Trade payables	268,123,174	138,803,565
Accrued Medical Expenses	10,697,008	-
VAT payable	18,990,801	-
Statutory Deductions	10,741,751	-
Employee payables	11,509,707	2,620,721
Total trade and other payables	320,062,441	141,424,286

The trade and other payables are due immediately upon completion of the contracted services and presentation of invoices hence classification as current.

16. Notes to the Financial Statements (continued)

24. Refundable deposits

Description	Year ended 30 June, 2025	Opening Statement 1 July, 2024
	Kshs	Kshs
Deposits- CBK	8,415,037	27,845,245
Other deposits- KCB	13,300,230	47,690,896
Other payables	-	7,184,555
Total	21,715,267	82,720,696

25. Lease liabilities

Description	Year ended 30 June, 2025	Opening Statement 1 July, 2024
	Amount (Ksh.)	Amount (Ksh.)
Current portion	132,512,086	191,710,190
Non-current portion	355,398,788	418,450,113
Total	487,910,874	610,160,303

Reconciliation of lease liabilities is as follows:

Description	Year ended 30 June, 2025
	Kshs
At the start of the period	610,160,303
Interest on lease liabilities	59,198,104
Cash flows:	
- Operating activities (interest paid)	(59,198,104)
- Payments under leases	(122,249,429)
At end of the period	487,910,874

Lease liabilities are unsecured. The leases expiring within one year are subject to review at various dates during the next financial year. Weighted average effective interest rates at the reporting date was 13%.

16. Notes to the Financial Statements (continued)

25. Lease liabilities (continued)

Maturity based on the repayment structure of lease liabilities is as follows:

Description	Year ended 30 June 2025
	Kshs.
Not later than 1 year	132,512,086
Later than 1 year and not later than 5 years	315,051,977
Later than 5 years	40,346,811
Total	487,910,874

The carrying amounts of the company's lease liabilities are denominated in Kenya Shillings.

26. Provision for Accrued leave

Description	Year ended 30 June 2025
	Kshs.
Leave balance as at 30.06.2024	141,302,959
Increase provision during the year (Note 11)	6,041,579
Leave balance as at 30.06.2025	147,344,538

The Office does not compensate for untaken leave days in line with the HR policies

27. Return to Exchequer

Description	Year ended 30 June, 2025
	Kshs
Recovery from Recurrent Bank Account	4,874,123
Recovery from Development Bank Account	591,012
Total Recovery by Exchequer	5,465,135

16. Notes to the Financial Statements (continued)

28. Cash Generated from Operations

	Period ended June 2025
	Kshs
Surplus for the period before tax	165,543,803
Adjusted for:	
Depreciation on property and equipment	177,814,535
Depreciation on right-of-use assets	165,097,303
Expected credit losses – Audit fees	138,280,855
Interest on lease liabilities	59,198,104
Changes in Staff Leave Provision	6,041,579
Expected credit losses – GOK Imprest	381,340
Expected credit losses – Schemes	8,957,852
Working capital adjustments	
Increase in inventory	(2,574,624)
Increase in receivables (non-exchange)	(397,953,907)
Increase in receivables (exchange transactions)	(154,378,988)
Increase in payables	209,255,529
Changes in Deposits	(61,005,429)
Change in restricted bank balances	(6,877,819)
Net cash flow from operating activities	307,780,133

29. Financial Risk Management

The Office's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Office's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Office does not hedge any risks. The Office's financial risk management objectives and policies are detailed below:

i) Credit risk

The Office has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

16. Notes to the Financial Statements (continued)

29. Financial risk management (continued)

i) Credit risk (continued)

Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for expected credit losses, estimated by the Office's management in accordance with IPAS 41.

The carrying amount of financial assets recorded in the financial statements representing the Office's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2025				
Receivables from exchange transactions	973,764,120	86,536,643	238,548,120	648,679,358
Receivables from non-exchange transactions	1,453,813,004	1,451,015,190	-	2,797,814
Bank balances	474,988,612	474,988,612	-	-
Expected credit losses and impairment allowance	(867,337,909)	(53,369,975)	(162,490,764)	(651,477,172)
Total	2,035,227,827	1,959,170,470	76,057,356	-
As at 30 June 2024				
Receivables from exchange transactions	819,385,132	67,198,959	225,271,311	526,914,862
Receivables from non-exchange transactions	1,219,556,739	1,217,140,265	-	2,416,474
Bank balances	351,634,551	351,634,551	-	-
Expected credit losses	(719,717,864)	(36,974,476)	(153,412,052)	(529,331,336)
Total	1,670,858,558	1,598,999,299	71,859,259	-

The customers under the fully performing category have balances that have been outstanding for a period of less than 30 days.

16. Notes to the Financial Statements (continued)

29. Financial risk management (continued)

i) Credit risk (continued)

The credit risk associated with these receivables is minimal and the expected credit losses for uncollectible amounts that the Office has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts in accordance with the IPSAS 41. The Office has significant concentration of credit risk on amounts due for a period exceeding 365 days.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Office's directors, who have built an appropriate liquidity risk management framework for the management of the Office's short, medium and long-term funding and liquidity management requirements. The Office manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Office under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 th June 2025				
Trade payables	317,503,704	-	-	317,503,704
Total	317,503,704	-	-	317,503,704
As at 30 th June 2024				
Trade payables	141,424,286	-	-	141,424,286
Total	141,424,286	-	-	141,424,286

16. Notes to the Financial Statements (continued)

29. Financial risk management (continued)

iii) Market risk

The Office has put in place an internal audit function to assist it in assessing the risk faced by the Office on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Office's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Office's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Office's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Office has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Office manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

At the end of the period, there were no foreign currency denominated monetary assets and monetary liabilities.

b) Interest rate risk

Interest rate risk is the risk that the Office's financial condition may be adversely affected as a result of changes in interest rate levels. The Office's interest rate risk arises from bank deposits held by the scheme administrators. This exposes the Office to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Office's deposits.

16. Notes to the Financial Statements (continued)

29. Financial risk management (continued)

iii) Market risk (continued)

Management of interest rate risk

To manage the interest rate risk, management has agreed fixed interest rates with the scheme administrators for the bank deposits held.

iv) Capital Risk Management

The objective of the Office's capital risk management is to safeguard the Office's ability to continue as a going concern. The Office capital structure comprises of the following funds:

	30 June 2025	Opening Statement 1 July, 2024
	Kshs	Kshs
Accumulated surplus	176,058,224	24,361,349
Capital Fund	3,299,646,147	3,299,646,147
Total Funds	3,475,704,371	3,323,992,712

30. Adjustments on capital fund

During the year, the Entity transitioned from cash basis to accrual basis of accounting in accordance with IPSAS 33 (First-time Adoption of Accrual Basis). As part of this transition, the Entity recognised its assets and liabilities for the first time, including property and equipment, receivables, payables, employee benefit obligations, and other balances required under accrual IPSAS. The net impact of initially recognising and measuring these items has been recorded as an adjustment to the Capital Fund at the transition date. This adjustment reflects the opening accumulated position under the accrual framework.

16. Notes to the Financial Statements (continued)

30. Adjustments on capital fund (continued)

30 (a) Recognition of Assets

Description	2023/2024
Provision for Impairment on Imprest impairment allowance	(2,416,474)
Net Receivables from Exchange Transactions	102,083,742
AfDB Grants	9,921,573
Inventories	18,391,928
Property and equipment – net book value	1,995,254,550
Right-of-use assets	610,160,304
Intangible assets	4,935,617
Total Assets	2,738,331,240

30 (b) Recognition of Liabilities

Description	2023/2024
Deposits - Opening Balance Adjustment	381,500
Trade and Other Payables	(138,803,565)
Staff Payables	(2,620,721)
Lease Liability	(610,160,304)
Staff Leave Accrual	(141,302,959)
Total Liabilities	(892,506,049)

30 (c) Recognition of Staff mortgage & car loan balances

Description	2023/2024
Mortgage scheme Revolving fund	1,139,215,000
Car loan scheme- Revolving Fund	173,411,300
Accumulated Surplus- Mortgage	46,300,446
Accumulated Surplus- Car lar	51,815,934
Total Scheme Assets b/f	1,410,742,680

16. Notes to the Financial Statements (continued)

31. Other important disclosures

31 (a) External Assistance in Kind

Description	Year ended 30 June, 2025
	Kshs
External Assistance received In Kind- as payment by PFRM	12,019,600
Total	12,019,600

31 (b) Related Parties Transactions

Description	Year ended 30 June 2025
	Kshs.
Key Management Compensation	54,209,313
Transfers from Related Parties	
Transfers from Exchequer	7,777,920,464
Total Transfers from related parties	7,777,920,464

31 (c) Contingent Liabilities.

As at the reporting date, the Office was involved in several ongoing legal cases, primarily relating to employee matters, including claims of unfair dismissal. In accordance with IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*, each case has been assessed to determine the likelihood and magnitude of any potential outflow of resources. Based on legal opinions and management's assessment, the probability of significant financial loss is low and the overall estimated exposure is not material to the financial statements. Accordingly, no provision has been recognised. The Office will continue to monitor these cases and update disclosures as necessary.

17. Appendix

Appendix 1: Implementation Status of PKF Audit Report Modifications

The following is the summary of prior audit report modifications by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
N/A	OAG obtained unmodified audit Report	N/A	N/A	N/A



FCPA Nancy Gathungu, CBS

AUDITOR-GENERAL

ICPAK M/No: 4893

Appendix II: Fixed Asset Register

Asset class	Opening Balance	Additions during the year	Disposals during the year	Gross Value	Depreciation/ Amortization	Net Book Value
	Kshs	Kshs	Kshs		Kshs	Kshs
Intangible Assets	4,935,617	-	-	4,935,617	4,935,617	-
Land	586,084,495	-	-	586,084,495	12,528,055	573,556,440
Buildings	440,761,848	-	-	440,761,848	9,923,134	430,838,714
Plant and Equipment	33,507,373	2,777,873	-	36,285,246	3,569,590	32,715,656
Motor Vehicles	397,964,439	-	-	397,964,439	63,449,096	334,515,343
Furniture and Fittings	112,977,702	8,524,655	-	121,502,357	29,318,252	92,184,104
Computer & ICT Equipment	59,150,800	35,836,717	-	94,987,517	59,026,407	35,961,110
Net Fixed Assets Value	1,635,382,274	47,139,245		1,682,521,519	182,750,151	1,499,771,367
Work in Progress						
Embu Building	339,945,232	77,875,000	-	417,820,232	-	417,820,232
Mombasa Building Progress	24,235,200	-	-	24,235,200	-	24,235,200
Total -Work in Progress	364,180,432	77,875,000		442,055,432		442,055,432
Total for All Assets	1,999,562,706	123,788,809		2,123,351,515	182,750,151	1,941,826,799

Appendix III: Transfers from Other Government Entities- The National Treasury

Date	Nature-Development/ Recurrent	Amount Received	Where Recorded/recognized				Total Transfers during the Year
			Statement of Financial Performance	Statement of Financial Position	Deferred Income	Receivables	
30 July 2024	Recurrent	400,503,137	400,503,137	-	-	-	400,503,137
28 Aug 2024	Recurrent	96,317,962	96,317,962	-	-	-	96,317,962
4 Sept 2024	Recurrent	398,892,051	398,892,051	-	-	-	398,892,051
20 Sept 2024	Recurrent	162,144,757	162,144,757	-	-	-	162,144,757
26 Sept 2024	Donor Funding	9,921,573	9,921,573	-	-	-	9,921,573
4 Oct 2024	Recurrent	399,095,981	399,095,981	-	-	-	399,095,981
25 Oct 2024	Recurrent	157,636,833	157,636,833	-	-	-	157,636,833
30 Oct 2024	Recurrent	396,420,242	396,420,242	-	-	-	396,420,242
14 Nov 2024	Recurrent	134,793,079	134,793,079	-	-	-	134,793,079
14 Nov 2024	Development	8,078,400	8,078,400	-	-	-	8,078,400
21 Nov 2024	Recurrent	111,036,059	111,036,059	-	-	-	111,036,059
26 Nov 2024	Recurrent	133,882,099	133,882,099	-	-	-	133,882,099
26 Nov 2024	Development	15,921,600	15,921,600	-	-	-	15,921,600
29 Nov 2024	Recurrent	399,391,415	399,391,415	-	-	-	399,391,415
20 Dec 2024	Recurrent	103,225,217	103,225,217	-	-	-	103,225,217
30 Dec 2024	Recurrent	624,790,209	624,790,209	-	-	-	624,790,209
23 Jan 2025	Recurrent	194,748,307	194,748,307	-	-	-	194,748,307
6 Feb 2025	Recurrent	392,883,299	392,883,299	-	-	-	392,883,299
18 Feb 2025	Recurrent	121,063,005	121,063,005	-	-	-	121,063,005
10 Mar 2025	Recurrent	399,099,955	399,099,955	-	-	-	399,099,955
17 Mar 2025	Recurrent	131,287,039	131,287,039	-	-	-	131,287,039
1 April 2025	Recurrent	403,714,492	403,714,492	-	-	-	403,714,492
16 April 2025	Recurrent	108,376,056	108,376,056	-	-	-	108,376,056
30 April 2025	Recurrent	410,510,850	410,510,850	-	-	-	410,510,850

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12 May 2025	Recurrent	125,699,074	125,699,074	-	-	-	125,699,074
22 May 2025	Recurrent	183,949,952	183,949,952	-	-	-	183,949,952
27 May 2025	Recurrent	412,317,102	412,317,102	-	-	-	412,317,102
16 June 2025	Recurrent	268,882,322	268,882,322	-	-	-	268,882,322
19 June 2025	Recurrent	206,902,897	206,902,897	-	-	-	206,902,897
24 June 2025	Recurrent	154,789,101	154,789,101	-	-	-	154,789,101
27 June 2025	Recurrent	425,694,744	425,694,744	-	-	-	425,694,744
3 July 2025	Recurrent	295,638,029	295,638,029	-	-	295,638,029	295,638,029
11 July 2025	Development	235,200	235,200	-	-	235,200	235,200
***	Donor Funding	-	9,143,001	-	-	0	9,143,001
Total		7,787,842,038	7,796,985,038	-	-	295,873,229	7,796,985,038

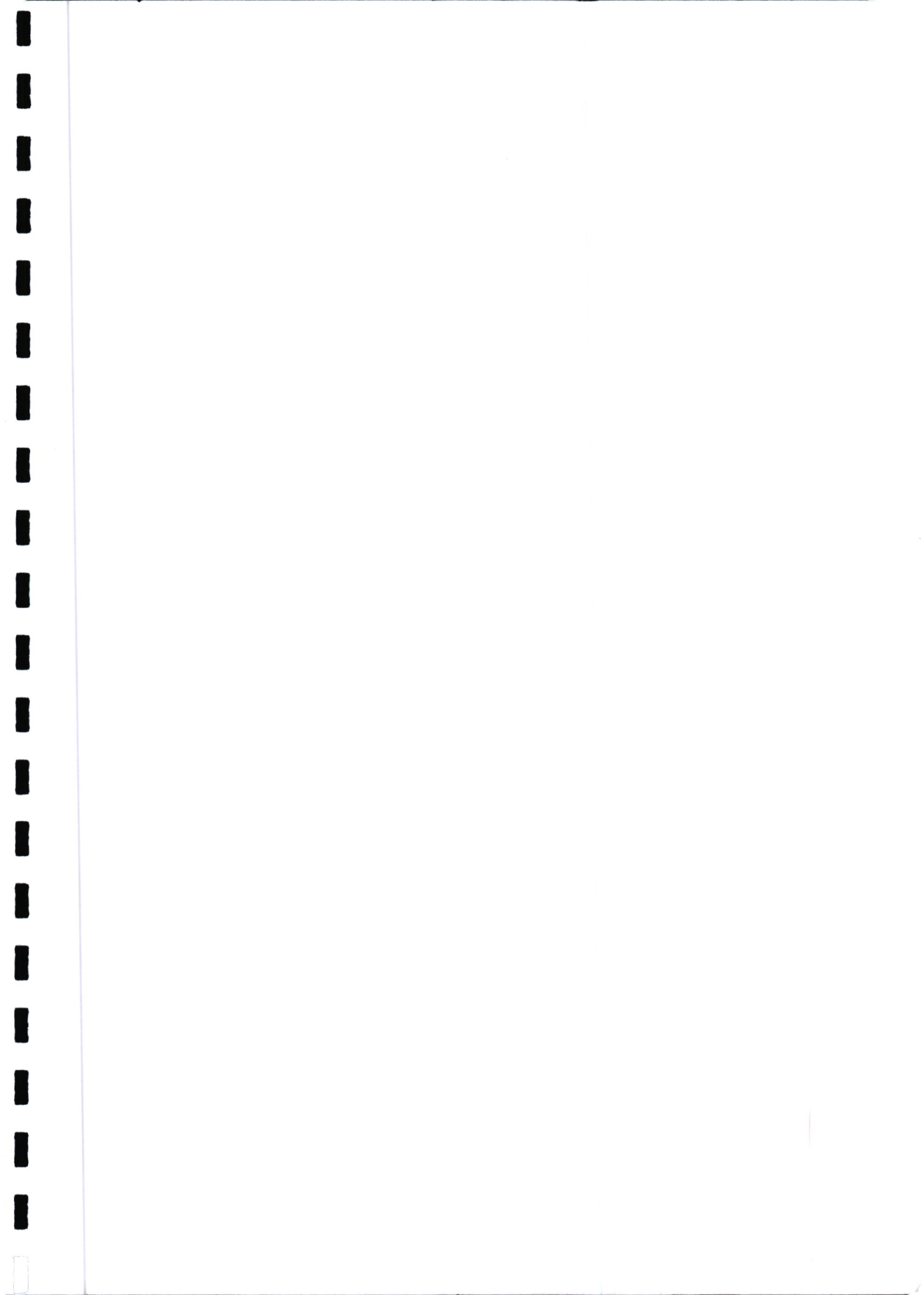
*** Relates to grant from AfDB, paid direct by the National Treasury

Appendix IV: Reporting of Climate Relevant Expenditures

The Office did not incur any expenditures relating to any climate within the period ended 30th June 2025

Appendix V: Disaster Expenditure Reporting Template

The Office did not incur any expenditures relating to any disasters within the period ended 30th June 2025.



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