

REPORT OF THE AUDITOR-GENERAL ON IMARISHA NAIVASHA TRUST FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Imarisha Naivasha Trust set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Imarisha Naivasha Trust as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Gazette Notice No.5368 of May 2011.

Basis for Qualified Opinion

1. Legal Status

As previously reported, the Imarisha Naivasha Trust was established under the Gazette Notice No.5368 of May 2011 as a board and not an Institution. However, in National Treasury records, the Trust is captured as a Project under the Ministry of Environment and Natural resources and not as an independent institution for separate funding. This unclear legal status has resulted to the Trust missing out in budgetary allocation. In the current financial year, the government disbursed Kshs.16 million development funds to the Trust which is an indicator of the government commitment in ensuring the Trust achieved its objectives, however the legal status of the Trust has not been resolved making the going concern doubtful.

2. Non-Current Assets

As previously reported, included in the property, plant and equipment balance of Kshs.460,449 as at 30 June 2018 are assets with a cost of Kshs.5,000,000. The assets were from the former office of the Prime Minister donated as the starting capital during the year 2011/2012. The assets were not accompanied with the purchase documents other than delivery notes and has not been valued as required by IPSAS 17. The audit did not establish how the value was determined and the accounting policy is silent on valuation. In addition, the Trust owns two motor vehicles with private registration numbers and are fully depreciated.

In the circumstances, it has not been possible to confirm the value of property, plant and equipment balance of Kshs.460,449 as at 30 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Imarisha Naivasha Trust in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Board Calendar

As previously reported, during the year under review, the board continued to operate without a substantive board calendar contrary to government regulations which calls for proper prior planning for board meetings. The Board held three meetings which fell below the minimum four. In addition, the constitution of the Board was 16 members against the maximum nine. The constitution of the board membership appeared exaggerated as the Trust has a staff establishment of 8 employees. Further, the Board membership did not have a financial expert thereby compromising on provision of the financial skills.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Revenue Shortfall

During the year under review, the aggregate revenue received was Kshs.16,000,000 against the approved budget amount of Kshs.70,000,000 resulting to a shortfall of Kshs.54,000,000. In the circumstances, the Trust may not have been able to meet its mandate due to inadequate funding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Report on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Late Submission of the Financial Statements

As previously reported, the financial statements for Imarisha Naivasha Trust which were supposed to be submitted to the Office of the Auditor-General on or before 30 September

Report of the Auditor-General on the Financial Statements of Imarisha Naivasha Trust for the year ended 30 June 2018

2018, were received four (4) months later in the month of February 2019. No explanation was given as to why the financial statements were not submitted on time. In the circumstances, the Trust was in breach of the Constitution, Section 47(1) of the Public Audit Act of 2015 and the Public Finance Management Act 2012.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Internal Controls

Due to budgetary constraints, the Trust has a very lean staff of eight (8) which included the Chief Executive Officer, the Accountant, three project officers, office assistant and two drivers. Due to staff limitation, the accountant has been performing all the administration work, procurement, recording and authorizing duties. The Chairman of the Trust is also involved in operations as he is one of the bank signatories. The internal control is thus compromised as work of one person is not checked by an independent person. Further, the Trust does not have any staff in the technical department to enable it perform its functions formally. During the year under review, the Trust incurred Kshs.9,079,375 as employee compensation. However, the Trust did not have clear salary structure for its staff. In the circumstances the effectiveness of internal control for the entity could not be confirmed.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition, to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Trust's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern 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 Trust's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Trust 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.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Trust to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I 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 my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

26 August 2019