

REPORT OF THE AUDITOR-GENERAL ON LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Lake Basin Development Authority set out on pages 37 to 65, 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, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Lake Basin Development Authority 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 do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

A review of the financial statements revealed the following anomalies:

- i) The statement of changes in net assets includes an adjustment of Kshs.237,593,151 that has not been explained.
- ii) The cash flow statement indicates that the cash and cash equivalents as at 30 June 2018 was Kshs.183,640,253. However, the sum of net cash flows from operating activities of Kshs.43,948,307, net cash flows from investing activities of (Kshs.452,593,369), net cash flows from financing activities of Kshs.500,000,000 and cash and cash equivalent at the beginning of the year of Kshs.92,998,823 gives Kshs.184,353,761 and thus an unexplained difference of Kshs.713,508. Further, the cash and cash equivalents as at 1 July 2017 is indicated as Kshs.92,998,823, however, this differs with the certified amount of Kshs.94,281,779 resulting to an unexplained difference of Kshs.1,282,956.
- iii) Note 18 to the financial statements indicates that the cash and cash equivalents as at 30 June 2017 was Kshs.92,998,823. However, this differs with the certified amount in the statement of financial position of Kshs.94,281,778.
- iv) Note 19 to the financial statements indicates that the receivables from exchange transactions as at 30 June 2017 was Kshs.53,509,394. However, this differs with the audited and certified amount in the statement of financial

position of Kshs.50,854,576 leading to an unexplained difference of Kshs.2,654,818.

- v) Note 9 to the financial statements indicates that short-term employee benefits for the year ended 30 June 2017 were Kshs.176,454,085 which differs with the certified amount in the statement of financial performance of Kshs.178,981,292 for the same period.
- vi) Note 13 to the financial statements indicates that contracted services for the year ended 30 June 2017 were Kshs.26,742,144 which differs with the certified amount in the statement of financial performance of Kshs.11,498,556 for the same period.
- vii) Note 14 to the financial statements indicates that general expenses for the year ended 30 June 2017 were Kshs.113,416,688 which differs with the certified amount in the statement of financial performance of Kshs.126,113,069.

In view of the foregoing, the accuracy and completeness of the financial statements for the year ended 30 June 2018 could not be ascertained.

2. Property, Plant and Equipment

The statement of financial position indicates that the property, plant and equipment balance as at 30 June 2018 was Kshs.5,105,927,647. However,

- i) The assets highlighted below have not been valued and included in the financial statements.

	Farm Buildings	Details/ Registration number	Station
1	Dairy unit (milking parlor and calf pen)	Land	Lichota
2	Ndhiwa honey refinery house	Land	Ndhiwa
	Trailers		
6	AGRO ZA	9356	LBDA
7	AGRO ZB	2226	LBDA
8	AGRO ZB	1302	LBDA
9	AGRO ZB	1303	LBDA
14	AGRO ZA	1204/6	Lichota
15	Water busher	LBDA/YNR/MIF- PMT-003-010	Muhoroni

- ii) Further, the assets highlighted below do not have ownership documents;

	Assets	Acreage/ Registration No.	Location/ Station	Value as per the Asset Register (Kshs.)
1	Bulldozer Kumatsu	53A	Kisumu	1,343,750
2	2 Hydraulic Excavators	UH 033	HQ	1,430,000

3	Muhoroni - (Livestock Multiplication Centre)	136 HA	Muhoroni	478,000
4	Lichota - (Livestock Multiplication Centre)	401.1 HA	Migori	4,529,728
5	Alupe - (Livestock Multiplication Centre)	120 HA	Busia	925,000
6	Yala Swamp Complex	2300 HA	Siaya	-
7	Lugari - (Livestock Multiplication Centre)	120.1 HA	Turbo	-
8	Solongo Brick Plant	7.5 HA	Solongo	-
9	Chwele Fish Farm	10 HA	Chwele	800,272
10	Kokwanyo - (Livestock Multiplication Centre)	120 HA	Ringa	686,000
11	Sironga Brick Plant	15.5 HA	Sironga	1,100,000
12	Kodera Brick Plant	15 HA	Oyugis	850,000
13	Kibos Fish Farm	2.2 HA	Kisumu	1,470,000
14	Borabu Fish Farm	1 HA	Kisii	-
15	Sangalo - (Livestock Multiplication Centre)	140 HA	Bungoma	-
16	Kapsabet Brick Plant	-	Kapsabet	985,000
17	Upper Kanyakwar residential	7.77 HA	Kisumu	18,000,000
18	Lower Kanyakwar residential	9.3 HA	Kisumu	16,700,000
19	Migosi Poultry	1.76 HA	Kisumu	5,805,333
20	Ndhiwa Honey Refinery	0.6 HA	Ndhiwa	-
21	Bondo Honey Refinery	7 HA	Bondo	-
22	Rongo Fish Farm	-	Migori	-
23	KSM Block 12/40	0.37 HA	Kaundi Hills	1,545,000
	Total			56,648,083

In addition, some of the assets do not have values as indicated above.

- iii) The following assets are included in the financial statements but had been disposed off in previous years:

	Assets	Registration No.	Location/Station
1	Tractor Model (Case International)	-	Yala
2	Tractor Model (Case International)	-	Yala
3	Tractor Model (Case International)	-	Muhoroni
4	Tractor Model (Kubota)	KWU 041	Yala
5	Tractor Model (Kubota)	KWU 049	Kokwanyo

iv) Valuation of Assets

With the exception of vehicles and tractors all other assets have not been revalued. It is therefore difficult to establish the true values of the Authority's assets.

v) Additions to Buildings

Included in additions to buildings of Kshs.451,145,680 as indicated in note 21 to the financial statements is Kshs.370,656,063 relating to penalty and interest paid to the contractor of the Lake Basin Mall Complex. The amounts paid were broken down as follows:

Description	Amount (Kshs.)
Finance cost due to delay in paying initial 20% deposit	52,999,042
Interest and Penalties due to delay of payment of the bid balance	307,421,955
Running costs as of contractual handover date	10,235,067
Total	370,656,064

A review of the payments and related records revealed the following anomalies:

There is no indication as to how the running costs as of contractual handover date of Kshs.10,235,067 were certified since the breakdown from the financial expert indicates that some of the costs were either too high or not confirmed.

Further, there was no express board approval of the payments.

Consequently, the Completeness, accuracy, valuation, safety and validity of the property, plant and equipment value of Kshs.5,105,927,647 as at 30 June 2018 could not be confirmed.

3. Receivables from Exchange Transactions

Note 19 to the financial statements indicates that the gross receivables from exchange transactions as at 30 June 2018 was Kshs.220,590,489 made up of ex-board members, ex-staff, current staff, trade debtors of Kshs.569,689, Kshs.15,628,064, Kshs.4,582,003 and Kshs.199,810,733 respectively resulting to a net figure of Kshs.72,766,099 net of provision for bad debts of Kshs.147,824,390. However, the following issues were noted:

- i) The amount of debt from ex-board and ex-staff members total to Kshs.16,197,753. The ages of these debts cast doubt on their recovery since they have been outstanding for long periods and little effort have been done to recover the amounts from the affected members.
- ii) Included in trade debtors figure of Kshs.199,810,733 is Kshs.122,269,959 owed to the Authority in respect of an overpayment relating to the construction of the rice mill. Efforts to recover this amount from the contractor have not borne fruit.
- iii) The provision for bad debts figure of Kshs.147,824,390 has remained constant despite changes in the debtors amounts.
- iv) Included in staff debtors of Kshs.4,582,003 are imprests issued to staff amounting to Kshs.1,497,906 which had not been surrendered as at 30 June

2018. These imprests had been outstanding for more than the seven days stipulated in the PFM Act regulations 2015 section 93.

In consequence, the accuracy and validity of the receivables from exchange balance of Kshs.72,766,099 could not be confirmed.

4. Government Loan

Included in the statement of financial position is a government loan of Kshs.2,000,000,000. This loan was provided by the Government of Kenya for the construction of the Mall. A review of the loan agreement and other records relating to the loan revealed the following issues:

i) Interest not accrued in the financial statements

Article iv of the loan agreement provides the following:

- The authority shall pay the Government interest on the loan at the rate of 5% on reducing balance.
- The loan period shall be 20 years with three years grace period all inclusive.
- Interest shall accrue from the respective dates of disbursement of the loan proceeds computed on the basis of 360-day year of twelve 30 day months.
- Interest accruing over the first year of the grace period will be capitalized on the first principal repayment date.
- Thereafter, interest shall be repaid semi annually

The first disbursement of Kshs.1,500,000,000 was done on 29 June 2017. Though the agreement says that the interest in the first year of grace period shall be capitalized and included in the principal on the first repayment date, no interest has been accrued in the financial statements.

ii) Use of loan proceeds on activities not related to the mall debt repayment

The Loan Agreement dated 29th June 2017 clause 7.01, on eligibility of payments to be paid out of loan proceeds, states that; a payment shall not be eligible to be paid out of loan proceeds unless - it relates to the settling of outstanding debts in regard to the Lake Basin Mall complex project in Kisumu.

Out of the funds received from the National Treasury, the entity used Kshs.79,902,309 for activities such as office supplies, legal fees, telecommunication expenses, security expenses, taxes, travelling expenses, electricity, compound maintenance and motor vehicle running costs not related to settling of outstanding debts in regard to the Lake Basin Mall complex.

iii) Non-establishment of Joint Oversight Committee

Article VI sub section 6.02 of the loan agreement requires the appointment of a joint oversight committee consisting of membership from the parties to the Loan Agreement. It was noted that the joint oversight committee composed of membership from the parties to the loan agreement has not been appointed as stipulated by the loan agreement.

As a result, the loan balance and accrued interest are understated in the financial statements and the Authority is in breach of the Loan Agreement terms.

5. Revenue From Exchange Transactions

5.1. Rental Revenue from Facilities and Equipment

Included in revenue from exchange transactions of Kshs.46,795,285 is rental revenue from facilities and equipment's of Kshs.20,340,097. However, the following issues were noted from the review of this revenue:

- i) Revenue amounting to Kshs.526,000 was not supported with a valid rental agreement.
- ii) The revenue includes Kshs.1,659,775 relating to service charges to tenants. This amount is meant to cater for costs of maintaining the facilities. There is no corresponding expenditure of maintaining the facilities in the financial statements yet the service charge is included in revenue.

5.2. Finance Income

Included in revenue from exchange transactions is finance income of Kshs.3,748,252 which was realized from investment of excess funds in fixed deposit accounts. However, there was no authority from the board for the investment of excess funds.

Consequently, the accuracy and validity of revenue from exchange transactions of Kshs.3,748,252 could not be confirmed.

6. Material Uncertainty Related to Going Concern

The Authority reported a deficit of Kshs.188,320,161 in the year ended 30 June 2018. The accumulated deficit as at 30 June 2018 was Kshs.359,709,172 from a surplus of Kshs.66,204,140 as at 30 June 2017. The current liabilities of Kshs.2,760,347,178 also exceeds current assets of Kshs.261,758,504 by Kshs.2,498,588,674 as at 30 June 2018. This situation indicates that the Authority is facing financial challenges. Therefore, the financial statements have been prepared on a going concern basis on the assumption that the Authority will continue to receive financial support from the Government and creditors.

7. Lake Basin Development Company Limited

Lake Basin Development Company Limited (LBDC) was incorporated on 13 October 1989 as a limited liability company and operates under Lake Basin Development Authority. Lake Basin Development Company Limited runs the rice mill that was set up as a profit making arm of the Authority. Information from the Registrar of Companies indicates that the Company's latest returns were in 2010. Further, no financial statements have been prepared and submitted for audit by the Auditor General. Consequently, the management is in breach of the provisions of the Companies Act, 2015.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Lake Basin Development Authority 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 that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Emphasis of Matter

1. Budget Performance

The comparison of budget against actual amounts is shown below:

Items	Budget	Actual	Variance	Variance
Revenue	Kshs	Kshs	Kshs	%
Transfers from other Government	396,221,717	337,721,717	58,500,000	15%
Sale of Rice	15,000,000	8,253,586	6,746,414	45%
Sale of Agricultural Produce	18,500,000	12,301,897	6,198,103	34%
Rental Revenue from facilities and equipment	10,000,000	20,340,097	(10,340,097)	-103%
Other Incomes	1,000,000	2,151,453	(1,151,453)	-115%
Finance Income-external investments	2,000,000	3,748,252	(1,748,252)	-87%
LBDA Mall	1,000,000,000	500,000,000	500,000,000	50%
Total Income	1,442,721,717	884,517,002	558,204,715	
Expenses				
Compensation of employees	203,779,762	269,828,380	(66,048,618)	-32%
General expenses (Civil Works)	136,904,988	133,156,892	3,748,096	3%
Finance Costs	68,000	384,036	(316,036)	-465%
Board expenses	17,980,996	7,486,181	10,494,815	58%
Repairs and Maintenance	1,017,620,928	9,476,680	1,008,144,248	99%
Contracted Services	66,367,043	30,301,024	36,066,019	54%
Total expenditure	1,442,721,717	450,633,193	992,088,524	
Surplus/Deficit	-	433,883,809		

Management explained that the variances noted above were on the basis of a supplementary budget made during the year. However, there is no evidence that the changes were approved by the board and the parent ministry.

2. Formalization of Takeover of Principle Loan Amount for the Mall Construction

The contractor/co-developer of the lake basin mall complex obtained a loan of Kshs.2.5 Billion at 16.5% interest from Co-operative Bank against a legal charge made on the Authority's land title No. LR: No. 15239. A letter from bank to the contractor dated 26th March 2018 disclosed the total amount owing to the bank as Kshs.3,285,294,347(principal loan as Kshs.2,500,000,000 and accrued interest of Kshs.785,294,347). The Authority vide letter ref. LBDA/ADM/CR/12/1/Vol VI dated 29th March 2018 addressed to the Principal Secretary State Department of Planning and Statistics, The National Treasury and Ministry of Planning, made a request for approval to formally take over the principal loan amount of Kshs.2.5 Billion. It was not possible to establish whether the approval was given and if the contractor will make a claim for the interest and penalties not being taken over. The following issues were also noted:

- i) Why the Authority's land was used to secure a loan to a third party yet the Form of Agreement between the Authority and the co-developer clause 12, states that in the event of default by the Authority in payments on the dates specified, the Co-developer shall be at liberty to select a financial institution to lend to the Employer the Bid Price or such amount thereof that is due and payable to the Co-developer by the Employer on the security of a charge over the property. The loan was supposed to be to the employer and not the co-developer.
- ii) Treasury approval to obtain the said loan by the co-developer was not made available for audit review. It therefore could not be confirmed if it met the requirements of PFM Act, 2012 part 51(1) and (2).
- iii) Management has not confirmed that there are no further claims made by the co-developer after the year end.

3. Amounts Due to Kenya Revenue Authority

Note 25 to the financial statements indicates that payables from exchange transactions were Kshs.2,760,347,178. Included in this amount are inter – ministerial dues of Kshs.38,879,042 that also include Kshs.34,409,533 payable to Kenya Revenue Authority relating to previous years unremitted taxes and penalties. It is not clear how the Authority will settle these amounts and if further interest and penalties have been levied.

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

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

REPORT ON COMPLIANCE, 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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources/Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Over Commitment of Salary

Analysis of salary bank remittance data for the month of June 2018 revealed that there were 97 employees who had overcommitted their salary beyond the third of their basic salary in contravention of the Employment Act Section CAP. 226 [Rev. 2012] section 19 – 20.

2. Contravention of Procurement Law

2.1 Motor Vehicle Running Expense

The Authority procured goods and services for motor vehicle running expenses totaling Kshs.2,443,729 from various service providers and enterprises as shown in the table below. However, procurement documents were not made available for audit review to indicate how they were selected. In addition, no contract agreements between the Authority and the suppliers were made available for audit review.

Details	Amount (Kshs.)
Fuel Replenishment	723,010
Repair of Vehicle KBL 686G	508,169
Motor Vehicle spare parts	212,100
Repair of Komatsu D53A -17	1,000,000
	2,443,279

2.2 Legal Services

The Authority obtained the services of a lawyer to handle a tax penalty case who was paid Kshs.1,354,500 for the service. However, procurement documents to show how the service provider was selected were not made available for audit.

2.3 Extension of Contracts for Suppliers

Included in contracted services of Kshs.30,301,024 at note 13 are cleaning services of Kshs.5,049,785 and security expenses of Kshs.8,224,408. The service providers for these two components were picked from the list of prequalified suppliers without subjecting them to further competitive analysis through request for quotations. Further, the service providers were required to offer the services for extended periods for more

than six months without formal agreements contrary to Section 135 of the Public Procurement and Disposal Act 2015.

2.4 Management Information System Upgrade

During the year under review, the Authority paid Kshs.975,799 to a service provider for the upgrade of the management information system. However, there were no documents to show how the service provider was selected. In addition, only the human resource module of the system is in use. All other services are done manually.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Approval of Payment Vouchers

A review of payment vouchers revealed that various officers were signing payment vouchers on behalf of the accounting officer (Managing Director) as AIE holders. There is however, no evidence that the accounting officer had delegated the approval authority to the officers in line with the Public Finance Management Act regulations 2015 Section 105.

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 Lake Basin Development Authority ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/ sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Lake Basin Development Authority 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 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material

weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Lake Basin Development Authority policies and procedures may deteriorate.

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 Lake Basin Development Authority ability to continue as a going concern or 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 Authority to cease to continue as a going concern or 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 Authority 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

05 July 2019