

REPORT OF THE AUDITOR-GENERAL ON LANDS LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lands Limited set out on pages 1 to 912, which comprise of the statement of financial position as at 30 June, 2019, ~~and the~~ statement of financial performance, statement of net assets and the statement of cash flows 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 effects 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 the Lands Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in ~~accordance~~ accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Trade and Other Payables

~~The statement of financial position as at 30 June 2019 reflects a balance of Kshs. 2,680,000 under trade and other payables. This amount relates to audit fee payable that has been outstanding since 1995. No satisfactory reason has been given for failure by the Company to pay the audit fee.~~

1. 21. Long Outstanding Receivables from Exchange Transactions

~~As disclosed under in Note 8 to the financial statements, the statement of financial position reflects As previously reported, the Company's receivables from exchange transactions debtors balance of Kshs.-20,434,000 as at 30 June 2019 (2018 - Kshs. 21,038,000) similarly. As previously reported, the balance includes an amount of Kshs. 14,542,464 owed by twelve (12) large debtors holders, which has been outstanding for a period of over fourteen (14) years.~~

~~Further, the non-trade debtors balance of Kshs.-522,000 disclosed under Note 8 to the financial statements includes a loss of cash and stores an amount of Kshs.-315,117 described as a loss of cash and stores that has been outstanding for a considerable period of time.~~

~~In addition, the specific provision for bad debts of Kshs.-537,000 (2018 - Kshs. 537,000) was not supported with documentary evidence.~~

~~Consequently, the recoverability in full of the accuracy and completeness and validity of receivables balance of Kshs. 14,542,464 - 20,434,000 reflected in the receivables from exchange transactions balance in the financial statements of financial position as at 30 June, 2019 could not be confirmed. appears doubtful.~~

32. Unsupported Grants Reserves

~~As previously reported in 2017/2018, the statement of financial position as at 30 June 2019 still reflects a balance of Kshs. 55,694,000 under grants reserves. The amount is described in the general ledger as a long-term finance since 1994 but the source is was had not, however, indicated been supported disclosed or explained. or explained. The amount has been appearing in the ledgers since 1994 and it is not clear the purpose for which the grants were intended. Further, the grants have not been amortized since they were recorded in 1994.~~

~~In Under the circumstances, the validity, completeness and accuracy of the balance of grants reserves of Kshs.-55,694,000 reflected in the statement of financial position as at 30 June, 2019 could not in respect of the grants reserves cannot be confirmed.~~

4. Statement of Comparison of Budget and Actual Amounts

~~Contrary to the financial reporting guidelines issued by the Public Sector Accounting Standards Board through the National Treasury Circular Reference No. PSASB/1/12/Vol.1(44) of 25 June 2019, the financial statements for the year ended 30 June 2019 submitted for audit did not include a statement of comparison of budget and actual amounts. No explanation has been provided for this omission.~~

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lands Limited Management in accordance with ISSAI 130 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. ~~Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that t~~There awere no other key audit matters to ~~communicate in my report~~ in the year under review.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the report of Board of Directors as required by the Companies Act, 2015, and the statement of the Board of Directors responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date. The other information does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

~~The directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.~~

~~My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.~~

~~In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.~~

Other Matter

Unresolved Prior Year Matters

~~In the audit reports of the previous years, several issues were raised. However, the Management has not resolved all the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Reference No. PSASB/1/12/Vol.1(44) of 25 June, 2019.~~

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 matters described in the ~~Basis for Qualified Opinion and~~ Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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

1. ~~Lack of Failure to Prepare~~ Failure to Prepare Statement of Comparison of Budget and Actual Amounts and provide the Approved Budget

~~The financial statements submitted for audit did not include a statement of comparison of budget and actual amounts. No explanation has been provided for this omission. During the year ended 30 June 2019, the Company operated without~~ The Management did not provide an approved budget. No explanation has been provided for this omission contrary to the financial reporting guidelines issued by the Public Sector Accounting Standards Board through the National Treasury Circular Reference No. PSASB/1/12/Vol.1(44) of 25 June, 2019.

Further, Management did not provide an approved budget. This is contrary to Section 68(2)(h) and (j) of the Public Finance Management Act, 2012. The law which requires the Accounting Officer/Managing Director of the Company to prepare estimates of expenditure and revenues of the entity in conformity with the strategic plan and submit the estimates of the entity to the Cabinet Secretary responsible for the state corporation who, after approving it, shall forward it to the Cabinet Secretary and the National Treasury.

Consequently, the Management is in breach of the law.

2. Outstanding Audit Fees

The statement of financial position reflects a balance of Kshs.2,680,000 under trade and other payables. This amount relates to audit fee payable that has been outstanding since 1995. No satisfactory reason has been given for failure by the Company to pay the audit fee contrary to Public Audit Act, 2015.

Consequently, the Management is in breach of the law.

3. Statement of Comparison of Budget and Actual Amounts

The financial statements submitted for audit did not include a statement of comparison of budget and actual amounts. No explanation has been provided for this omission contrary to the financial reporting guidelines issued by the Public Sector Accounting Standards Board through the National Treasury Circular Reference No.PSASB/1/12/Vol.1(44) of 25 June 2019.

Consequently, the Management is in breach of the law.

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 matters described in the Basis for Qualified Opinion

~~and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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

The audit was conducted in accordance with ISSAI 42315 and ISSAI 42330. 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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015, except for the matters raised under Basis for Qualified Opinion, Other Matter and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I report based on the audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

~~REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS~~

~~As required by the Kenyan Companies Act, 2015 I report based on the audit, that:~~

- ~~(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;~~
- ~~(ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;~~
- ~~(iii) The Company's statement of financial position and statement of financial performance are in agreement with books of account; and~~
- ~~(iv) In my opinion the information given in the report of the directors on page ~~xi~~, is consistent with the financial statements.~~

Responsibilities of Management and Board of Directors ~~and Those Charged with Governance~~

The ~~directors are~~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 the Management~~directors~~ 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 overall governance.

In preparing the financial statements, the Management is ~~directors are~~ responsible for assessing the Company's ~~ability of Lands Limited~~ to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless ~~the Management is aware of the intention directors either intends to liquidate Company the Company or to cease operations, or have no realistic alternative but to do so.~~

~~The Management~~directors are 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, the Management is ~~the directors are~~ 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.

The Board of Directors is ~~Those charged with governance are~~ responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Company~~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 overall 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 overall 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 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 directors.
- Conclude on the appropriateness of the Management's directors' 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 ability of Company's Lands Limited ability to continue as a going concern. 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 Company Company to cease to continue as a going concern.

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- 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 Company Lands Limited to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management directors 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 the Management ~~directors~~ 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.



Nancy Gathungu
CPA.....
AUDITOR-GENERAL

Nairobi

11 August 2021 ~~22 July 2021~~ **11 August, 2021**

28 April 2020 **Date.....**