

# **REPORT OF THE AUDITOR-GENERAL ON MOI TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE 2017**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of Moi Teaching and Referral Hospital set out on pages 14 to 57, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in equity, 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 Moi Teaching and Referral Hospital as at 30 June 2017, 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 Moi Teaching and Referral Hospital Board Order, 1998.

In addition, as required by Article 229(6) of the constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me believe that public money has not been applied lawfully and in an effective way.

### **Basis for Qualified Opinion**

#### **1.0 Property, Plant and Equipment**

##### **1.1 Land**

As reported previously, included in the property, plant and equipment balance of Kshs.1,944,023,040 as at 30 June 2017 is Uasin Gishu Memorial Hospital land valued at Kshs.71,037,687. However, the ownership of Uasin Gishu Memorial Hospital land is subject to a court case between the hospital and the former directors of the hospital. Although the hospital management has explained that the Constitutional Court to which the case was referred ruled in favour of Moi Teaching and Referral Hospital on 10 March 2010, the former directors appealed against the judgement and the matter has since been pending in the High court for the last six years. Consequently, until the appeal is heard and determined, the ownership status of the land valued at Kshs.71,037,687 included in the property, plant and equipment figure of Kshs.1,944,023,040 as at 30 June 2017 could not be confirmed.

## **1.2 Encroachment of Land**

Available records indicated that the original plan for the hospital land referenced as F/R No.176/12 was revised in 2004. The revised plan of 2004 was referenced as F/R No.430/188 and indicated that the approximate area of the hospital land was 29.67 hectares. The revision of the original plan culminated in the production of the Partial Development plan (PDP) of reference number, ELD 17/2001/3A. However, scrutiny of the two plans of hospital land indicated that, the original boundaries changed course and excluded sections of F/R No.315/128(532 and 533), F/R No.316/129 (534 and 535), F/R No.166/149 (180 and 192) and of F/R No.166/62 in the revised plan for 2004.

Further, an inspection of the land revealed that, there are permanent structures built on the encroached land indicated above, two (2) government institutions are built inside the hospital land, part of the main building of the hospital and the new KMTC building are constructed on a road reserve. In addition, management did not avail documentary evidence indicating existing arrangements between the two government institutions and efforts made to reclaim the encroached land. In the circumstances, it was not possible to confirm the accuracy and completeness of the figure for land indicated in the financial statements.

## **1.3 Irregular Procurement of a Sixty-four (64) Slice CT Scan Machine**

The hospital awarded a tender in dollars (USD) on 29th March, 2017 to a supplier of medical equipment for the supply, delivery, installation and commissioning of a sixty four (64) slice CT scan machine at a cost of Kshs.58, 582,157.50 (USD 570,386.35). The award of the tender was subject to a trade in of an old two (2) slice CT scan machine valued of USD 85,000 (Kshs.8,730, 018.50).

The cost price of the new equipment was to be settled in instalments at the exchange rate of Kshs.102.7061 to the equivalent of 1 USD. Consequently, the supplier was paid Kshs.11,079,934.07, being 20% of the cost price as a down payment vide payment voucher number 110889. Available information indicated that, the contract sum of the equipment was Kshs.55,399,670.34(USD 53, 9400), although management issued the local purchase order with a value of more than the contract sum by Kshs.3,182,487.16 (USD 30,986.35). Further, the equipment was purchased using the direct procurement method and it was not included in the procurement plan contrary with section 91(1) and (3) and section 53(2) of the Public procurement and Asset Disposal Act, 2015 which states that, open tendering shall be the preferred procurement method for procurement of goods, works and services and shall be adopted for procurement of goods, works and services for the threshold prescribed in the respective national and county Regulations and an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

In addition, a valuation report of a technical expert for the CT scan machine which was traded in indicated a value of USD100,286.15 (Kshs.10,300,000) while contract documents indicated a value of USD 85,000 (Kshs.8,730,018.50). No explanation has been given on how the value of USD 85,000 (Kshs.8, 730, 018.50) for the trade in

machine was arrived at. The unexplained difference of USD 15,286.15 (Kshs.1,569,981.50) is contrary to section 164(3) of the Public procurement and Asset Disposal Act, 2015. The act provides that, there shall be a technical report by a relevant expert of the subject item for disposal which takes into account the real market price and the expert shall set up the reserve price which shall be the minimum acceptable price. In the circumstances, it was not possible to confirm the validity of the amount expended on the item and if the hospital got value for money in the whole transaction.

## **2.0 Trade and Other Receivables**

### **2.1 Corporate Clients Debtors**

As previously reported, included in trade and other receivables balance of Kshs.1,203,587,207 as at 30 June 2017 is corporate client debtors of Kshs.442,819,969 as disclosed in Note 7.2 to the financial statements out of which Kshs.184,252,397 relates 2014/2015 and prior years. Although management had demonstrated some efforts made at debt recovery, not much had been achieved.

Consequently, the recoverability of corporate debts could not be confirmed as at 30 June 2017.

### **2.2 Individual Client Debtors**

The trade and other receivables balance of Kshs.1,203,587,207 also includes individual client debtors' balance of Kshs.514,908,397. As previously reported, the debts were secured with identity cards, commitment letters and title deeds out of which an amount of Kshs.424,274,901 related to the years 2002 to 2010. Since these debts were secured with very weak collateral, the possibility of their collectability appears remote. Delay in collection of these debts may affect the cash flow position of the Hospital and adversely affect its operations. In the circumstances, recoverability of these long outstanding debts is doubtful and as a result it has not been possible to ascertain if the reported figure for trade and other receivables balance of Kshs.1,203,587,207 was fairly stated as at 30 June 2017.

### **2.3 Medical Service Providers Debtors**

As reported in the previous year, the debtors balance of Kshs.1,203,587,207 include amounts owed by two medical service providers amounting to Kshs.20,138,821 and Kshs.68,778,269 respectively. The debts were in respect of contractual arrangements entered into with the hospital to provide medical care to employees of the hospital. However, the claims have been outstanding long after contracts with the two firms were terminated. From the correspondences with the service providers availed for audit review, it is evident that the amounts owed were contested by the firms and therefore the recoverability of the balance of trade and other receivables of Kshs.88,917,090 could not be confirmed as at 30 June 2017.

### **2.4 Outstanding Temporary Imprest**

Included in trade and other receivables figure of Kshs.1, 208,876,207.00 reflected in the financial statements is outstanding imprest balance of Kshs.14,406,568 which had not been surrendered by 30 June 2017 contrary with Section 93 (5) of the of the Public Finance Management Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Although management explained that the bulky of these imprest relate to staff on long training period, imprest warrants and register pertaining to the outstanding imprest were not availed for audit verification. As a result, the accuracy and propriety of the outstanding imprest of Kshs.14,406,568 could not be confirmed.

### **3.0 Trade and Other Payables**

#### **3.1 Long Outstanding Payables**

Included in the trade and other payables balance of Kshs.293,830,236 as at 30 June 2017 is payables amounting to Kshs.41,725,941 which had been outstanding for over two years. Although management had explained that, lack of proper documentation from the suppliers had contributed to delay in settling the claims, no evidence was provided to show measures taken to resolve this issue. As a result, the validity, accuracy and completeness of the figure for trade and other payables of Kshs.293,830,236 as at 30 June 2017 could not be confirmed.

#### **3.2 Unremitted Salary Obligations**

Note 8.4 to the financial statements reflects Kshs.520,168,585 in respect of unremitted salary obligations which include an amount of Kshs.307,127,115 deducted from the payroll between May, 2017 and prior months that had not been remitted to the respective entities. No explanation was provided for non-remittance of these deductions as required by section 19(4) of the Employment Act, 2007. The management is therefore in breach of the law and failure to remit these deductions may attract penalties and which have not been recognized in these financial statements.

### **4.0 Irregular Payment of Allowances**

Included in the personal emoluments figure of Kshs.5,124,804,916 as disclosed in note 6.1 to the financial statements is allowances of Kshs.94,813,971 paid to officers of the hospital as summarized below:

<b>No.</b>	<b>Type of allowance</b>	<b>Amount (Kshs)</b>
1	Private wing Executive Committee allowance	9,842,771
2	Private Wing Administrative Committee allowance	1,311,812
3	Amenity allowance	13,923,274
4	Mortuary Allowance	27,289,427
5	Training Centre allowance	10,513,045
6	Memorial allowance	31,933,642
	<b>Total</b>	<b>94,813,971</b>

As reported in the previous year, these allowances were not included in the approved list of Salaries and Remuneration Commission (SRC). Although the board approved payment of these allowances in 2016 and management forwarded the Human Resource Instruments to the State Corporations Advisory Committee (SCAC) through the ministry of Health for approval, no evidence was provided to confirm that the same was approved. The expenditure of Kshs.94,813,971 is therefore irregular.

## **5.0 Waivers and Exemptions**

Included in the total expenditure of Kshs.6,395,890,676 is waivers and exemptions figure of Kshs.146,629,213 as disclosed in note 6.8 to the financial statements. Available information indicated that the figure for waivers and exemptions was expensed based on a government policy document which was applicable to health centers as indicated in the Treasury circular reference No. DHCF/VOL.1 (138) of 23 December 2002. Further, the board of directors had not ratified the proposed policy document adopted by the finance and strategy committee contrary to section 1.2.1(c) of the code of governance for state corporations, 2015

In addition, management did not avail documentary evidence indicating that the cabinet secretary approved the waivers and exemptions and a copy of the same sent to the Auditor-General as provided by section 148(5) of the Public Finance Management Regulations (PFMR), 2015.

In the circumstances, validity of the amount for the waivers and exemptions could not be confirmed.

## **6.0 Prior Year Issues**

### **6.1 Irregular Procurement of Eight (8) Patient Monitors**

As reported in the previous year, property, plant and equipment balance of Kshs.1,944,023,040 as at 30 June 2017 includes an amount of 17,600,000 in respect of acquisition of eight (8) patient monitors. An order of eight (8) patient monitors was issued on 23 July 2015 through LPO No. 09854. The monitors were delivered and installed on 31 October 2015 and full payment done on 2 June 2016 vide cheques No. 0295 and 029153. However, information available indicate that the monitors were not procured through open tender and no valid contract signed between the hospital and the supplier was availed for audit review. Although management explained that the patient monitors were procured under framework contract with the supplier, a review of the contract signed on 20 June 2014 indicates that the contract was for the supply of two (2) patient monitors and the duration of the contract was two (2) weeks. It was therefore evident that the procurement of the eight (8) patient monitors was not covered under the above contract. Under the circumstances, the procurement of the eight (8) patient monitors was irregular and therefore the propriety of the total expenditure totaling Kshs.17,600,000 could not be confirmed.

### **6.2 Irregular Procurement of Sixteen (16) Slice CT Scan**

Included in in the non-current assets figure of Kshs.2,024,492,252 as reflected in the statement of financial position as at 30 June 2017 is project cost figure of Kshs.80,469,212 out of which an amount of Kshs.20,152,410 is in respect of 16 slice CT scan. As reported in the previous year, the hospital tender committee sitting on 5 June 2015 awarded a tender for the supply, delivery, and installation and commissioning of the sixteen (16) slice CT scan to a medical equipment supplier at a sum of Kshs.52,890,000. However, citing lack of funds, the management on 12 October 2015 rescinded the decision by the tender committee and resorted to hire purchase arrangement with the supplier at a cost of Kshs.64,742,649. Available information indicated that although the contract for the supply of the equipment was signed on 25 June 2015, treasury approval for use of hire purchase method was requested on 7 September 2015 and granted on 30 September 2015 meaning that the request for approval to use hire purchase method was sought and granted long after the contract had been signed. No explanation has been provided for this anomaly.

### **6.3 Irregular Procurement of Computers**

Included in property, plant and equipment balance of Kshs.1,9944,023,040 as at 30 June 2017 is computers, telephone and television figure of Kshs.39,726,610 out of which an amount of Kshs.12,863,358 is in respect of computers and computer accessories procured during 2015/2016. As reported in the previous year, during the year 2015/2016, the hospital procured computers and computer accessories totaling Kshs.12,863,358 from a supplier. The advertisement for the supplies indicated that the procurement was under two year framework contracting arrangement from 1 July 2016. However, a review of the procurement records indicated that the tender document did not specify the period for the contract and the total minimum and maximum quantity as required by Public Procurement and Oversight Authority circular No. 6/2010 of 18 June 2010. Further no reason was given for using framework contract in procurement of computer and computer accessories whose quantity is definite. In addition the contract agreement signed between the hospital and the suppliers was not availed for audit review.

Consequently, the propriety of the expenditure of Kshs.12,863,358 included in computers, telephone and television figure of Kshs.39,726,610 as at 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Moi Teaching and Referral Hospital 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 qualified opinion.

### **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 and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

## Other Matter

### 1.0 Budget Control and Performance

During the year under review, the hospital had an approved revised expenditure budget of Kshs.7,378,966,130 against actual expenditure of Kshs.7,206,401,011 (95%), resulting in under expenditure of Kshs.172,565,119 or 2%. However, expenditure in some votes exceeded their approved allocation of Kshs.570,788,489 by Kshs.257,532,244 or 45 % as shown below:

Code	Expenditure item	Approved Budget 2016/2017	Approved Revised Budget 2016/2017	Actual Expenditure	Over Expenditure	%
		Kshs	Kshs	Kshs	Kshs	
310	Bank Charges	2,043,970	2,043,970	5,370,311	(3,326,341)	(163)
30	Creditors/ Pending bills	84,667,684	114,667,684	294,482,371	(179,814,687)	(157)
180	Course Administration and Subscription Fees	9,695,803	7,695,803	15,316,883	(7,621,080)	(99)
460	External Travelling & Allowance	12,039,183	14,039,183	22,918,909	(8,879,726)	(63)
470	Internet Expenses	4,612,333	5,612,333	8,396,006	(2,783,673)	(50)
240	Stationery	12,551,773	12,551,773	17,087,375	(4,535,602)	(36)
350	Staff Uniforms & Protective Gear	5,678,000	5,678,000	6,861,073	(1,183,073)	(21)
250	Water & Conservancy	31,096,467	31,096,467	37,212,230	(6,115,763)	(20)
400	Staff Development & Training	27,568,790	30,568,790	36,320,978	(5,752,188)	(19)
270	Printing of Accountable Documents, Medical Records and HRIS and Stationery	16,579,162	16,579,162	19,244,427	(2,665,265)	(16)
70	Lab reagents/chemicals	73,021,327	68,021,327	78,353,112	(10,331,785)	(15)
360	Travelling and Accommodation	42,369,914	42,369,914	48,004,646	(5,634,732)	(13)
90	Cleansing materials	41,885,563	41,885,563	45,949,645	(4,064,082)	(10)
480	Staff Medical Scheme	147,978,520	177,978,520	192,802,747	(14,824,227)	(8)
	<b>Total</b>	<b>511,788,489</b>	<b>570,788,489</b>	<b>828,320,713</b>	<b>(257,532,224)</b>	<b>(45)</b>

No evidence was provided to confirm whether there was authority for the over expenditure as required by section 12 of the State Corporations Act.

Further, there was underutilization of approved expenditure of Kshs.1,103,533,666 against actual expenditure of Kshs.776,121,315 by Kshs.327,412,351 as shown below;

Code	Expenditure Item	Approved Budget 2016/2017	Approved Revised Budget 2016/2017	Actual Expenditure	Under Absorption	%
		Kshs	Kshs	Kshs	Kshs	
120	Oxygen	78,000,000	58,000,000	52,200,461	5,799,539	10%
520	Continuous Professional Development	100,320	100,320	88,000	12,320	12%
95	Admission Packs	7,833,420	7,833,420	6,800,000	1,033,420	13%
440	Office Equipment	6,488,749	7,488,750	6,390,702	1,098,048	15%
420	Contracted Professional Services	12,678,844	12,678,844	10,801,816	1,877,028	15%
110	X-ray/ Radiology Supplies	29,930,374	29,930,374	25,002,639	4,927,735	16%
20	Purchase of Drugs	503,001,537	453,001,537	370,384,548	82,616,989	18%
355	Occupational Health Safety	5,296,896	5,296,896	4,196,281	1,100,615	21%
130	Supplies for Production	8,437,976	8,437,976	6,587,026	1,850,950	22%
415	Hospital Security Services	4,195,776	5,195,776	3,808,227	1,387,549	27%
370	Board of Management Expenses	17,280,177	17,280,177	12,417,517	4,862,660	28%
50	Food & Ration	116,153,785	106,153,785	76,042,563	30,111,222	28%
170	Mortuary supplies	2,091,978	2,091,978	1,474,993	616,985	29%
320	Postal Charges	1,024,933	1,024,933	682,764	342,169	33%
260	Transport Operating Expenses	11,293,689	9,293,689	6,148,642	3,145,047	34%
390	Comprehensive Group Personal accident cover	7,280,000	7,280,000	4,720,163	2,559,837	35%
190	Cafeteria Supplies	11,637,769	16,637,769	10,704,315	5,933,454	36%
200	Library Services	4,252,547	4,252,547	2,603,470	1,649,077	39%
210	Maintenance of Building & Station	45,573,345	30,573,345	18,394,578	12,178,767	40%
40	Dressings/theatre supplies	209,636,064	180,936,063	108,880,713	72,055,350	40%
45	Dental Supplies	8,400,000	8,400,000	4,852,520	3,547,480	42%
410	Advertising & Publicity	15,732,397	9,732,397	5,645,133	4,087,264	42%
430	ISO	8,029,235	8,029,235	4,545,920	3,483,315	43%
140	Fuel & Gas	11,923,520	11,923,520	6,205,340	5,718,180	48%
550	C. A.R.E.	2,095,391	1,095,391	563,895	531,496	49%
490	Corporate Social Responsibility	2,200,000	2,200,000	1,007,324	1,192,676	54%
345	Issue Based Committees	1,500,000	1,500,000	677,154	822,846	55%
401	Medical Officers Post-Graduate Training	12,000,000	14,000,000	5,171,510	8,828,490	63%



Code	Expenditure Item	Approved Budget 2016/2017	Approved Revised Budget 2016/2017	Actual Expenditure	Under Absorption	%
		Kshs	Kshs	Kshs	Kshs	
35	Disaster/ Emergency Response	30,000,000	30,000,000	8,281,593	21,718,407	72%
300	Rents & Rates	2,989,897	1,989,897	491,287	1,498,610	75%
405	Health Research, Development & Innovation	10,000,000	5,000,000	1,271,711	3,728,289	75%
380	Computerization	38,234,678	38,234,678	7,906,814	30,327,864	79%
150	Uniforms for Patients	8,940,369	5,940,369	1,171,696	4,768,673	80%
290	Plant and Equipment Insurance Policy	6,000,000	2,000,000	-	2,000,000	100%
	<b>Total</b>	<b>1,240,233,666</b>	<b>1,103,533,666</b>	<b>776,121,315</b>	<b>327,412,351</b>	<b>30 %</b>

No reason was provided for thirty percent (30%) underutilization in the above budget items.

## 2.0 Ethnic Composition of Employees of the Hospital

An examination and analysis of human resource records of the hospital availed for audit verification revealed that, the hospital had 12 members of the board, 6 senior management staff and 3,639 other permanent and pensionable staff as at 30 June 2017 as detailed below.

		No.	Dominant Community	% of Dominant Community	Other Ethnicities	% Other Ethnicities
1	Board of Management	12	5	47	7	53
2	Senior Management	6	5	83	1	17
3	Other permanent and pensionable employees	3,639	2582	71	1057	29
	<b>Total</b>	<b>3,657</b>	<b>2592</b>	<b>71</b>	<b>1065</b>	<b>29</b>

It is apparent from the above analysis that one ethnic community comprised of 71 per cent of the total workforce of the hospital contrary with section 7(1) and (2) of the national cohesion and integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third (1/3) of its establishment from the same ethnic community. The management is therefore in breach of the law.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 such 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.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/ sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Hospital 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.

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

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

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 of Kenya. 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 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Hospital's 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 Corporation's 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 consolidated/ 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 Corporation to cease to continue as a going concern.
- 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 of the entities or business activities 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**

**21 May 2017**