REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

GOLF HOTEL LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON GOLF HOTEL LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Golf Hotel Limited set out on pages 1 to 47, which comprise the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, 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 Golf Hotel Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Doubtful Recovery of Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.56,873,764, and as disclosed in Note 19 to the financial statements which includes trade receivables balance of Kshs.46,301,047. However, trade receivables amounting to Kshs.24,188,782 were aged over 360 days and Management did not provide for audit review evidence of efforts made to recover the debts.

In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.56,873,764 could not be confirmed.

2. Unconfirmed Share Capital Balance

The statement of financial position reflects ordinary share capital balance of Kshs.5,000,000 which comprises 250,000 shares of Kshs.20 par value and as disclosed in Note 22 to the financial statements. The hotel was 80% owned by Kenya Development Corporation and 20% by County Government of Kakamega. However, County Government of Kakamega 20% of total shares translate to 50,000 shares, out of the which 41,734 shares had share certificates, resulting to an unexplained variance of 8,266 unsupported by shares certificates.

In the circumstances, the accuracy, and completeness of ordinary share capital balance of Kshs.5,000,000 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.252,354,584 and Kshs.168,434,856 respectively resulting to an under-funding of Kshs.83,919,728 or 33% of the budget. Similarly, the hotel expended Kshs.182,210,850 against expenditure budget of Kshs.145,399,173 resulting to an over-expenditure of KShs.36,811,677 or 25% of expenditure budget.

The under-funding affected the implementation of planned activities of hotel and the over-expenditure portrays lack of proper financial management and budgetary controls.

My opinion is not modified in respect of this matter.

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 effect of 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

Unresolved Prior Year Matters

In the previous year audit, several issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as detailed in **Appendix I**. Appendix 1 on implementation status of Auditor-General's prior year recommendations section of the financial statements indicates that three issues were resolved, seven issues not resolved and one issue was not disclosed. However, no supporting documents were provided to support the resolutions, and no reasons were provided for not resolving the remaining issues.

Other Information

The Management is responsible for the Other Information set out on page iii to xxxiii which comprise of Key Hotel Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Hotel's, 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 my 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 a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

1. Failure to Repay Due Loan Principal and Interest from Borrowings

The statement of financial position and Note 25 to the financial statements reflects borrowings balance of Kshs.57,123,040 which were obtained from Kenya Development Corporation (KDC). However, during the year under review, a principal repayment of Kshs.236,266 was made out of expected amount of Kshs.2,080,200, and Kshs.840,745 out of expected interests on loans amount of Kshs.1,145,601. Further, explanation was not provided for failure to repay the entire loan principal and interest which were due in the year under review, and as stated in the loan agreement.

This was contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 requires that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure that the Government does not default on debt obligations.

In the circumstances, Management was in breach of law and delayed repayment of loan amount may attract additional interests and penalties.

2. Failure to Prepare Procurement Plan as Prescribed by Law

Review of the annual procurement plan for the year under review revealed gaps in comparison with Third Schedule of the Public Procurement and Asset Disposal Regulations, 2020 since it did not indicate source of funds, invite/advertise tender, bid opening, bid evaluation, tender award, notification of award, contract signing, total time to contract signature and date for completion of the contract.

This was contrary to Regulation 42 of the Public Procurement and Asset Disposal Regulations, 2020 which states that pursuant to Section 53(2) of the Act, the annual procurement plan shall be done in accordance with the format specified in the Third schedule.

In addition, the procurement plan did not reflect a reserved minimum of thirty per cent of the budgetary allocations for enterprises owned by women, youth, persons with disabilities, and other disadvantaged groups as required by Section 53(6) of Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of law.

3. Non-compliance with Procurement Law on Prequalification of Suppliers

During the year under review, the hotel outsourced accommodation services from three local service providers for a total of Kshs.534,467. However, the service providers were not included in the list of prequalified suppliers. Further, the quotations for the accommodation services were not provided for audit review.

This was contrary to Section 105(a) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use a request for quotations from the register of suppliers for a procurement if the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in Regulations.

In the circumstances, Management was in breach of law.

4. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.32,287,381, and as disclosed in Note 26 to the financial statements. The balance includes payables of Kshs.6,466,092 which had been outstanding for more than ninety (90) days. However, Management did not provide a payment plan to settle the debts or explain failure to pay debts when due.

This was contrary to Regulation 150 (1) of the Public Procurement and Disposal Regulations, 2020 which states that subject to the availability of funds and after proper certification of the goods, services or works have been done, a procuring entity shall make prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and shall make payment within sixty days from the date of receipt of the invoice.

In the circumstances, Management was in breach of law.

5. Non-compliance with Law on Staff Ethnic Composition

Review of personnel records revealed that the hotel had a total of ninety (90) employees out of which thirty-six (36) were employed on permanent and pensionable terms and fifty-four (54) on contractual terms. The ethnic composition of staff revealed that sixty-four (64) employees or 71% were from the dominant ethnic community.

This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

In the circumstances, Management was in breach of law.

6. Non-Compliance with the Law on Borrowings

A loan agreement dated 7 December, 2022 indicates that the hotel obtained a loan of Kshs.49,192,172 from Kenya Development Corporation. However, the loan agreement was signed by two Board members at the time and not by the Chief Executive Officer or any other person authorized by her.

In the circumstances, the legality of the loan agreement could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 effect of the matters 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 governance were not effective.

Basis for Conclusion

1. Lack of Policy on Casual Employees Engagement

Analysis of payroll data for casual employees revealed that the hotel engaged an average of fifteen (15) casuals every month. However, the hotel did not have a casual engagement policy to guide on selection criteria, terms of engagement, remuneration and level of benefit for various categories of casuals. Further, some casuals were engaged for more than three months contrary to Section 37(1)(a) and (b) of Employment Act, 2007 which states that, where a casual employee works for a period or a number of continuous working days which amounts in the aggregate of the equivalent of not less than one month or performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

In the circumstances, the effectiveness of management of casuals could not be confirmed.

2. Unpaid Dividends

The statement of financial position reflects dividends payable balance of Kshs.4,102,426, and as disclosed in Note 28 to the financial statements. The ageing analysis of dividends payable indicates that the hotel had not paid shareholders dividends due for the last three (3) years. Further, no explanation was provided for failure to pay the dividends.

In the circumstances, the hotel's shareholders were denied their rightful dues.

3. High Turnover of Board Members

During the year under review, the hotel had six (6) Board of Directors, three (3) from Kenya Development Corporation (KDC), two (2) from County Government of Kakamega, and a member from The National Treasury. However, all members representing KDC were replaced within the year even before the end of their term on 31 December, 2026. Further, the Board did not have a succession plan for Directors in accordance with Chapter 1, Paragraph 1.14 of Mwongozo Code of Governance which states that, the appointing authority should ensure that the tenure of Board members was staggered to ensure a phased transition.

In the circumstances, the effectiveness of the hotel's governance could not be confirmed.

4. Use of Outdated Pricing Policy

During the year under review, the hotel pricing policy for food items and other services provided was dated December, 2022. However, the policy had not been reviewed for two and half years as at 30 June, 2025 contrary to the requirement that the policy review would be annually conducted by Board of Directors. In addition, the food menu revealed variances in food prices stated compared to pricing policy, and contained beverages which were not documented in the policy. Further, the hotel was providing dry cleaning services which were not contained in pricing policy.

In the circumstances, the effectiveness of the hotel's pricing internal controls could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm 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. Information given in the Directors' report on pages xxxii is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on page 21 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hotel's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Hotel's financial reporting process, reviewing the effectiveness of how Management 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL
Nairobi

15 December, 2025

Appendix I: Unresolved Prior Year Matters

Reference No. of the Auditor-General's Report	Title of Audit Issue
	Report on the Financial Statements
1	Long Outstanding Trade and Other receivables
2	Unconfirmed Share Capital Balance
	Report on Lawfulness and Effectiveness in the use of Public Resources
1	Irregular Procurement of Legal Services
3	Lack of Staff Ethnic Diversity
4	Non-Compliance with Preference and Reservation Procurement Requirement
	Report on Effectiveness of Internal Controls, Risk Management and Governance
1	Weakness in Internal Audit Function
1.1	Failure to Review Key Policy Documents
1.2	Late Submission of Audit Work Plan and Lack of Budget
2	Effectiveness of Hotel's Governance
2.1	Lack of Independent Board Members
2.2	Frequent Changes of Board of Directors