

# **REPORT OF THE AUDITOR-GENERAL ON KENYA ACADEMY OF SPORTS FOR THE YEAR ENDED 30 JUNE 2017**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Opinion**

I have audited the accompanying financial statements of Kenya Academy of Sports set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2017, and the statement of 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, the financial statements present fairly, in all material respects, the financial position of Kenya Academy of Sports 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 Sports Act, 2013.

In addition, as required by Article 229(6) of the Constitution, based on the procedures carried out, nothing has come to my attention to make me believe that public money has not been applied lawfully and in an effective way.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Academy of Sports 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 opinion.

### **Key Audit Matters**

Key audit matters are those that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to communicate in my report.

### **Other Matter**

#### **1.0 Budget and Budgetary Performance**

#### **1.1 Revenue**

The Kenya Academy of Sports had budgeted for revenue totalling Kshs.159,500,000 against actual revenue of Kshs.157,125,000 as follows:

Description	Budget Kshs.	Actual Kshs.	Excess (+) Shortfall (-) Kshs.	Variance %
GOK Grants	159,500,000	157,125,000	- 2,375,000	1.5

The shortfall of Kshs.2,375,000 was explained as expenditures incurred by Sports Kenya on behalf of the Academy during the Academy's formative stages.

## 1.2 Expenditure

Actual expenditure amounted to Kshs.159,284,372.10 against the approved budget of Kshs.159,500,000 resulting in an under expenditure of Kshs.215,627.90 or 0.01% as follows:

Item	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Employee costs	4,450,000	12,858,986	8,408,986	189
Remuneration of Directors	1,600,000	5,886,785	4,286,785	267
General Expenses	3,450,000	11,838,601	8,388,601	243
Acquisition of assets	150,000,000	128,700,000	(21,300,000)	13
<b>Total</b>	<b>159,500,000</b>	<b>159,284,372</b>	<b>(215,628)</b>	<b>0.01</b>

Overall, the Academy underspent the total budgeted amount by Kshs,215,628. However, some items, were overspent by between 100 and 250%. The over expenditure of 189% under employee's costs was explained as due to salary top-ups to seconded Ministry staff to the Academy while over expenditure of 267% under Directors Remuneration was due to many meetings held while setting up structures of the new Academy. Over expenditure by 243% under general expenses was attributed to the need to prioritize the development of manuals, career guidelines, curriculum development of five sports discipline, which attracted huge expenditure due to consultancy fee, transport and allowances.

## 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 Academy'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 the

management either intends to liquidate the Academy 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 Academy'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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Academy'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 Academy's 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 Academy to cease 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 Academy's 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.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the State Corporations Act, 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 Academy, so far as appears from the examination of those books; and
- (iii) The Academy's financial statements are in agreement with the accounting records, so far as appears from the examination of those books; and
- (iv) The Academy's financial statements are in agreement with the accounting records.



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

**Nairobi**

**06 August 2018**