

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL BUREAU OF STATISTICS FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Bureau of Statistics (KNBS) set out on pages 27 to 55, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya National Bureau of Statistics 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 Statistics Act, 2006 of the Laws of Kenya.

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

Basis for Qualified Opinion

1. Non-Current Assets

(i) Fixed Assets Register

Although the Bureau's property, plant and equipment were independently valued in November 2010 and again between February and June 2016, a fixed asset register to record all non-current assets transactions, movements and accounting treatment has not been updated and reconciled. Consequently, the completeness and accuracy of property, plant and equipment balance of Kshs.303,458,972 as at 30 June 2017 cannot be confirmed.

(ii) Lack of Title Deed

The property, plant and equipment balance of Kshs.303,458,972 as at 30 June 2017 includes a parcel of land measuring 0.16ha with a building valued at Kshs.8,494,071 situated in Embu Town. The Bureau does not have the original title document for this land and as a result the ownership of the parcel of land together with the building cannot be confirmed.

(ii) Failure to Label Acquired Non-Current Assets

During the year under review, Kenya National Bureau of Statistics acquired furniture and fittings, plant and equipment, motor vehicles and computers at a total cost of Kshs.43,534,118. However, these non-current assets were not discreetly labelled and identified to facilitate physical verification and no explanation has been provided for this omission.

2. Revenue Reserve

The revenue reserve balance of Kshs.3,870,523,442 as at 30 June 2017 includes adjustments in revenue reserve of Kshs.57,335,487 for 2015/2016 which have not been supported with information and documentation thus casting doubt on the accuracy and validity of the adjustments. In addition, the revenue reserve account has an adjustment of Kshs.18,834,392 for 2016/2017 which has been explained as an amount in respect of movement in leave accrual. This is inappropriate accounting treatment as it contradicts the accounting policy on accrued leave.

3. Creditors and Accruals

The creditors and accruals figure of Kshs.87,472,516 as at 30 June 2017 reflected under payables in Note 16 to the financial statements includes amounts of Kshs.502,047 and Kshs.233,912 relating to financial years 2012/2013 and 2015/2016, respectively, which have remained uncleared from the books of account. In addition, the accruals figure of Kshs.87,472,516 includes an amount of Kshs.3,029,267 in respect of withholding tax which, however, was not supported by any documentation and tax certificates.

The accruals and creditors also include staff accruals under P.A.Y.E. The schedule provided, however, reflects an amount of Kshs.1,290,438.45 while the P.A.Y.E summary shows Kshs.1,513,933 resulting to a difference of Kshs.223,495 that has not been explained.

Consequently, the accuracy of creditors and accruals balance of Kshs.87,472,516 as disclosed in Note 16 cannot be ascertained.

4. Cash and Cash Equivalentents

The cash and cash equivalentents balance of Kshs.4,087,610,580 as at 30 June 2017 includes 47 county bank account balances totalling Kshs.2,395,608. However, the county bank account balances were extracted from bank statement balances instead of cash book bank balances as at 30 June 2017. Further, bank reconciliations statements and cash books in respect of these county bank accounts were not provided for audit examination. In addition, bank reconciliation statement for KCB Bank main account reflect payments totalling Kshs.4,804,639 in bank statement not in cash book out of which an amount of Kshs.946,114 was not satisfactorily explained.

Consequently, the completeness and accuracy of cash and cash equivalentents balance of Kshs.4,087,610,580 as at 30 June 2017 cannot be ascertained.

5. Receivables

The receivables balance of Kshs.158,179,353 as at 30 June 2017 and as disclosed in Note 13 to the financial statements includes debtors totalling Kshs.24,114,473 out

of which Kshs.23,433,873 is in respect of an ERP development debtor that is subject to a court case and has remained outstanding for over four years.

In addition, the receivables balance of Kshs.158,179,353 include an amount of Kshs.4,438,906 in respect of Year 2009 census exercise that has remained outstanding to date. The receivable balance also includes outstanding imprests advanced to staff of Kshs.69,534,430 out of which an amount of Kshs.26,266,169 has been outstanding for over 180 days.

Further, out of the imprests balance of Kshs.69,534,430, an amount to Kshs.49,965,296 was owed by 62 staff members all of whom held more than one imprest as at 30 June 2017.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance to the audit of the financial statements for the current year. Except for matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matter

Expiration of Board of Directors Terms

The Statistics Act, 2006 requires the Kenya National Bureau of Statistics to have 8 members of the board of directors. However, except for one member whose term will expire on 20 October 2019, the terms of all other members of Board of Directors have expired. No new appointments have been made to fill the vacancies hence the vacuum in the strategic management of the Bureau.

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 Bureau's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends 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 Bureau'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:

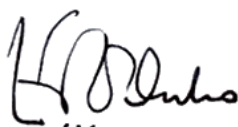
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 Bureau'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 Bureau'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 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 Bureau 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 of the Bureau 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

19 February 2018