

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL BUREAU OF STATISTICS FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Bureau of Statistics set out on pages 25 to 56, which comprise the statement of financial position as at 30 June 2018, and the statement of performance, statement of changes in net assets, 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 Kenya National Bureau of Statistics as at 30 June 2018, 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.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

1.1 Bank Reconciliations

The statement of financial position and Note 12 to the financial statements reflects cash and cash equivalents of Kshs.1,318,343,729 as at 30 June 2018. Included in this figure of Kshs.1,318,343,729 is Kshs.2057,769.86 recalled from the 47 county accounts with KCB Bank to the KCB Development Account. However, no bank reconciliations and cash books from all the 47 county accounts for the whole year have been submitted for audit review as required by law.

Consequently, in the absence, of cash books and bank reconciliations, the accuracy of Kshs.2,057,769.86 transferred from the 47 county accounts to the KCB Development Account on 29 June 2018 cannot be confirmed.

1.2 County Bank Accounts

The forty-seven county accounts maintained by the Bureau had no cash books or bank reconciliation and as such Kshs.478,424,997 transacted through the 47 county accounts during the year had no accountability records.

Further, five (5) out of the forty-seven (47) regional bank accounts operated with a single bank signatory contrary to the law. In addition, a total of Kshs.9,415,017 was paid through these five bank accounts that had one signatory, had no cashbook, no bank reconciliation and no documentation to support the payments authorization. Under the circumstance, the payments of Kshs.9,415,017 made through the five accounts cannot be confirmed to have been utilized for the intended purposes.

In view of the foregoing, the propriety of the cash and bank transactions and the accuracy of cash and cash equivalents balance of Kshs.1,318,343,729 as at 30 June 2018 could not be ascertained.

2. Receivables

2.1 Long Outstanding Receivables

The statement of financial position reflects an amount of Kshs.302,975,769 under receivables which includes Kshs.161,642,529 in respect of staff debtors in form of staff imprests. A review of staff imprest aging analysis revealed that imprest advanced to staff amounting to Kshs.132,587,620.29 has remained outstanding beyond the statutory period of 30 days as analyzed below;

Amount Kshs.	Days Outstanding
31,010,238.54	180 days
17,037,630.00	150 days
10,998,638.10	120 days
14,731,734.75	90 days
28,885,218.70	60 days
29,924,160.20	30days
132,587,620.29	Total

The management has not provided explanations for their inability to recover these receivables or any steps taken to recover the imprests.

2.2 Multiple Imprests

The staff debtors balance of Kshs.161,642,529 as shown in Note 14 to the financial statements includes an amount of Kshs.70,523,983.70 advanced to forty (40) staff all of whom had multiple imprests in disregard of the law governing management of imprest.

No satisfactory explanation has been provided for this anomaly.

2.3 Debtors

As reported in the previous year, the receivables balance of Kshs.302,975,769 as at 30 June 2018 and as disclosed in Note 14 to the financial statements includes debtors totalling Kshs.23,433,873 in respect of an ERP development debtor that is subject to a court case and has remained outstanding for over four years.

2.4 Census Imprests

The receivables balance of Kshs.302,975,769 include an amount of Kshs.4,438,906 in respect of year 2009 census exercise that has remained outstanding to date.

2.5 Cash Withdrawn and Not Accounted For

The accountant at Turkana Regional Office who was the only signatory to the office bank account withdrew Kshs.160,000 from the bank account that has remained unaccounted for to date. The officer was subsequently dismissed but the amount has not been recovered from him to date.

Under the circumstances, the receivables balance of Kshs.302,975,769 as at 30 June 2018 could not be confirmed

3.0 Payables

The Statement of financial position and Note 17 to the financial statements reflects account payable balance of Kshs.26,505,938 as at 30 June 2018 which had the following issues:-

3.1 Creditors and Accruals

The payables figure of Kshs.26,505,938 as shown in Note 17 to the financial statements reflects creditors and accruals balance of Kshs.22,566,396 which consists of Kshs.40,057.50 in respect of pending leaves, Kshs.56,793 in respect of withholding tax and withholding VAT of Kshs.2,958,849.65 all of which have not been supported by any documentation.

Consequently, the accuracy of the payable figure of Kshs.22,566,396 could not be confirmed.

3.2 Staff Salary Accruals

The payables figure of Kshs.26,505,938 as shown in Note 17 to the financial statements reflects a staff salary accruals balance of Kshs.1,820,618 which is represented by Kshs.7,863 NSSF employee contribution, Kshs.22,800 NHIF contributions, Kshs.466,607.75 Pension contribution, Kshs.157,342 salary accruals and Kshs.44,000 training levy all of which have no supporting documents as required.

Consequently, the accuracy of the staff salary accruals balance of Kshs.1,820,618 could not be confirmed.

3.3 Staff and Insurance Dues

The payables figure of Kshs.26,505,938 as shown in Note 17 to the financial statements reflects a Staff and insurance dues balance of Kshs.2,118,924 which has been long outstanding as shown in the aging analysis schedule below;

Amount in Kshs.	Days Outstanding
1,472,252.00	180 days
218,161.70	60 days
247,266.70	30 days
181,243.95	current

No explanation has been provided on why the same have not been cleared.

In consequence, the payables balance of Kshs.26,505,938 could not be confirmed as at 30 June 2018.

4.0 Non-Current Assets

4.1 Fixed Assets Register

As reported in the previous year, 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.

4.2 Lack of Title Deed

Further, and as reported in the previous year, the property, plant and equipment balance of Kshs.363,596,410 as at 30 June 2018 includes a parcel of land measuring 0.16ha with a building valued at Kshs.8,494,071 situated in Embu town. The Bureau did not have the original title documents for this land and as a result the ownership of the parcel of land together with the building could not be confirmed.

Consequently, the completeness and accuracy of the property, plant and equipment balance of Kshs.363,596,410 as at 30 June 2018 could not be confirmed.

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 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. There were no Key Audit Matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for Qualified Opinion 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.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance, and the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Governance

During the year under review the Bureau operated with a Board that was not fully constituted. Section 73.5 of Public Finance Management Act, 2012 states that every national government public entity shall establish an audit committee whose composition and functions shall be prescribed by the regulations. However, the Bureau during the year under review did not have an audit committee in place.

2. Imprest Issued on Behalf of Others

A sample of imprests issued during the year under audit reveal that, five (5) staff members took imprest amounting to Kshs.19,165,000 on behalf of others, as opposed to each officer being advanced with his/her own imprest for accountability purposes. No satisfactory explanation has been provided for this anomaly.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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.

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 Project's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations of the Project, 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.

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 are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control 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 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.
- 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 Ministry'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 Ministry'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 Ministry's to cease to continue as a going concern or 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 Ministry'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.



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

Nairobi

15 February 2019