

REPORT OF THE AUDITOR-GENERAL ON KENYA SCOUTS ASSOCIATION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Scouts Association set out on pages 20 to 41, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, the statement of changes in net funds, 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 Scouts Associations 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 Standards (Accrual Basis), and comply with Kenya Scouts Association Act, Cap 219 of the Laws of Kenya.

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 else 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

1.0 Property, Plant and Equipment

1.1 Parcels of Land without Title Deeds

As reported in the previous year, property, plant and equipment balance of Kshs.1,819,765,396 as at 30 June 2017 includes land valued at Kshs.1,663,800,000 as disclosed in note 27 to the financial statements. Included in the figure of Kshs.1,663,800,000 are fourteen (14) parcels of land with book values totalling Kshs.78,956,800 located in Nyeri, Murang'a, Kiambu, Machakos, Uasin Gishu, Bungoma, Busia, Siaya, Mombasa and Kilif Counties which do not have title deeds.

The particulars of the land parcels and their corresponding values are as tabulated below:-

Land parcel	Hectares	Location	Value (Kshs)	Condition
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Bungoma Scouts Center	2.08	Bungoma County	3,500,000	Unfenced
Busia Campsite	0.41	Busia County	600,000	Fenced
Kiambu Kamuchege	1.21	Kiambu	1,200,000	Undeveloped and unfenced
Kiambu Scouts Association	0.13	Kiambu County	56,800	Undeveloped and unfenced
Kiambu Scouts Center	0.09	Kiambu County	15,000,000	Yet to be Determined
Kilifi Campsite	0.81	Kilifi County	3,000,000	Developed and Fenced
Machakos Campsite	4.05	Machakos County	5,000,000	Developed and Fenced
Miritin Scouts Site	6.31	Mombasa County	24,800,000	Unfenced and Encroached on
Murang'a Scouts Center	0.30	Murang'a County	3,900,000	Fenced
Baden Powell Memorial Park & Cemetery	0.75	Nyeri County	14,800,000	Developed and Fenced
Nyeri Scouts Center	0.32	Nyeri County	3,000,000	Developed but not fenced
Kaiyaba Campsite Mathira West	0.21	Nyeri County	1,500,000	Developed and Fenced
Siaya Scouts Center	0.81	Siaya County	1,000,000	Developed and Fenced
Uasin Gishu Scouts Center	8.07	Uasin Gishu County	1,600,000	Fenced
Total	25.55		78,956,800	

Consequently, these parcels of land are at risk of encroachment by squatters and land grabbers.

1.2 Parcels of Land Omitted from the Financial Statements

Further, as previously reported, the property, plant and equipment balance of Kshs.1,663,800,000 excludes undetermined value of twelve (12) parcels of land owned by the Association located in Bungoma, Kericho, Kisumu, Kwale, Laikipia, Machakos, Meru, Nakuru and Nyeri Counties as tabulated below. The acreage for some of the parcels is yet to be established.

Land omitted from the financial Statements

	Land Parcel	Hectares	Location	Condition
1	Tulienge Scouts Centre	2.83	Bungoma County	Unfenced

2	Nyandhiwa Campsite	Undetermined	Homa-Bay County	Encroached
3	Kipkelion Campsite	Undetermined	Kipkelion County	Unfenced
4	Kisumu Campsite	1.50	Kisumu County	Fenced
5	Kwale	Undertermined	Kwale County	Unfenced
6	Nanyuki Scouts Centre	Undertermined	Laikipia County	Unfenced
7	Kyuso Scouts Office	0.25	Machakos County	Unfenced
8	Kuami Campsite	40.47	Meru County	Unfenced
9	Hyrax Hill Campsite	Undetermined	Nakuru County	Unfenced
10	Honi Scouts Campsite	Undetermined	Nyeri County	Unfenced
11	Kabiruini Campsite	10.00	Nyeri County	Unfenced
12	Nyeri International Scouts Conference Centre	2.09	Nyeri County	

Although the management is aware of the above anomaly, no evidence of any steps being taken to value the land was availed for audit review. In the circumstance, it has not been possible to confirm the accuracy, validity and completeness of property, plant and equipment balance of Kshs.1,819,765,396. .

2.0 Statement of Cash flows

The statement of cash flows for the year ended 30 June 2017 could not be confirmed as the net increase in cash and cash equivalents of Kshs.65,071,612 differs with the recomputed net increase figure of Kshs.64,587,991 by unexplained/unreconciled variance of Kshs.483,621. Consequently, it has not been possible to confirm the accuracy and completeness of the statement of cashflows for the year ended 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Scouts Association 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, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

Statement of Financial Position

Included in note 32(a) and (b) under revaluation reserve and general fund are prior year adjustment figures of Kshs.985,310 and Kshs.969,796 respectively. This is contrary to IPSAS 1 on presentation of financial statements which requires prior year adjustments to be restated in the year in which they occurred. Consequently, it has not been possible to confirm that the revaluation reserve and general fund balances of Kshs.1,006,753,186 and Kshs.909,734,623 as at 30 June 2017 are fairly stated.

Responsibilities of Management and Those Charged with Governance for those 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 Association's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Association 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 Association'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 Association'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 Association's ability to continue 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 Association 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 Association 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

29 June 2018