

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI PRESS FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of University of Nairobi Press set out on pages 18 to 31, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 effects of the matters described in the Basis for Qualified Opinion section, the financial statements present fairly, in all material respects, the financial position of University of Nairobi Press as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 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 section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Annual General Meeting and Annual Returns

As reported in the previous years, the University of Nairobi Press is incorporated under the Companies Act which requires Annual General Meetings to be conducted every year. However, the Board of Directors did not hold any meeting during the year under review. Further, the company did not file annual returns with the Register of Companies and therefore contravened Section 705 (1) of the Companies Act, 2015 which requires every Company to submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the Company's return date. Although the management has indicated that the University management has established a committee to look at the activities of the company and recommend the way forward, it is not clear when the committee will avail its recommendations. The Company therefore is in breached of the Law.

2. Trade and Other Receivables

As disclosed in note 13 to the financial statements the trade and other receivables balance of Kshs.642, 241 includes net trade receivables totaling Kshs.642, 241 arrived at after management made a provision of Kshs.928, 553 being 100% of outstanding debts over six (6) years and 10% for debts below six (6) years amounting to Kshs.857, 193 and Kshs.71, 360 respectively. However this provision appears to be inadequate considering the slow pace in recovery of the outstanding debts. Further, supporting individual debtors' ledger balances for debts above 6 years were not availed for audit review.

Consequently, it has not been possible to confirm the accuracy and full recoverability of the trade receivables balance of Kshs.642, 241 as at 30 June 2017.

3. Unsupported Grants from University of Nairobi

As disclosed in note 2 to the financial statements, grants from University of Nairobi figure of Kshs.19,242,631 includes rent and utilities from University of Nairobi amounting to Kshs.1,615,200 relating to office space occupied by the Press. Although the Press management has indicated that the occupied space was valued by University of Nairobi Estate department, no valuation report was availed for our review during the audit.

In the circumstances, it has not been possible to confirm the propriety of expenditure on rent and utilities amounting Kshs.1,615,200 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 University of Nairobi Press 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 most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, there were no Key Audit Matters to report in the year under review.

Responsibilities of the Management and those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 Company's ability in continuing as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern assumption of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The 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 Company'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 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 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 Company'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 Company'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 Company 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 Company's activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

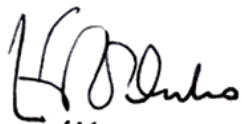
I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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 Companies Act, 2015 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 Company, so far as appears from the examination of those books; and
- (iii) The Company's financial statements are in agreement with the accounting records.



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

Nairobi

20 February 2018