

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

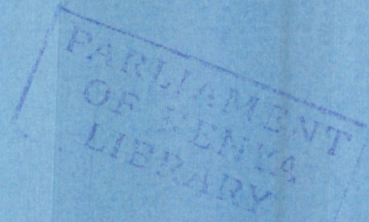
THE AUDITOR-GENERAL

ON

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| THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 19 FEB 2019 | |
| TUESDAY | |
| TABLED BY: | MAJORITY LEADER |
| CLERK-AT-THE-TABLE: |  |

THE FINANCIAL STATEMENTS OF
GOVERNMENT PRESS FUND

FOR THE YEAR ENDED
30 JUNE 2018



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

28 SEP 2018

~~RECEIVED~~



Revised Template 30th June 2018

THE PRESIDENCY

MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

GOVERNMENT PRESS FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018**

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

1.0 KEY ENTITY INFORMATION AND MANAGEMENT

1.1. Background information

The Government Press Fund was established in 1895 in Mombasa by then colonial government to provide essential printed materials, official rubber stamps for the government, moved to Nairobi on 15th January 1905 as Kenya - Uganda Press. Later it was changed again to its present name. In 1988 the Government Press Fund was established under the Exchequer and Audit (Government Press Fund) Regulations, 1988.

1.2 Principal Activities

The principal activity of the fund is to publish, print and disseminate literary, accountable and educational materials.

1.3 Key Management

- Government Printer(Administrator)
- Management

1.4. Fiduciary Management

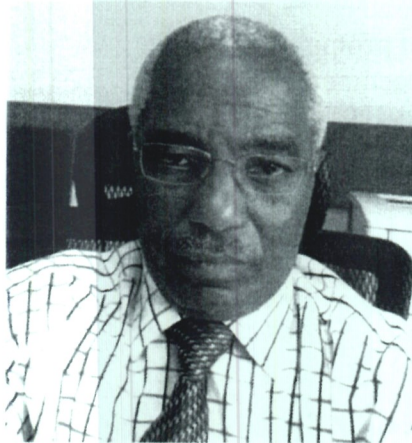
The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|---------------------------|------------------------|
| 1. | Government Printer | Silvester Migwi |
| 2. | Deputy Government Printer | Geoffrey Runoh |
| 3. | Head of Finance | Lilian Mugambi |
| 4. | Head of Procurement | John Njathi |

1.5. Fiduciary Oversight Arrangements

We have an Internal Audit unit

2.0 MANAGEMENT TEAM



Silvester N. Migwi
Government Printer

Mr. Silvester N. Migwi is the Government Printer. He has over forty years working experience in Printing and Publishing Industry. His wide experience has seen growth and modernization of Government Press.



Geoffrey Runoh
Deputy Government Printer

Mr. Geoffrey Runoh has over twenty years working experience in the Printing and Publishing Industry. He is an accomplished manager having worked at the helm of various organizations namely; KNEC as a Senior Examination Secretary and headed the Print and Publications function at the KICD.

He has a MBA degree specializing in Strategic Management and a Bachelor of Commerce degree (BCOM) specializing in Management Science, both from the University of Nairobi. He has also undertaken a Bachelor of Philosophy (BPhil) degree in Printing Technology from the Technical University of Kenya. He had previously pursued a Diploma and Higher National Diploma from the same institution.

He is currently completing a Master of Science (MSc) Degree specializing in Publishing Studies at Moi University.

GOVERNMENT PRESS FUND

Annual Reports and Financial Statements For the year ended June, 30th, 2018

7.3 Auditors

The Auditor General is responsible for the statutory audit of the *Government Press Fund* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Accounting Officer

Nairobi

Date.....

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GOVERNMENT PRESS FUND FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Government Press Fund set out on pages 2 to 20, which comprise the statement of financial position as at 30 June 2018, and the statement of financial 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, the financial statements present fairly, in all material respects, the financial position of Government Press Fund 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 Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Government Press Fund 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 communicate in my report.

Report of the Auditor-General on the Financial Statements of Government Press Fund for the year ended 30 June 2018

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 resources are applied in an effective way.

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.

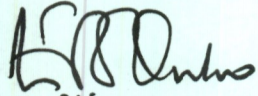
Auditor-General's Responsibilities for the Audit

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 audit is planned and performed to express a conclusion about 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 and that public resources are applied in an effective way, 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.

Further, in planning and performing the audit of the financial statements and audit 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

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

03 January 2019

GOVERNMENT PRESS FUND

Annual Reports and Financial Statements For the year ended June, 30th, 2018

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2017-2018 | 2016-2017 |
|---|-------|--------------------|---------------------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| Revenue from exchange transactions | | | |
| Rendering of services | 11.6 | 449,971,391 | 547,346,138 |
| Total revenue | | 449,971,391 | 547,346,138 |
| Expenses | | | |
| Use of goods and services | 11.7 | 418,910,186 | 598,550,544 |
| Total expenses | | 418,910,186 | 598,550,544 |
| Other gains/(losses) | | | |
| Surplus before tax | | 31,061,205 | (51,204,406) |
| Taxation | | (0) | (0) |
| Net Surplus for the year | | 31,061,205 | (51,204,406) |

The notes set out on pages 6 – 16 form an integral part of these Financial Statements

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

| | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/ Development Grants/Fund | Total |
|------------------|------------------------|---------------------|-------------------------------|-------------------|--------------------|----------------------------------|---------------|
| At July 1, 2016 | - | - | - | 1,203,860,049 | - | 30,000,000 | 1,233,860,049 |
| At June 30, 2017 | - | - | - | 1,152,655,644 | - | 30,000,000 | 1,182,655,644 |
| At July 1, 2017 | - | - | - | 1,152,655,644 | - | 30,000,000 | 1,182,655,644 |
| At June 30, 2018 | - | - | - | 1,183,716,849 | - | 30,000,000 | 1,213,716,849 |

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances need to be done.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference |
|-------------------------------|--------------------|-------------|--------------------|----------------------------|------------------------|
| | 2017-2018 | 2017-2018 | 2017-2018 | 2017-2018 | 2017-2018 |
| Revenue | Kshs | Kshs | Kshs | Kshs | Kshs |
| Sale of goods | 500,000,000 | - | 500,000,000 | 449,971,391 | (50,028,609) |
| Total income | 500,000,000 | (0) | 500,000,000 | 449,971,391 | (50,028,609) |
| Expenses | | | | | |
| Goods and services | 500,000,000 | (0) | 500,000,000 | 418,910,186 | (81,089,814) |
| Total expenditure | 500,000,000 | (0) | 500,000,000 | 418,910,186 | (81,089,814) |
| Surplus for the period | | | | 31,061,205 | |

Budget notes

1. Under-collection of revenue was at 10.2%. Utilization was at 83.6% and over Kshs. 80million as outstanding commitments.
2. The Government press fund has no approved budget; however we have an estimate figure to realize. This figure is factored by the performance contract and the annual procurement plan.

11.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Revenue recognition****i) Revenue from non-exchange transactions****Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions***Rendering of services***

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

b) Budget information

The *Government Press Fund* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

f) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

g) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

11.5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Government Press Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Government Press Fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Government Press Fund. Such changes are reflected in the assumptions when they occur.

Provisions

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The management have no provisions for either bad debts or obsolete stocks however for obsolete stocks they have to adhere to the Public Procurement and Assets Disposal Act.

They were no revenue realised on this item.

11.6 RENDERING OF SERVICES

| Description | 2017-2018 | 2016-2017 |
|---|--------------------|--------------------|
| | KShs | KShs |
| Proceeds from printing and sale of publications | 449,971,390 | 547,346,138 |
| Total revenue from the rendering of services | 449,971,390 | 547,346,138 |

The proceeds are mainly from printing and sale of publications to government Ministries, Departments, Parastatals, Private sector and the general public.

This fund was set up for undertaking production of various printing and publishing works and issued free of charge and in predetermined quantities to such departments and ministries as the officer administering the Fund may determine in consultation with Treasury.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.11 INVENTORIES

| Description | 2017-2018 | 2016-2017 |
|---|---------------------------|---------------------------|
| | KShs | KShs |
| Inventories | | |
| Publication | 182,791,778 | 179,529,691 |
| Bookshop | 2,632,145 | 3,328,524 |
| CRB | 105,769,904 | 155,414,797 |
| Dispatch | 7,589,700 | 7,435,769 |
| Paper store | 151,163,991 | 288,963,781 |
| Engineering | 0 | 7,624,457 |
| Inventory held in the planning office (WIP) | <u>362,907,931</u> | <u>201,158,689</u> |
| Total inventories as at the lower of cost and net realizable value | <u>812,855,549</u> | <u>843,455,708</u> |

11.12 CASH GENERATED FROM OPERATIONS

| | 2017-2018 | 2016-2017 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Surplus for the year before tax | | |
| Adjusted for: | 31,061,205 | (51,204,405) |
| Working Capital adjustments | 31,061,205 | (51,204,405) |
| Decrease in inventory | 30,600,160 | 207,073,589 |
| Increase in receivables | (30,616,340) | (121,161,393) |
| Net cash flow from operating activities | 31,045,025 | 34,707,791 |

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

11.13 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does

GOVERNMENT PRESS FUND

Annual Reports and Financial Statements For the year ended June, 30th, 2018

| Receivables from Exchange Transactions as at 30th June, 2018 | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|--|----------------------|--------------------------|-------------------|------------------|
| CAK | 201,840.00 | | | |
| NTSA | 7,800,000.00 | | | |
| CHIEF OF STAFF | 87,000.00 | | | |
| SQM | 3,810,920.00 | | | |
| LABOUR | 30,000.00 | | | |
| WATER | 10,000.00 | | | |
| CIVIL REGISTRATION | 62,250,000.00 | | | |
| BETTING CONTROL AND LICENCING BOARD | 73,500.00 | | | |
| POWER OF MERCY/ ADVISORY COMMITTEE | 10,000.00 | | | |
| YOUTH AND GENDER | 250,000.00 | | | |
| SPORTS DEVELOPMENT | 129,900.00 | | | |
| TOTAL | 205,512,610 | 205,512,610 | 94,130,630 | 0 |
| At 30 June 2017 | 174,896,270 | | | |

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from Lands, Judiciary and Civil Registration.

The management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's management, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

11.14 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Government press fund*, holding 100% of the *Government press fund's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The ministry of Interior and national Co-ordination of National Government.
- ii) Government Printer.
- iii) Key management

11.15 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

11.16 ULTIMATE AND HOLDING ENTITY

The entity is Public Funds Established by an act of Parliament under the Ministry of Interior and Co-ordination of national Government. Its ultimate parent is the Government of Kenya.

11.17 Currency

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX II: VOTED PROVISION

We received from voted account Kshs.881M. Kshs. 315M for operation and maintenance, Personal emolument Kshs. 455M and Kshs. 111M for Development respectively. These funds are meant for administrative purpose. Personal emolument utilized Kshs. 454M being the largest percentage of the Recurrent vote and Development utilized Kshs. 65M. Operation and maintenance utilized Kshs. 224M. However, there is a component, supplies of production which assist in procuring material of which part of it is used by the office and state functions. Therefore, the voted provision is purely for running the Department operations as it is stated in the Exchequer and Audit act of 1988 regulation. The voted provision is recognized and accounted for in the financial accounts of the Ministry of Interior and Coordination of National Government.