

# **REPORT OF THE AUDITOR-GENERAL ON ANTI-FGM BOARD FOR THE YEAR ENDED 30 JUNE 2017**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Adverse Opinion**

I have audited the accompanying financial statements of the Anti-FGM Board set out on pages 1 to 29, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Anti-FGM Board as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and Prohibition of Female Genital Mutilation Act, 2011.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that public money has not been applied lawfully and in an effective way.

### **Basis for Adverse Opinion**

#### **1. Non-Compliance with International Public Sector Accounting Standards (IPSAS)**

The financial statements for the year ended 30 June, 2017 although prepared on IPSAS Accrual basis have the following non-compliance issues:

- (i) The status information on follow up of audit recommendations arising from the previous year audit issues, as required by the Public Sector Accounting Standards Board (PSASB), is incorrect because the issues are indicated as having been resolved but they are still outstanding.
- (ii) No explanations have been provided for the material differences between the budget and the respective actual amounts as reflected in the statement of comparison of budget against actual amounts.
- (iii) The financial statements for the year under review reflect comparative previous year's figures which, however, do not agree with the audited financial statements for the financial year ended 30 June 2016 as a result of supposedly changes in the reporting framework. However, contrary to the requirements of IPSAS 3 on "changes in accounting policies, changes

in accounting estimates and correction of errors”, this has neither been disclosed in the financial statements nor do the previous year's financial statements headings indicate that the figures therein are restated.

- (iv) The statement of financial performance reflects the previous year`s comparative figure for employee costs of Kshs.17,583,459 while the audited financial statements for 2015/2016 reflected zero costs. However, there is no indication that the figure has been restated or a disclosure in notes to financial statements to the effect.
- (v) The basis for creation of a brought forward reserve balance of Kshs.24,190,765 has not been explained in any way or disclosed as a note to the financial statements. The validity and accuracy of the balance cannot therefore be confirmed under the circumstances.

## **2. Contribution in Kind for Staff Compensation**

The Board has twenty-one officers drawn from various ministries working on a full-time basis and who continue to draw their salaries from the respective ministries. The financial statements of the Board have, however, not taken into account the donation or contribution in kind received from the ministries amounting to Kshs.15,988,531 in form of staff salaries in arriving at the deficit of Kshs.132,605 for the year ended 30 June 2017. The amount has, however, been disclosed in Note 3(b) to the financial statements.

## **3. Property, Plant and Equipment**

Disclosed at Note 7 to the financial statements is a class of unidentified assets costing Kshs.282,000. Information available indicates that the amount relates to an expenditure incurred on a software to run the server. Accounting policy for the treatment of such intangible assets has not, however, been disclosed in the financial statements. Consequently, the accuracy of property, plant and equipment balance of Kshs.26,484,822 as at 30 June, 2017 reflected in the financial statements cannot be confirmed.

## **4. Other Expenses**

The total general expenses figure of Kshs.43,037,885 under Note 6 to the financial statements includes an amount of Kshs.10,870,383 for other expenses. Under the other expenses is an amount of Kshs.3,634,000 relating to transport refunds for workshops participants on various activities including anti-female genital mutilation, child and forced marriages, alternative rites of passage and girl empowerment initiatives sensitization programmes held in various counties on diverse dates. However, the guidelines for the approved rates of transport refunds have not been provided for audit verification. It is therefore not possible to verify and confirm the validity and accuracy of the expenditure of Kshs.3,634,000 on transport refunds.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Anti-FGM Board 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 adverse 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. Except for matters described in the Basis for Adverse Opinion and Other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

## **Other Matter**

### **1. Budget and Budgetary Controls**

The Board exceeded its budgetary allocations for various expenditure lines as detailed below without the necessary approvals as required under Section 43 of the Public Finance Management Act, 2012:

<b>Expenditure Item</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Variance</b>	<b>% Budget variance</b>
Contracted professional services	2,044,800	2,270,260	-225,460	11%
Specialized plant, equipment	300,000	1,073,050	-773,050	258%

The Board was, therefore, in breach of the law.

## **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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board'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.

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 Board'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 Board'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 Board's ability 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 Board to cease sustaining 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 or business activities of the Board 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**

**30 May 2018**