

REPORT OF THE AUDITOR-GENERAL ON ANTI-FGM BOARD FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Anti-FGM Board set out on pages 1 to 30, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, 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 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 Anti-FGM Board as at 30 June 2018, 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 comply with the Prohibition of Female Genital Mutilation Act, 2011.

Basis for Qualified Opinion

1. Employees Costs

The Employee costs of Kshs.40,894,822 for the year ended 30 June 2018 includes a 15% salary top up of Kshs.4,967,077. However, the expected salary payment based on Salaries and Remuneration Commission approval amounted to Kshs.12,664,575 resulting to an unexplained variance of Kshs.7,697,498.

In consequence, the accuracy of the employee costs of Kshs.40,894,822 as at 30 June 2018 could not be ascertained.

2. Remuneration of Directors

The statement of financial performance reflects an amount of Kshs.6,586,366 as remuneration of directors for the year under review. However, the amounts includes Kshs.68,000 paid to four officers in form of Board sitting allowances while they were not gazetted members of Anti-FGM Board contrary to the requirement of the State Corporations Act Cap 446. Further, the Principal Secretary in charge of Gender Affairs and the alternate director were each paid an amount of Kshs.17,000 for attending a full Board meeting thus making one of the payments inappropriate. No evidence was provided to show why it was necessary to have both attend the Board meeting.

As a result, it has not been possible to confirm the legality and propriety of the expenditure of the Board Remuneration of Kshs.6,586,366 as at 30 June 2018.

3. Accuracy and Completeness of the Financial Statements

The financial statements presented for audit for the year ended 30 June 2018 do not include the statement of changes net assets for the year as required under IPSAS

Accrual basis of accounting. In consequence, the completeness of the financial statements could not be confirmed

4. Outstanding previous year audit issues

The following previous year audit issues are yet to be resolved;

4.1 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 had 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), was incorrect because the issues were indicated as having been resolved but they were still outstanding.
- (ii) No explanations had 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 under review reflected 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 had neither been disclosed in the financial statements nor did the previous year's financial statements headings indicate that the figures therein are restated.
- (iv) The statement of financial performance reflected 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 was 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 had not been explained in any way or disclosed as a note to the financial statements. The validity and accuracy of the balance could not therefore be confirmed under the circumstances.

4.2 Other Expenses

The total general expenses figure of Kshs.43,037,885 under Note 6 to the financial statements included an amount of Kshs.10,870,383 for other expenses. Under the other expenses was 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 had not been provided for audit verification.

It was therefore not possible to verify and confirm the validity and accuracy of the expenditure of Kshs.3,634,000 on transport refunds.

4.3 Other matter

The Board exceeded its budgetary allocation of Kshs.2,044,800 on Contracted Professional Services by incurring expenditures amounting to Kshs.2,270,260. The variance of Kshs.225,460, or about 11%, as over expenditure was without the necessary approvals as required under Section 43 of the Public Finance Management Act, 2012. The Board was, therefore, in breach of the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matters

1. Non-Compliance with Mwongozo Guidelines

The gazette notice for the appointment of the Board members representing the respective Principal Secretaries were not availed for audit review. In the absence of the gazette notices as per the requirement, it was not possible to confirm the legitimacy of the alternate membership of Anti-FGM Board of Directors.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters 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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Anti-FGM Board's ability to continue sustaining 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 Anti-FGM Board 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.

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 Anti-FGM Board 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 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 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.
- 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 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 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 Anti-FGM 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

28 May 2019