

REPORT OF THE AUDITOR-GENERAL ON ANTI-DOPING AGENCY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Anti-Doping Agency of Kenya set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 Anti-Doping Agency of Kenya as at 30 June, 2019, 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 Anti-Doping Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Assets Transfer

The statement of financial position reflects a total net book value of Kshs.55,996,457 under property, plant and equipment which, as disclosed in Note 13 to the financial statements, included an amount of Kshs.14,961,621 relating to assets transferred to the Agency by the State Department of Sports Development during the year. However, a detailed inventory of the assets transferred indicating the fair values of the assets was not provided.

In the circumstances, the carrying value of Kshs.14,961,621 for the transferred assets and the reported property plant and equipment balance of Kshs.55,996,457 could not be confirmed.

2. Research and Education

The statement of financial performance reflects an amount of Kshs.178,629,550 on general and programs expenses which, as disclosed in Note 7 to the financial statements, includes Kshs.45,133,961 utilized on Anti-Doping Education. However, the Agency did not have a policy or approved guidelines on how to identify and invite participants as well as the rates applicable when paying allowances to non-public officials engaged in research and education programs.

In the circumstances, the authenticity of the expenditure of Kshs.45,133,961 incurred on Anti-Doping Education could not be ascertained.

3. Debtors - Long Outstanding Imprest

The statement of financial position reflects a debtors amount of Kshs.2,271,307 which, as disclosed in Note 12 to the financial statements, related to staff debtors. However, an amount of Kshs.1,396,930 of the balance related to long outstanding imprests owed from former staff. In addition, Management did not provide evidence of efforts made to recover the outstanding debts.

In the circumstances, full recoverability of the debtors balance of Kshs.2,271,307 and the appropriateness of the presentation of the balance in the statement of financial position could not be confirmed.

4. Unsupported Refundable Deposits

The statement of financial position reflects accounts payables of Kshs.6,714,974 which, as disclosed in Note 14 to the financial statements, included refundable deposits amounting to Kshs.448,728. However, no schedules or documents were provided for audit in support of the balance.

In the circumstances, the accuracy and validity of the payables balance of Kshs.6,714,974 could not be confirmed.

5. Excess Medical Insurance Benefits

The statement of financial performance reflects staff costs of Kshs.79,586,509 which, as disclosed in Note 4 to the financial statements, includes medical premiums of Kshs.14,279,955. However, a comparison of the limits of medical benefits prescribed in the Office of the President Circular No. OP/CAB.9/IA/Vol.XX (132) of 30 June, 2006 on Procurement of Group Insurance Cover for Members of State Corporations' Board, and the limit of benefits provided for Board Members in the insurance cover of the Agency revealed variances as shown below:

Cover	Limit Amount as per the Circular (Kshs.)	Limit Amount Provided in the Cover (Kshs.)	Excess (Kshs.)
In-patient	2,000,000	5,000,000	3,000,000
Out-patient	100,000	250,000	150,000
Funeral Expenses	100,000	200,000	100,000
Maternity	-	200,000	200,000
Dental	-	50,000	50,000
Optical	-	50,000	50,000
Total	2,200,000	5,750,000	3,550,000

No explanation has been provided for the exceeding the allowable medical cover benefits by an amount of Kshs.3,550,000 per Board Member.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Anti-Doping Agency of Kenya Management in accordance with ISSAI 130 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 audit 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 report in the year under review.

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2019. Management has not provided reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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.

Basis for Conclusion

1. Payments Made in Cash

The Agency operated a standing imprest of Kshs.300,000 for daily activities. However, records availed for audit revealed that the set limit for the imprest was not adhered to. The cashier withdrew huge amounts of cash to make payments relating to the Agency's programs. The withdrawals were very frequent and during the year under review, a cumulative amount of Kshs.71,000,000 was spent in cash.

In the circumstances, Management was in breach of the provisions of Regulation 91 of the Public Finance Management (National Government) Regulations, 2015 on management of standing imprest.

2. Engagement of a Private Law Firm

The statement of financial performance reflects Kshs.178,629,550 under general and program expenses which, as disclosed in Note 7 to the financial statements, included an expenditure of Kshs.22,111,525 for legal services and results management. The latter balance included an amount of Kshs.14,111,215 paid to a law firm for legal services. However, the private law firm was not in the Agency's list of registered suppliers as required under Section 106 (2) (a) of the Public Procurement and Asset Disposal Act, 2015. It could therefore not be established how the law firm was identified and how the legal fees paid was determined.

In the circumstances, it was not possible to confirm whether the Agency obtained value for money on the expenditure of Kshs.14,111,215.

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 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 Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the Agency or to cease operations.

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 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 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.

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 Agency'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 Agency's 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 Agency 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 Agency 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

19 August, 2021