

REPORT OF THE AUDITOR-GENERAL ON NATIONAL BIOSAFETY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Biosafety Authority set out on pages 24 to 44, which comprise the statement of financial position as at 30 June 2017 2021 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, 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 National Biosafety Authority as at 30 June 2017, 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 and Biosafety Act No. 2 of 2009.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion section of my report, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Receivables From Exchange Transactions

The statement of financial position as 30 June 2017 reflects a balance of Kshs.4,091,804 under receivables from exchange transactions. As disclosed in Note 13 to the financial statements, the amount comprises of three balances of Kshs.1,502,554, Kshs.24,000 and Kshs.2,565,250 relating to accounts receivables, salary receivables and imprests respectively. The amounts relating to accounts receivables and salary receivables have not been supported by analyses or any other documentary evidence.

The balance of Kshs.2,565,250 relating to imprests also differs with the amount of Kshs.4,000,193 shown in the supporting schedules. The resulting difference of Kshs.1,434,943 has not been reconciled or explained. Further, although Section

71(2) of the Public Finance Management Act, 2012 read together with regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 require that all advances (including imprests) be accounted for promptly, no explanation has been provided for failure to have the imprests accounted for on or before 30 June 2017.

The completeness and accuracy of a balance of Kshs.4,091,804 under receivables from exchange transactions as at 30 June 2017 could not be confirmed under the circumstances.

2. Deferred Income

The statement of financial position as at 30 June 2017 reflects a balance of Kshs.1,852,459 under deferred income relating to Program for Biosafety Systems (PBS) as disclosed under Note 18 to the financial statements. However, no analysis or documentary evidence has been provided to support the amount.

Consequently, the validity and accuracy of the balance could not be confirmed.

3. Remuneration to the Board

The statement of financial performance for the year ended 30 June 2017 reflects an expenditure of Kshs.5,505,906 against remuneration of the board. As disclosed in Note 6 to the financial statements, the amount relates to various allowances and other expenses of the Board. The amount, however, differs with the amount of Kshs.5,035,346 shown in the supporting schedule by Kshs.470,560. The difference has not been reconciled or explained and as a result the completeness and accuracy of the expenditure of Kshs.5,505,906 could not be confirmed.

4. Contracted Services

The statement of financial performance reflects an expenditure of Kshs.2,826,955 under contracted services, which includes, as disclosed under Note 9 to the financial statements, an amount of Kshs.404,910 relating to refined fuel. The amount of Kshs.404,910 differs from the amount of Kshs.578,626 shown in the supporting schedule by Kshs.173,716.

5. Employee Costs

Further, the statement of financial performance reflects an expenditure of Kshs.67,894,044 under employee costs. As disclosed in Note 5 to the financial statements, the amount includes an expenditure of Kshs.26,609,861 relating to housing benefits and other allowances which however differs from the amount of Kshs. 26,547,860 reflected in supporting schedule by 62,001.

6. General Expenses

The statement of financial performance in addition, reflects an expenditure of Kshs.15,591,201 under general expenses, which as disclosed in Note 10 to the financial statements includes an amount of Kshs.424,470 relating to conferences and seminars. This amount however, differs from the amount of Kshs.849,070 in supporting schedules by Kshs.424,600. Similarly, the expenditure of Kshs.15,591,201 under general expenses includes an amount of Kshs.231,267 relating to general office supplies which differs from the amount of Kshs.216,132 shown in supporting schedules.

The completeness and accuracy of general expenses totalling 15,591,201 could not therefore be confirmed.

7. Project Costs

The statement of financial performance also reflects an expenditure of Kshs.7,340,859 under project costs, which, however, differs from the amount of Kshs.6,278,909 shown in the supporting schedules by Kshs.1,061,950. No reconciliations or explanations have been provided for this anomaly, as a result of which, the completeness and accuracy of the expenditure of Kshs.7,340,859 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Biosafety Authority 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 other Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charges 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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to sustain services, disclosing, as applicable, matters related 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.

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 Authority'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, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority'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 Authority 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 and activities of the Authority 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

16 July 2018

