

REPORT OF THE AUDITOR-GENERAL ON NATIONAL BIOSAFETY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Biosafety Authority set out on pages 1 to 27, 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 effects 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 the National Biosafety Authority 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 Public Finance Management Act, 2012 and the Biosafety Act No.2 of 2009 ~~and the Public Finance Management Act, 2012~~.

Basis for Qualified Opinion

1. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs. 28,783,673 ~~as at 30 June, 2019 (2018 — Kshs. 18,682,617)~~. The balance excludes an amount of Kshs. 351,363 ~~(2017/2018 — Kshs. 263,750)~~ comprising of receipts in form of inward swift transfers whose source the Authority could not identify. The funds have been credited to the Authority's KCB A/C 1119845858 commercial bank over the years by the bank ~~and but~~ an amount of Kshs. 87,613 was credited during the year under review. No efforts appear to have been made by the Authority to establish the source of the funds.

Consequently, the accuracy, completeness and validity of cash and cash equivalents balance of Kshs.28,783,673 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

2. Inaccuracies in the Financial Statements, Accumulated Deficit

The statement of financial position reflects a balance of Kshs.-25,200,005 under accumulated deficit ~~(2018 — Kshs. 20,253,259)~~. However, The statement of financial performance ~~for the ended 30 June, 2019~~ reflects surplus for the year of Kshs.-8,901,911 which, when credited to the accumulated surplus/deficit would have resulted in an accumulated deficit balance of Kshs.-11,351,348 resulting to unreconciled variance of Kshs.13,848,657. which This — instead of Kshs. 25,200,005 reflected as at _____ 30 June, 2019.

~~The difference of Kshs. 13,848,657 between the above balances~~ is reflected in the statement of changes in net assets as a transfer of National Research Fund (NRF) funds from retained earnings. It is not clear how the amount was transferred from the retained earnings as the corresponding entry has not been indicated. ~~In addition, the initials NRF have not been described or explained.~~

In the circumstances, the completeness, validity and accuracy of the accumulated deficit balance of Kshs. 25,200,005 as at financial statements for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Biosafety Authority 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 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. ~~Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections, I have determined that t~~There awere no ~~other~~ key audit matters to ~~communicate in my report~~ in the year under review.

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~~ **except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report**, I confirm that, nothing ~~else 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

Lack of Board of Directors

~~The Authority operated without a Board of Directors between October, 2018 and May, 2019 contrary to Section 6(1) of the Biosafety Act, 2009. The term of the previous board members expired on 1 October, 2018 while the chairperson resigned on 1 December, 2017. Through a Gazette Notice No.4400 dated 6 May, 2019, two board members were appointed by the Cabinet Secretary for Education but no other members were appointed so as to constitute a full board and the financial statements were not approved by the board and signed by the board chairman.~~

~~Consequently, the Authority operated in breach of the law.~~

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, ~~except for the matters described in the Basis for Conclusion on~~

Report of the Auditor-General on National Biosafety Authority for the year ended 30 June, 2019

Effectiveness of Internal Controls, Risk Management and Governance section of my report, ~~except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report,~~ I confirm that, nothing ~~else else~~ has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of a Functional Board of Directors

The Authority operated without a functional Board of Directors between October, 2018 and May, 2019 contrary to Section 6(1) of the Biosafety Act, 2009. The term of the previous Board members expired on 1 October, 2018 while the Chairman resigned on 1 December, 2017. Through a Gazette Notice No.4400 dated 6 May, 2019, only two Board members were appointed by the Cabinet Secretary for Education which was still short of a complete Board.

Consequently, the Authority did not have an effective governance structure necessary to enable it to effectively execute its mandate.

~~1. Operating Without a Board of Directors~~

~~The Authority operated without a board between October, 2018 and May, 2019 contrary to Section 6(1) of the Biosafety Act 2009. The term of the previous board members expired on 1 October, 2018 while the chairperson resigned on 1 December, 2017. Through a Gazette Notice No.4400 dated 6 May, 2019, two board members were appointed by the Cabinet Secretary for Education but no other members were appointed so as to constitute a full board.~~

~~Consequently, no board meetings were held during the year under review to guide and oversee the Authority's operations and policy making, in line with good corporate governance practice. Further, the financial statements were not approved by the board and signed by the board chairman.~~

The audit was conducted in accordance with ISSAI [24315](#) and ISSAI [24330](#). 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 Board of Directors ~~These Charged with Governance~~

Report of the Auditor-General on National Biosafety Authority for the year ended 30 June, 2019

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 maintaining effective internal control as ~~M~~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 overall governance.

In preparing the financial statements, ~~M~~management is responsible for assessing the Authority's ability of National Biosafety Authority to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicablegoing concern basis of accounting unless the ~~M~~management is aware of the intension to liquidateterminate- the Authority or to 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, ~~M~~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~~The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Authorityentity 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 overall 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 overall 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 National Biosafety Authority 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 Mmanagement.
- Conclude on the appropriateness of the management's use of the applicablegoing 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 of National Biosafety Authority Authority's ability to continue 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 to continue to sustain~~ing~~ 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 [National Biosafety Authority](#) to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the [M](#)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 Mmanagement 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.



CPA.....Nancy Gathungu
AUDITOR-GENERAL

Nairobi

Date.....

22 July, 2021

21 July 2021

14 July, 2021