

REPORT OF THE AUDITOR GENERAL ON NATIONAL COUNCIL FOR PERSONS WITH DISABILITIES FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Council for Persons with Disabilities set out on pages 1 to 29, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of financial performance, statement of cash flows and statement of comparative 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. 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, the financial statements present fairly, the financial position of National Council for Persons with Disabilities 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).

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

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Council for Persons with Disabilities management 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 opinion.

Other Matter

1. Budget and Budgetary Performance

i) Revenue

The National Council for Persons With Disabilities had a budget of Kshs.2,440,391,052 as follows:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess/ (Shortfall) Kshs.	Excess/ (Shortfall) %

Balance B/F	777,741,052	777,741,052	0	0
Government Grants & Subsidies	1,659,400,000	1,659,400,000	0	0
Public Contributions & Donations	250,000	515,000	265,000	106
Other Sources	3,000,000	262,884	(2,737,116)	(91)
Total	2,440,391,052	2,437,918,936	(2,472,116)	0.1

However, a shortfall in revenue collection of Kshs.2,472,116 or 0.1% was realised. The shortfall mainly occurred under other sources of revenue where the budgeted amounts were received in-form of donations in kind.

ii) Expenditure

Actual expenditure amounted to Kshs.2,147,554,185 against the approved budget of Kshs.2,440,391,052 resulting to an under expenditure of Kshs. 292,836,867 or 12% as follows:

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Over/(under) %
Employees Costs	143,000,000	136,780,836	(6,219,164)	(4)
Repairs & Maintenance	5,500,000	3,667,544	(1,832,456)	(33)
Contracted Services	2,800,000	2,654,250	(145,750)	(5)
Cash Transfer Programmes	2,202,739,852	1,916,416,945	(286,322,907)	(13)
General Expenses	47,351,200	47,650,314	299,114	0.6
Board Expenses	25,000,000	25,071,259	71,259	0.3
Depreciation	14,000,000	15,313,038	1,313,038	9
Total	2,440,391,052	2,147,554,185	(292,836,867)	(12)

The failure to spend Kshs. 292,836,867 or 12% of the budgeted expenditure implies that the Council did not transfer cash to beneficiaries as planned. The failure to transfer all the budgeted cash was mainly attributed to delay by the service provider (KCB) to issue beneficiaries with payment smart cards.

2. Refunds due from the Postal Corporation of Kenya

As previously reported, out of Kshs.327,150,960 disbursed to Postal Corporation of Kenya for onward payment to the beneficiaries during 2014 (July to December payroll cycle) a balance of Kshs.28,722,000 remained undisbursed. After several demands to have the undisbursed amounts refunded, the Council and Postal Corporation on 25 January 2015 entered into an arrangement to have the amount paid in ten (10) months instalments of Kshs.2,872,000.

However, as at 20 September 2017 only a total Kshs.5,744,200 had been repaid leaving a balance of Kshs.22,977,800 an indication that the Corporation has not been honoring the monthly payment plan. In the circumstances, the realization of Kshs.22,977,800 from the Postal Corporation of Kenya is in doubt.

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 under Other Matter section of my report, there were no Key Audit Matters to report in the year under review.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair representation 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 preparations 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 Council's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statement to the Auditor-General in accordance with the provision of Section 47 of the Public Audit Act 2015.

Those charged with governance are responsible for overseeing the Council'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 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 Council'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 Council's ability to continue as a going concern. 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 Council to cease to continue as a going concern.
- 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 of the Council activities 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.

Report on Other Legal and Regulatory Requirements

As required by the State Corporations Act, I report based on the audit, that:

- (i) 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;
- (ii) In my opinion, adequate accounting records have been kept by the Council, so far as appears from the examination of those books; and
- (iii) The Council's financial statements are in agreement with the accounting records.



FCPA Edward R O Ouko, CBS
AUDITOR-GENERAL

Nairobi

05 March 2018