

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL COUNCIL FOR POPULATION AND DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2017**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of National Council for Population and Development set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2017, 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 the National Council for Population and Development 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.

In addition, as required by Article 229(6) of the Constitution, based on the 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 public money has not been applied lawfully and in an effective way.

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

**1.1.** As previously reported, property, plant and equipment balance of Kshs.57,504,780 as at 30 June 2017 still excludes undetermined values of land situated at Upper Hill Nairobi, Murang'a and Kisii counties without ownership documents. In consequence of the exclusion, the property, plant and equipment balance is not fairly stated.

**1.2.** Information available indicates that land in Upper Hill Nairobi (LR No.209/13332-Plan No.93637/11/724) measuring 0.63 hectares which had been reserved to the Council in 1989 to construct its offices was subsequently allocated to a private developer. Although the Council attempted to take possession of the property on 12 November 2016 following the Public Investment Committee recommendation, this did not however materialize. Additional information indicates that the National Lands Commission made a ruling in 8 March 2016 granting the land to the private developer without making reference to the Council. According to the ruling, the Commission determined that allocation of the land to the private developer

was irregular but ordered the title to be re-issued in the name of the developer on grounds of public interest since the land had already been charged with a collapsed bank and the depositors in the bank needed not lose out. Further, although the National Land Commission indicated in the ruling that it could assist the National Council for Population and Development to acquire alternative land, this has not been done to date.

**1.3.** Further, ownership of a motor vehicle GK T925 whose original cost is unknown cannot be verified as the vehicle was registered in the name of other parties instead of National Council for Population and Development. As a result, it has not been possible to confirm whether the Council's motor vehicles with the net book value of Kshs.38,956,017 as disclosed in Note 7 to the financial statements are fairly stated.

## **2. Receivables**

### **2.1. Provision for bad and doubtful debts**

The statement of financial position as at 30 June 2017 reflects receivables from exchange transactions balance of Kshs.3,336,181. The balance has, however, been presented net of a provision of Kshs.3,767,967 in respect of an officer who resigned from the Council on 16 May 2016 leaving outstanding imprests of Kshs.3,767,697. Information provided revealed that the amount was obtained fraudulently by the officer and there is an ongoing criminal court case against the officer.

In addition, no details have been provided showing the expense account where the provision of Kshs. 3,767,697 has been charged as the provision is not included in the statement of financial performance.

### **2.2. Internal borrowings**

The receivables balance of Kshs.3,336,181 as at 30 June 2017 includes internal borrowings totalling Kshs.649,757 that should have had corresponding liabilities in the financial statements. However, the figures detailed below in respect of the internal borrowings did not have contra corresponding entries in the financial statements:

<b>Nature of borrowing</b>	<b>Amount in Receivables</b>	<b>Amount in Payable</b>	<b>Variance</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Support to Recurrent	0	5,000,000	5,000,000
Borrowed from UNFPA	57,757	57,000	757
PRB	592,000	0	592,000
Borrowing from Development Account	970,325	0	970,325

Under the circumstances, the accuracy and completeness of receivable balance of Kshs. 3,336,181 as at 30 June 2017 can not be confirmed.

## **3. Unsupported Adjustments**

The following adjustments between the first and the final set of financial statements were not supported:

<b>Item</b>	<b>First set of</b>	<b>Final set of</b>	<b>Explained</b>	<b>Unexplained</b>
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	<b>accounts Kshs.</b>	<b>financial Accounts Kshs.</b>	<b>Variance Kshs.</b>	<b>Variance Kshs.</b>
Other income	8,973,999	17,723,860	1,215,096	9,690,921
Deferred Income	117,298	158,471	-	41,173
Employees cost	138,160,361	138,171,991	-	11,630
Stipend	389,402	376,498	-	12,904
Board Expenses	5,064,895	5,365,696	-	300,801
Receivables	7,369,692	3,336,181	3,767,697	265,814
Barclays Bank of Kenya Account	106,827	6,946	99,881	

Under the circumstances, the accuracy and completeness of the above account item balances cannot be confirmed.

#### **4. Comparative Information**

The financial statements for the year ended 30 June 2017 shows restated comparative figures in respect of the financial year ended 30 June 2016. However, documents in support of the restated balances as listed below were not provided for audit verification.

<b>Name of Account</b>	<b>Balance Per Audited Financial Statements Kshs.</b>	<b>Restated Balance Per Financial Kshs.</b>	<b>Variance Kshs.</b>
Cash & Cash Equivalent	30,031,686	43,368,998	13,337,312
Trade & other Payables from Exchange Transactions	21,413,102	24,463,304	3,050,202
Employee Benefits Expenses	158,319,917	153,351,320	(4,968,59)
Board Expense	860,644	810,816	(49,828)
Repairs & Maintenance	66,177,299	5,777,716	(399,583)
General Expenses	163,727,574	159,971,115	(3,756,459)
General Expense Project	66,769,232	65,656,590	(1,112,642)
Surplus	(21,466,159)	(11,179,051)	(10,287,108)
Accumulated Surplus	5,733,922	16,021,031	(10,287,109)

Consequently, the validity and accuracy of the restated figures cannot be confirmed.

#### **5. Other Income**

The other income figure of Kshs.17,723,860 reflected in the statement of financial performance and disclosed in note 3 to the financial statements include an amount of Kshs.9,790,921 described as support by partners for GOK activities. However, the documentation in support of the origin and nature of this income were not provided for audit verification. Consequently, the completeness and accuracy of other income figure amounting to Kshs.17,723,860 cannot be confirmed.

## **6. Trade and Other Payables from Exchange Transactions**

The trade and other payables balance of Kshs.8,662,538 reflected in the statement of financial position includes an of Kshs.5,000,000 described as support to recurrent that has not been adequately supported or explained.

Consequently, the accuracy of trade and other payables from exchange transaction balance of Kshs.8,662,538 as at 30 June 2017 cannot be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Council for Population and Development 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 to the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

### **Responsibilities of Management and those Charged 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 Council's ability to continue to sustain 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 council 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.

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. 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 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 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 Council to cease to continue 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 Council 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**

**03 July 2018**