

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL COUNCIL FOR POPULATION AND DEVELOPMENT FOR THE YEAR ENDED 30 JUNE, 2019**

---

## **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 22, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the 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 Council for Population and Development 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 Legal Notice No.120 dated 29 October, 2004.

### **Basis for Qualified Opinion**

#### **1. Unsupported Expenditure**

##### **1.1 Other Income**

The statement of financial performance reflects other income totalling Kshs.3,545,779, as further disclosed in Note 9 to the financial statements. However, payments totalling Kshs.503,304 included in the balance were not supported with primary records and therefore their occurrence and validity could not be confirmed. The payments are listed in the Appendix attached to this report.

Consequently, the accuracy of other income of Kshs.503,304 for the year ended 30 June, 2019 could not be confirmed.

##### **2.1 Fuel Expenses**

The statement of financial performance and Note 15 to the financial statements reflects general expenses totalling Kshs.168,378,618 out of which Kshs.1,036,350 was spent on fuel and lubricants paid through Government of Kenya (GoK) funding. However, documents presented for audit were for GoK fuel and lubricants expenditure totalling Kshs.2,421,000 resulting to an unexplained difference of Kshs.1,384,650.

##### **2.2 Receivables from Exchange Transactions**

The statement of financial position as at 30 June, 2019 and Note 19 to the financial statements reflect Kshs.34,797,511 as receivables from exchange transactions. Included in the balance are long outstanding imprests totalling Kshs.10,082,462 out of which imprests totalling Kshs.4,394,907 are not supported with proper records.

As a result, the accuracy of the receivables from exchange transactions balance totalling Kshs.34,797,511 as at 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 National Council for Population and Development 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. There were no key audit matters to 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, I confirm that, nothing 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**

#### **1.0 Unauthorized Reallocation of Project Funds**

The statement of financial performance and Note 14 to the financial statements reflect project expenses totalling Kshs.21,927,070 which includes Kshs.10,061,865 under a project named PRB. During its 46<sup>th</sup> Meeting held on 25 April, the Board approved payment of a basic salary for an additional (13<sup>th</sup>) month to each staff member in the Council's payroll as at 30 June, 2018. The payments totalled Kshs.7,573,741 and were financed from what Management indicated were savings generated from the PRB project over its lifetime. However, the respective project agreement had not granted the Council authority to spend project funds on staff salaries. Further there was no documented undertaking by Management to staff that rewards shall be paid out of the project's expenditure savings.

Consequently, the regularity of the payments totalling Kshs.7,573,741 paid as bonus salaries is doubtful.

#### **2.0 Irregular Deposits to Air Travel Service Providers**

Examination of records indicated that advance payments totalling Kshs.4,300,000 were during the year under review made to several air travel service providers. However, Management did not explain the reasons for making the payments and further, there were no records on requisitions for air tickets, or use of those supplied, if any.

In the circumstance, it was not possible to confirm the validity and occurrence of the payments totalling Kshs.4,300,000 made to air travel service providers.

### **3.0 Overpayment to Consultant**

Examination of procurement records indicated that a consultant entered into contract with the Council on 22 May, 2018 for provision of consultancy services on skills and competency needs analysis at a cost of Kshs.800,000.

Expenditure records indicated that the consultant was, paid Kshs.240,000 equivalent to 30% of the contract price on 21 January, 2019 after having submitted the draft report. Thereafter, the consultant on 01 March, 2019, submitted the final report and raised an invoice of Kshs.480,000 equivalent to 60% of the contract sum. However, Management paid the consultant Kshs.960,000 on 30 May, 2019 and as a result, payments made under the contract rose to Kshs.1,200,000 or Kshs.400,000 more than the contract sum amounting to Kshs.800,000

In the circumstance, the overpayment of Kshs.400,000 was irregular and may have denoted wasteful use of public funds.

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**

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 overall 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 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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

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 applicable basis of accounting unless the Management is aware of the intention to dissolve the Council 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 entity 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**

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 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 noncompliance. 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 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 Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 the Council 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 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**

**20 August, 2021**

**Appendix:****Unsupported Expenditure**

<b>Source</b>	<b>Description</b>	<b>Amount (Kshs.)</b>
AFIDEP PPND	Fuel support from AFIDEP for a meeting held at ENASHIPAI in Naivasha	20,000
Afidep Fuel	Fuel support from AFIDEP for a meeting held at ENASHIPAI in Naivasha	20,000
UNFPA- DEV	UNFPA support towards women leaders' advocacy meetings	310,000
UNFPA	Support from UNFPA for the DG's travel to New York for ICPD	80,842
AFIDEP	Support from UNFPA for the DG's travel to New York for ICPD	72,462
<b>Total</b>		<b>503,304</b>