REPORT OF THE AUDITOR-GENERAL ON NATIONAL COUNCIL FOR PERSONS WITH DISABILITIES FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified 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 position as at 30 June, 2020, and the statement of financial performance, 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 the National Council for Persons with Disabilities as at 30 June, 2020, 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 National Council for Persons with Disabilities Act, 2003.

Basis for Qualified Opinion

1. Inaccuracies in Cash Transfer to Persons with Severe Disabilities

The Council made cash payment transfers amounting to Kshs.131,408,000 through Safaricom M-Pesa Platform to 3,072 beneficiaries under National Inua Jamii Programme. These were payments to beneficiaries who had not been migrated from the Card-Based System to the Account-Based System. The beneficiaries had missed payments between September, 2018 and June, 2020. However, Safaricom statement revealed that the actual amount of Kshs.127,076,000 was paid to 2,975 beneficiaries, an indication that 97 beneficiaries were not paid Kshs.4,332,000. Management did not provide reconciliations for the variance.

Further, the Government released an amount of Kshs.500,000,000 to mitigate against the effects of economic hardship arising from Covid-19 pandemic on Persons with Severe Disabilities. However, the Council allocated only Kshs.200,000,000 to cushion 33,333 poor and vulnerable persons who received Kshs.199,998,000 through Safaricom M-Pesa platform. No reasons were given for failure to disburse Kshs.300,000,000 released to persons with severe disabilities. In addition, the purported beneficiaries were not in the National Council for People with Disability database.

Consequently, the propriety of Kshs.199,998,000 remitted to those persons not in the database could not be confirmed.

2. Unsupported Expenditure for Persons with Albinism

An amount Kshs.5,000,000 was paid to three (3) Non-Governmental Organizations (Albinism Society of Kenya; Albinism Empowerment Network; and Pastoral Heritage Concern) in equal ratio to conduct awareness to persons with albinism. However, no expenditure returns or the basis of their identification was provided for audit review.

In the circumstances, it is not possible to confirm the validity of Kshs.5,000,000 paid to three (3) Non-Governmental Organizations.

3. Arrears to Beneficiaries (PWSD-CT) Programmes

The Persons with Severe Disabilities Cash Transfer Programme had the cash and cash equivalents balance of Kshs.557,543,161 as at 30 June, 2019. The amount included arrears for cash transfer funds amounting to Kshs.487,134,257 for beneficiaries who had not migrated dating back to September, 2018. Management made payment of the arrears during the year under review. However, it was noted that the Council expensed the entire amount of Kshs.487,134,257 arrears under programmes-cash transfer. This was contrary to Paragraph 51 of International Public Sector Accounting Standard No. 3 on accounting policies, changes in accounting estimates and errors which requires that the correction of a prior period error is excluded from surplus or deficit for the period in which the error is discovered. The standards also stipulate that any information presented about prior periods, including historical summaries of financial data, be restated as far back as practicable.

Consequently, the current year expenses were overstated by Kshs.487,134,257 while the net loss was overstated by the same amount.

4. Long Outstanding Refunds due from the Postal Corporation of Kenya

As previously reported, Postal Corporation of Kenya received Kshs.327,150,960 in respect of disbursements to beneficiaries during the July to December, 2014 payroll cycle out of which Kshs.28,722,000 remained undisbursed. The Council and the Corporation entered into an arrangement on 25 January, 2015 to have the amount paid in (10) months installments amounting to Kshs.5,744,200 leaving a balance of Kshs.22,977,800. The Council recovered Kshs.5,564,850 during the financial year 2018/2019 and Kshs.2,809,810 during the financial year 2019/2020 as an offset against EMS Services offered, leaving a balance of Kshs.14,602,939. Adequate reasons were not provided for partial recovery. The balance of Kshs.14,602,939 remains outstanding.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Council for Persons with Disabilities 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. I have determined that there are no key audit matters to communicate in my report.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects approved budgeted expenditure of Kshs.2,277,918,686 against actual expenditure of Kshs.1,920,773,221 resulting in an under-utilisation of Kshs.357,145,467 or 16% mainly under contracted services, programmes and general expenses.

The under expenditure of Kshs.357,145,467 or 16% may have impacted negatively on the goals and objectives of Council and delivery of services.

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, 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

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 EFFECTIVENESSOF 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 Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 governance.

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue 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 liquidate 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 Council's 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 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 Council's 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 Council'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 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.

CPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

05 August, 2021