

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COUNCIL FOR PERSONS WITH DISABILITIES (NCPWD) FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Council for Persons with Disabilities (NCPWD) set out on pages 1 to 28, which comprise the statement of financial position as at 30 June 2018, 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, the financial statements present fairly, in all material respects, the financial position of National Council for Persons with Disabilities (NCPWD) as at 30 June 2018, 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 Persons with Disabilities Act, 2003.

Basis for 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 (NCPWD) 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.

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.

Other Matters

1. Budget and Budgetary Performance

1.1. Revenue

The Council had a revenue budget of Kshs.2,039,553,133 but actual revenue realized amounted to Kshs.1,544,037,100 resulting to a shortfall of Kshs.495,516,033 or 24% as follows:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Variance %
Balance B/F	325,103,133	325,103,133	0	0
Government Grants & Subsidies	1,711,200,000	1,217,692,200	493,507,800	29
Public Contribution & Donations	250,000	687,500	(437,500)	175
Other income	3,000,000	554,267	2,445,733	82
Total	2,039,553,133	1,544,037,100	495,516,033	24

The shortfall was mainly attributed to non-release of exchequer funds for development -third quarter development and for both development and recurrent - fourth quarter. The non-release of the exchequer funds negatively affected cash transfer to persons with severe disability defeating the programme goals and objectives.

1.2 Expenditure

The Council had an expenditure budget of Kshs.2,039,553,133 but actual expenditure for the year amounted to Kshs.1,279,556,297 resulting to an under expenditure of Kshs.759,996,836 compared with the budget or 37% as follows:

Expenditure	Budget Kshs.	Actual Kshs.	+Over/-Under Kshs.	Variance %
Employee Costs	161,700,000	151,199,326	-10,500,674	6
Repairs and maintenance	5,500,000	5,408,500	-91,500	2
Contracted Services	5,000,000	4,738,913	-216,087	5
Programmes	1,772,353,133	1,059,934,051	-712,419,082	40
General expenses	50,000,000	41,188,314	-8,811,686	18
Board expenses	28,000,000	545,420	-27,454,580	98
Depreciation	17,000,000	16,541,773	-458,227	3
Total	2,039,553,133	1,279,556,297	-759,996,836	37

The under expenditure was attributed to non-release of exchequer funds by the National Treasury thus affecting the implementation of some of the planned programmes by the Council.

2. Refunds due from Postal Corporation of Kenya

The statement of financial position for the year ended 30 June 2018 reflects a figure of Kshs.36,244,365 for receivables from exchange transactions which includes Kshs.22,977,599 owed by Postal Corporation of Kenya. As previously reported Postal Corporation of Kenya received Kshs.327,150,960 for disbursement to persons with disability

for 2014 July to December payroll cycle out of which Kshs.28,722,599 remained undisbursed.

After several demands to have the outstanding amount refunded, the Council and the Corporation entered into an arrangement on 25 January 2015 to have the amount paid in (10) months instalments of Kshs.2,872,200. However as at the time of the audit in November 2018 only Kshs.5,744,400 had been repaid by the Corporation leaving a balance of Kshs.22,977,599 outstanding.

In the circumstances, Postal Corporation of Kenya has failed to honour the agreement with the Council on repayment and legal action should be taken to recover the long outstanding debt.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the 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

My responsibility is to express a conclusion based on the audit. 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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the conclusion on effectiveness of internal controls, governance and risk management systems section of my report, 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

1. Non-appointment of Board of Trustees and Board of Directors

During the year under review, the National Council for Persons with Disabilities operated without both a Board of Directors and a Board of Trustees whose term expired on 13 May 2017 and 25 July 2017 respectively. In the circumstances, the Council management activities were not subjected to Board oversight as required by the Persons with Disabilities Act, 2003 and in line with good corporate governance practices.

2. Non-Appointment of Audit Committee

Public Finance Management Act regulation 74(1) of 2015, requires every National Government entity to establish an audit committee to provide oversight over management activities. It was however observed that there was no audit committee in place throughout the year under audit as required.

In the circumstances, the Council has not adhered to the provisions of the Public Finance Management Act, 2012 as far as establishment of audit committee is concerned and the activities of the Council Management were not independently appraised.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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. In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management 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, 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 is applied in an effective manner.

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 review 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 recourses 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 the 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 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 or 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 as a going concern or 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

28 December 2018