

# **REPORT OF THE AUDITOR-GENERAL ON STREET FAMILIES REHABILITATION TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of Street Families Rehabilitation Trust Fund set out on pages 18 to 36, which comprise of 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 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, 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 Street Families Rehabilitation Trust Fund 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 a Gazette Notice No. 1558 of 11 March, 2003.

### **Basis for Qualified Opinion**

#### **1.0 Lack of Ownership Documents**

The statement of financial position reflects Kshs.1,738,520 in respect of property, plant and equipment as at 30 June, 2019. The balance excludes the values of various parcels of land that have no ownership documents as indicated below:

##### **1.1. Land - LR No. 209/11325 at Mukuru Kwa Njenga Slum**

As previously reported, Kenya Pipeline Corporation (KPC) donated and surrendered to the Trust Fund a piece of land L.R No.209/11325 on 23 August, 2007 vide a letter Ref. No. LE/LA/ 25/4 addressed to the Commissioner of Lands by the Managing Director of the Company. The title was surrendered to the Commissioner of Lands on 6 August, 2007 for purposes of transferring and registering the property in the name of the Trust Fund. A review of the position in the month of March, 2020, twelve (12) years after the donation revealed that the transfer has not been effected and the land in Mukuru Kwa Njenga slum has since been encroached upon by members of the public.

##### **1.2 Parcels of Land in Embu, Murang'a and Laikipia**

Information available indicates that the defunct Local Authorities of Embu, Murang'a and Laikipia allocated land to the Trust Fund informally as captured in the Minutes dated 19 September, 2016. The Trust Fund is however, yet to identify where the pieces of land are located or to obtain either title deeds or any legal or formal documents of allocation. In

addition, Management has not demonstrated any efforts put in place to acquire ownership documents.

### **1.3. LR. NO. Mavoko Town Block 3/2545**

As was reported in the previous year, the Trust Fund purchased land measuring 8.090 hectares in Mavoko Town at a cost of Kshs.38 Million on 6 December, 2013. The original title was surrendered to the Ministry of Land for subsequent transfer in the same month. A review of the position during the audit, in the month of March, 2020, revealed that the said property had not been transferred to the Trust Fund and no further information was available for audit verification.

In the circumstances, it has not been possible to confirm the completeness and accuracy of the property, plant and equipment balance of Kshs.1,738,520 reflected in the statement of financial position as at 30 June, 2019.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Street Families Rehabilitation Trust Fund 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.

#### **Other Matter**

#### **Budget Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.244,358,492 and Kshs.153,000,000 respectively, resulting to an over-funding by Kshs.91,358,492 or 37% of the budget. Similarly, the Trust Fund expended Kshs.147,104,302 against an approved budget of Kshs.244,358,492 resulting to an under-expenditure of Kshs. 97,254,190 or 40% of the budget.

In the circumstances, the Trust Fund's objective of spearheading National Government response to restore dignity to street families and the strategic goal of safeguarding and promoting the rights of street families and addressing the concerns of all homeless, destitute and vulnerable people in urban areas, may not have been achieved as planned.

## **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**

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 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 else 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. Lack of Information Technology and Risk Management Policies and Data Recovery Strategy**

A review of the internal controls at the Trust Fund revealed weaknesses that included the absence of documented Data Recovery Strategy, Risk Management Policy or an Information Technology Policy. There were no measures in place to counter risks. Thus the Trust Fund is exposed to threats in terms of loss of strategic data and information regarding its operations, exposure to cyber-attacks, poor response to fire outbreaks and unsafe storage of information technology resources.

### **2. Weak Internal Controls**

A review of internal controls at the Trust Fund revealed weaknesses that included lack of effective accounting function since all the accounting transactions are executed from the State Department for Social Protection. The Trust Fund also largely depends on the staff seconded from the State Department for Social Protection to discharge its mandate, which negatively affects its operations due to a lean staff establishment.

### **3. Lack of Assets Register**

During the year under review, the Trust Fund did not maintain an assets register and the assets acquired in the financial year had not been tagged. From the foregoing, the ownership, valuation and safety of the Trust Fund's assets could not be ascertained or confirmed.

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 Trust Fund ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Trust Fund 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 Street Families Rehabilitation Trust Fund 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 Street Families Rehabilitation Trust Fund 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 Street Families Rehabilitation Trust Fund 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 Trust Fund 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 Trust Fund 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.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**20 January, 2021**