

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TURKANA SOUTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Turkana South Constituency set out on pages 6 to 34, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation - recurrent and development combined 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 effects 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 Government Constituencies Development Fund - Turkana South Constituency 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 (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Accuracy of Cash and Cash Equivalents

The statement of assets and liabilities and Note 10A to the financial statements reflect cash and cash equivalents balance of Kshs.35,618,398. The bank reconciliation statement for the month of June, 2019 reflected unrepresented cheques of Kshs.4,182,415. However, particulars of payees, details of the payments and the dates of subsequent clearance of cheques amounting to Kshs.2,395,149 were not provided.

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.35,618,398 as at 30 June, 2019, could not be confirmed.

2. Unsupported Project Management Committees (PMC) Bank Account Balances

Note 15.4 to the financial statements reflects balances of Kshs.12,144,293 held in fifteen (15) different PMC bank accounts as at 30 June, 2019 as disclosed under Annex 4. However, the Management did not provide the bank reconciliation statements and the bank confirmation certificates for the bank balances. Further, bank balances for fifteen (15) project management committees to which Kshs.29,864,772 was disbursed in the

financial year 2018/2019, were excluded from the reported project management committee bank balances of Kshs.12,144,293.

Consequently, the accuracy, completeness, ownership and existence of project management committee bank balances of Kshs.12,144,293 as at 30 June, 2019, could not be confirmed.

3. Unreconciled Unutilized Funds Balance

The summary statement of appropriation - recurrent and development combined reflects a budget under-utilization of Kshs.66,131,230 which differs with the balance of Kshs.55,040,876 reflected under Note 15.3 to the financial statements and Annex 3 by Kshs.11,090,354. The difference has not been reconciled or explained.

Consequently, the accuracy of the unutilized funds balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Turkana South Constituency 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

1. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual receipts on comparable basis of Kshs.178,997,484 and Kshs.148,485,056 respectively resulting to an under-funding of Kshs.30,512,428 or 17% of the budget. Similarly, the Fund expended Kshs.112,866,254 against an approved budget of Kshs.178,997,484 resulting into an under-expenditure of Kshs.66,131,230 or 37% of the budget. The under-performance was attributed to delayed disbursement of funds by the Board.

Consequently, delayed disbursement of funds from the Board resulted in delay in implementation of approved projects or programmes and therefore denied the residents of Turkana South Constituency the services and benefits that would have accrued from completed projects.

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 else 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. Incomplete and Unfunded Projects

Turkana South Constituency had an approved budget of Kshs.148,162,635 to finance thirty-three (33) projects out of which Kshs.92,694,612 was disbursed to twenty-three (23) projects with a combined total budget of Kshs.109,662,636. However, the Project Implementation Status Report provided for audit indicated that four (4) projects with a combined budget of Kshs.54,327,562 were still on-going and ten (10) projects with a combined budget of Kshs.38,500,000 were not funded during the year ended 30 June, 2019 as shown in **Appendix I**.

Delayed completion of projects and unfunded projects hindered the achievement of the intended objective of improving service delivery to the people of Turkana South Constituency.

2. Insurance Payments

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.9,028,132 which as disclosed in Note 5 to the financial statements includes expenditure of Kshs.2,700,717 for utilities, supplies and services of which Kshs.367,203 was premium payment for motor vehicle and motor cycle insurance. The insurance services were procured through request for quotations procurement method. However, the quotation from the winning bidder and the insurance policy cover were not provided for audit.

Consequently, the propriety of the insurance payments of Kshs.367,203 during the year could not be confirmed.

3. Unsupported Transfers to Other Government Entities

The statement of receipts and payments reflects transfers to other government entities of Kshs.45,850,400 which as disclosed at Note 6 to the financial statements, comprise transfers to primary schools amounting to Kshs.16,465,200, transfers to secondary schools amounting to Kshs.25,385,200 and transfers to tertiary institutions amounting to Kshs.4,000,000. However, expenditure returns and reports for each of the projects

prepared by the respective project management committees in respect to payments amounting to Kshs.35,840,000 made to various primary, secondary and tertiary institutions for construction of classrooms, latrines, purchase of desks and beds were not provided. Further, the projects' budgets, bills of quantities approved by relevant government officers, approved work plans, procurement documents such as tender advertisements, tender opening, evaluation and award minutes were not provided for audit.

Consequently, the accuracy and propriety of transfers to other government entities payments amounting to Kshs.35,840,000 could not be confirmed.

4. Other Grants and Transfers

4.1. Education Bursary

The statement of receipts and payments reflects other grants and transfers amount of Kshs.49,194,611 which as disclosed at Note 7 to the financial statements, includes bursaries to secondary schools, tertiary institutions and special schools amounting to Kshs.13,324,851, Kshs.16,925,067 and Kshs.800,000 respectively, all totalling to Kshs.31,049,918. However, no evidence was provided that the bursary sub-committee was constituted as required by the Constituencies Development Fund Circular Reference No. Vol. 1/111 of 13 September, 2010 and that the bursary applications were vetted by the bursary sub-committee as required under Regulation 21(3) of National Government Constituencies Development Fund Regulations, 2016. Further, there was no evidence of acknowledgements of receipt of the bursary payments by the institutions which received the bursary funds.

Consequently, the accuracy and propriety of education bursary payments amounting to Kshs.31,049,918 could not be confirmed.

4.2. Unreported Emergency Projects Payments

The statement of receipts and payments reflects other grants and transfers payments of Kshs.49,194,611 which as disclosed under Note 7 to the financial statements includes expenditure of Kshs.8,923,045 on emergency projects.

However, no evidence was provided that the occurrence of emergencies was reported to the Board by the Fund Management, within thirty (30) days as required under Regulation 20(2) of National Government Constituencies Development Fund Regulations, 2016 which provides that the utilization of the emergency reserve shall be reported to the Board within thirty (30) days of the occurrence of the emergency, in the format prescribed by the Board.

Consequently, the Fund Management was in breach of the Law.

4.3. Procurement of Seedlings

The statement of receipts and payments reflects other grants and transfers of Kshs.49,194,611 which as disclosed under Note 7 to the financial statements, includes environment projects payments amounting to Kshs.300,000. Available information indicated that the Fund Management procured tree seedlings and delivered them to various schools within the Constituency for environmental conservation purposes. However, procurement records such as advertisement notices, quotations, tender minutes and award letters for supply of seedlings were not provided for audit. Further, evidence that the tree seedlings were delivered to various institutions was not provided.

Consequently, the accuracy and propriety of environment project payments amounting to Kshs.300,000 could not be confirmed.

5. Purchase of Office Furniture

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.1,726,700 relating to purchase of office furniture and general equipment as disclosed at Note 8 to the financial statements, of which Kshs.1,000,000 was paid for the purchase of office furniture. The procurement of the office furniture was done through request for quotations procurement method even though the value of the procurement exceeded the threshold of Kshs.500,000 provided under the Public Procurement and Disposal (Amendment) Regulations, 2013. Further, Section 105 (a) of the Public Procurement and Asset Disposal Act, 2015 provides that a procuring entity may use a request for quotations from the register of suppliers for a procurement if the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in Regulations.

Consequently, the Fund Management was in breach of the Law.

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

Conclusion

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 (Cash Basis) and for maintaining effective internal controls 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 National Government Constituencies Development Fund - Turkana South Constituency's ability to continue sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the 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 Fund's financial reporting process, reviewing the effectiveness of how the Fund 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 the Fund'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 Fund'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 Fund to cease 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 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.



CPA Nancy Gathungu, CBS

AUDITOR-GENERAL

Nairobi

15 October, 2021

Appendix I: Incomplete and Unfunded Projects

Project Name	Project Activity	Budget amount (Kshs.)	Amount Disbursed (Kshs.)	Balance (Kshs.)	Remarks
Bursary	Payment of bursary for needy students	31,965,962.00	31,049,918.00	916,044.00	Ongoing
Sports	Facilitation of Cross Border Sports activities to foster peace - To organize Community cross border peace Forums and schools competition within the Constituency	2,180,800.00	1,963,500.00	217,300.00	Ongoing
Environment	Environmental Conservation activities through construction of Pit Latrines at the following existing primary schools - Kaipokok Primary School – Kshs.545,200/=, Kaputir Secondary School – Kshs.545,200/=, Narengemunyen Primary School - Kshs.545,200/=, Agape Primary School – Kshs.545,200/=	2,180,800.00	300,000.00	1,880,800.00	Ongoing
Turkana South Teachers Training College	Construction of Teachers Training College - Fencing – Kshs.4,000,000/=, Single Storey Tuition and Admin Block – Kshs.12,000,000/=, Construction of 2 Units of 4 door Pit Latrines and Ablution block – Kshs.1,500,000/=, Drilling of Borehole and Installation of Hand pump – Kshs.2,500,000/=	18,000,000.00	4,000,000.00	14,000,000.00	Ongoing
	On-going Projects	54,327,562.00	37,313,418.00	17,014,144.00	
Kadongolo Primary School	Construction of 2 Classrooms and Equipping with 50 pupils double desks	3,000,000.00	-	3,000,000.00	Not funded
Kaimegur Primary School	Construction of 2 Classrooms and Equipping with 50 pupils double desks	3,000,000.00	-	3,000,000.00	Not funded
Napusinyen Primary School	Construction of 2 Classrooms and Equipping with 50 pupils double desks	3,000,000.00	-	3,000,000.00	Not funded
Nakuja Ekalale Primary School	Construction of 2 Classrooms and Equipping with 50 pupils double desks	3,000,000.00	-	3,000,000.00	Not funded
Kaipokok Primary School	Construction of 2 Classrooms and Equipping with 50 pupils double desks	3,000,000.00	-	3,000,000.00	Not funded
Lochwaa Secondary School	Construction of 2 Classrooms – Kshs.3,000,000/=, Drilling of Borehole and Installation of Hand pump – Kshs.2,500,000/=, Construction of Chain Link Perimeter Fence with steel metal gate (Kshs.3,500,000/=),	9,000,000.00	-	9,000,000.00	Not funded
Lokapel Secondary School	Completion Works on the 2 Classrooms Block - Finishing,	500,000.00	-	500,000.00	Not funded

Project Name	Project Activity	Budget amount (Kshs.)	Amount Disbursed (Kshs.)	Balance (Kshs.)	Remarks
	Walling, Painting, Branding, wiring, etc				
Agape Primary School	Construction of 2 Classrooms and Equipping with 50 pupils double desks	3,000,000.00	-	3,000,000.00	Not funded
Kapelibok Secondary School	Construction of 2 Classrooms – Kshs.3,000,000/=, Drilling of Borehole and Installation of Handpump – Kshs.2,500,000/=, Construction of Chain Link Perimeter Fence with steel metal gate (Kshs.3,500,000/=)	9,000,000.00	-	9,000,000.00	Not funded
Kakalel Secondary School	Construction of Staff Houses with Pit Latrines and Bathrooms	2,000,000.00	-	2,000,000.00	Not funded
	Projects Not-funded	38,500,000.00	-	38,500,000.00	
	Grand Total	148,162,635.38			