

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – TESO SOUTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Teso South Constituency set out on pages 1 to 41, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and 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 matter 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 Government Constituencies Development Fund - Teso South Constituency 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 (Cash Basis) and comply with National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unreconciled Cash and Cash Equivalents

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.1,255,477 as disclosed in Note 10A to the financial statements. However, a review procedure performed on the bank reconciliation statement showed unrepresented cheques totalling Kshs.2,725,318 out of which cheques amounting to Kshs.704,306 related to the period between 22 February, 2019 and 26 December, 2019 and were therefore stale but had not been reversed in the cashbook.

In addition, the bank reconciliation statements reflected payments in bank not recorded in cashbook amounting to Kshs.720 as at 30 June, 2020 and no reason was provided for not recording the bank charges to the cashbook.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,255,477 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 – Teso 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

Budgetary Control and Performance

The summary statement of appropriation-recurrent and development combined reflects final receipts budget and actual on comparable basis totalling to Kshs.197,464,767 and Kshs.128,097,042 respectively, resulting to an underfunding amounting to Kshs. 69,367,724 or 35% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.197,464,765 and Kshs.126,841,566 respectively, resulting to under expenditure of Kshs. 70,623,199 or 36% of the budget.

The underfunding and under performance affected the planned activities and may have impacted negatively on the delivery of services to the residents of Teso South Constituency.

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, 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. Stalled Project-Construction of Administration Block at Amukura TTC

The statement of receipts and payments reflects transfers to other government units amounting to Kshs.74,769,770 which includes transfers to tertiary institutions amounting to Kshs.2,000,000 as disclosed in Note 6 to the financial statements and which was transferred to Amukura Teachers Training College in respect of additional funds for construction of tuition and administration block up to walling level. The project contract sum was Kshs.43,500,000 and was to be co-funded by the Ministry of Education. The Teso South CDF had disbursed a total of Kshs.17,500,000 out of which an amount of Kshs.2,000,000 was disbursed in 2019/2020 financial year. The project is a two (2) storey building housing twelve (12) offices, four (4) classrooms, one (1) computer lab. It was noted that the agreement was signed on 8 October, 2018 and the project duration was 52 weeks implying it was to be completed by October, 2019. However, as at the time of audit in March, 2021, two years later, the project was not complete, only columns had been erected at the ground level.

Consequently, the residents of Teso South did not receive value for money in respect of the funds spend on the project.

2. Delay in Implementation of Projects

According to the Project Implementation Status report submitted for audit, the Fund had planned to implement five hundred and twenty-two (522) projects from 2013/2014 to 2019/2020 at a total cost of Kshs.674,716,707 and which were at various levels of implementation.

The approved and disbursed amount was Kshs.548,016,707 to implement the projects which were at various levels of implementation. It was noted that 87 projects with a value of Kshs.113,049,083 which would have been completed by 30 June, 2019 or earlier were still ongoing. Further, 51 projects which had received an amount of Kshs.109,424,724 during the year under review remained ongoing yet they should have been completed and handed over by December, 2020. No reason was provided for the delay in implementation of the projects.

Consequently, value for money was not realized from delay in implementation of the projects.

3. Incomplete Projects

During the year under review, nine (9) projects costing Kshs.21,573,648 were verified in March, 2021 and they were found incomplete at various stages as shown below:

	Project Name	Project Details	Amount (Kshs.)	Remarks
1	Akobwait Secondary School	Construction of a 50-seater capacity lab to completion.	4,000,000	The project was incomplete. It was at ring beam level.
2	Busia Township Secondary School	Additional funds for purchase of land for expansion.	475,000	Land purchased but the institution has not taken full ownership. There was someone still occupying the land.
3	Kodedema Girls Secondary School	Construction of two classrooms to completion	2,200,000	Construction had not started although procurement process had started. There is an occupant in the purchased land yet to be removed.
4	Kodedema Primary School	construction of two classrooms to completion	2,200,000	Project had not started. Funds not utilized and Bank balances not reflected in the PMC balances
5	Amukura TTC	Additional funds for construction of the tuition and administration block up to walling level.	4,000,000	The project is a 2-storey building housing 12 offices,4 classrooms,1 computer lab- Work stalled at column level and Contractor not on site
6	Amagura Chiefs Office	Purchase of land 1 acre	400,000	Land transfer to NG-CDF Teso South not complete but was in process.
7	Asinge Chiefs Office	Purchase of land 1 acre	400,000	land transfer to NG-CDF Teso South in process
8	Kotur Chiefs Office	Construction of chief's office	4,000,000	Construction is in progress, done to roofing
9	Chakol Division Assistant County Commissioner	Construction division assistant county commissioner office	3,898,648	Construction is in progress, done to roofing.
	Grand Total		21,573,648	

Delay in completion of the projects may deny the constituents of Teso South the benefits accruing from the complete projects.

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 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 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.

In preparing the financial statements, Management is responsible for assessing the Fund'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 Management is aware of the intention to abolish 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 money is applied in an effective manner.

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 policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 Fund'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 Fund 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 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

11 February, 2022