

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TESO NORTH 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 North Constituency set out on pages 1 to 27, 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 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 North 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 the Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

Transfer to other Government entities- Unverified Expenditure Returns

As disclosed under note 5 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2020 reflects transfers to other government entities of Kshs.83,676,384, which includes an amount of Kshs.8,500,000 in respect of transfers to five (5) secondary schools for various projects as detailed below:

Project Name	Institution	Amount Kshs.
Drilling and Equipping of a Borehole.	St Thomas Girls Secondary School.	3,000,000
Completion of Laboratory, Plastering, Flooring, Shuttering And Painting.	St Teresa Malaba Secondary School.	1,500,000
Completion of Laboratory, Plastering, Flooring, Internal Slabs, Electrical Wiring, Plumbing and Painting.	St Antony Akobwait Cha Secondary School.	1,500,000

Balance for Clearing School Bus Loan.	Bishop Sulumeti Girls Secondary School.	500,000
Construction of Dormitory.	SA Kolanya Girls High School.	2,000,000
Total		8,500,000

The expenditure returns for the projects were not provided for audit contrary to Regulation, 15(1)(d) of the National Government Constituencies Development Fund Regulations, 2016.

In the circumstances, it was not possible ascertain the completeness, accuracy and occurrence of the expenditure of Kshs.8,500,000 for the year under review.

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

1.1 Budget Performance

The summary statement of appropriation - recurrent and development combined reflects a final receipts budget and actual on a comparable basis of Kshs.201,444,410 and Kshs.123,413,298 respectively resulting to an underfunding of Kshs.78,031,112 or 39% of the budget. Similarly, the Fund spent Kshs.121,076,416 against an approved budget of Kshs.201,444,410 resulting to an under expenditure of Kshs.80,357,994 or 40% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Teso North Constituency.

1.2 Project Implementation Status

During the year under review, the Fund had planned to implement forty-three (43) projects at a total cost of Kshs.75,016,124 and which were at various levels of implementation as summarized below:

Status	No. of Projects	Value Kshs.
Complete	25	15,366,124
Ongoing	10	44,750,000
Not Started	8	14,900,000
Sub-Total	43	75,016,124

The Project Implementation status report further indicated that nineteen (19) projects costing Kshs.17,000,000 relating to 2018/2019 and earlier years were still ongoing and no reason was provided for their non-completion.

Further eight (8) projects relating to 2018/2019 and earlier years did not have information relating to the budget, amounts disbursed and their completion status as detailed below:

Entity	Description	Financial year
Malaba Youth Empowerment	Construction of welding shed under emergency	2018/2019
Malaba Youth Empowerment Centre	Construction of two door pit latrine under emergency	2018/2019
Kakapel Community Centre	Completion of resource Centre	2015/2016
Ikapolok Primary	Change of activity from fencing to Septic	2018/2019
Ikapolok Primary	Replacement of fencing and gate	2017/2018
Aboloi Secondary	Construction of laboratory	2017/2018
Chemasiri TTI	Water drilling	2018/2019
Kocholya KMTC	Fencing and gate	2019/2020

Failure to complete the projects within the stipulated period is likely to deny the constituents the much-needed services.

1.3 Project Verification

During the year under review, eleven projects costing Kshs.33,369,900 were verified in March, 2021 out of which eight (8) projects totalling Kshs.27,069,900 were at different levels of implementation, and three (3) projects totalling to Kshs.6,300,000 were not implemented as summarized below.

No.	Institution	Project Details	Amount Kshs.	Comments
1	Malaba Youth Empowerment Centre	Fencing of the entity	500,000	The fencing was well done-project complete
2	Akichelesit GSU Camp	Construction of 4 door toilets and 2 bathrooms	400,000	Project complete and in use
3	St Benard Kakurikit Secondary School	Construction of four modern toilets with sewerage system, purchase of one 2,500 litres water tank and 4 hand wash cylinders and four hand washstands.	623,677	Instead of four doors five had been fixed - 1000litre water tank installed instead of 2500 litres, No hand wash cylinder and washstands had been installed.
4	Changara Secondary School	Purchase of tree seedlings, avocado, eucalyptus and fertilizer	100,000	No seedling survived
5	Echakara Secondary School	Purchase of tree seedlings, avocado, eucalyptus and fertilizer	200,000	Only a few seedlings survived that is approximately twenty out of the 1700
6	Changara Chief's Office	Construction of a chiefs' office	2,000,000	Project yet to be implemented.
7	Moding Chiefs Office	Construction of 4 door toilets and 2 bathrooms	400,000	Project complete no major anomaly was noted
8	Kocholya KMTC	Construction of a three-storey building for administration block, lecture rooms and laboratory.	22,846,223	Not implemented as per the guidelines of the Director of KMTC and project documents. Building not in accordance with BQs, one storey building was done instead of two
9	Malaba Youth Polytechnic	Kshs.700,000 - fencing, gate, reinforcement shutters. - 4 No laptops, and one printer for Kshs.600,000, -20 No sewing machines, 20 tables and 20 stools for Kshs.700,000	1,300,000	Fencing of Malaba Youth Polytechnic of Kshs.700,000 done, however, 4 laptops, 2 desktops, one printer, 20 sewing machines, 20 worktables, 20 stools totalling to Kshs.1,300,000 not procured
10	Malaba Youth Empowerment Centre	Drilling and equipping of borehole).	2,000,000	Borehole not equipped, hence not functional).

No.	Institution	Project Details	Amount Kshs.	Comments
11	St Thomas Amagoro Girls High School	Drilling and equipping of borehole).	3,000,000	Borehole not equipped, hence not functional.
		Grand Total	33,369,900	

Non-implementation of projects as planned may result to denial of services to the Constituents and possible loss of public funds through price escalations.

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 of Conclusion

1. Delayed implementation of Changara Chief's Office

As disclosed under note 6 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2020 reflects other grants and transfers of Kshs.28,228,853 which includes Kshs.6,832,744 is in respect of security operations out of which Kshs.2,000,000 was transferred towards the construction of Changara Chiefs' office on 7 May, 2020. The tender for the construction was awarded to a local firm on 6 November, 2020 and accepted the offer on 7 November, 2020 for a contract sum of Kshs.5,920,735. However, as at the time of audit, there was no evidence that contract agreement was signed between the Fund and the contractor and the work had therefore not commenced. Although the management explained that the delay in implementation of the project was due to disagreements within the community, no further information was provided on how the management is addressing the concerns of the community so that the project may be implemented.

In the circumstances, the constituents may not have benefited due to the delayed implementation of the project.

2. Bursaries

As disclosed under note 6 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2020 reflects Kshs.28,228,853 in respect of other grants and transfers out of which Kshs.869,784 and Kshs.5,937,255 relates to bursaries to tertiary and secondary schools respectively. However, there was no evidence that a bursary sub-committee to issue, receive back completed bursary forms, vet, classify and categorize needy students according to the given criteria as required by the CDF Board Circular Vol.1/111 of 13 September, 2010.

In addition, minutes of the vetting committee showing recommendations to the Constituency Development Committee (CDC) and finally the adoption of the bursary committee report by the Constituency Development Committee to confirm as to who finally benefits from the bursary kitty were provided for audit.

In the circumstances, deserving and needy students may not have benefited.

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 such 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 sustain its services and disclosing as applicable matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention 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 Management 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's 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 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 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

03 February, 2022