

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TURKANA 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 - Turkana North Constituency set out on pages 11 to 43, which comprise the statement of assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and summary statement of appropriation - recurrent and development 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 National Government Constituencies Development Fund - Turkana 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 National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Presentation, Accuracy and Completeness of the Financial Statements

The financial statements of National Government Constituencies Development Fund - Turkana North Constituency submitted for audit did not conform with financial reporting template issued by the Public Sector Accounting Standards Board (PSASB) as detailed below:

1.1 Signing of the Financial Statements

The statement of management responsibilities, statement of receipts and payments, the statement of assets and liabilities, and the statement of cash flows were signed by the sub-county accountant whose Institute of Certified Accountants of Kenya (ICPAK) registration number was not included.

1.2 Statement of Assets and Liabilities

The statement of assets and liabilities reflect net liabilities of Kshs.4,290,387 as at 30 June, 2020. However, the statement does not show the net financial position as required by the financial reporting template.

1.3 Balances Brought Forward

The financial statements reflect prior year 2018/2019 comparative balances which differs with the balances reflected in the financial statements for 2018/2019 as detailed below;

Component	Reference	Comparative Balances as per 2019/2020 Financial Statements (Kshs.)	Balance C/F as per 2018/2019 Financial Statements (Kshs.)	Difference (Kshs.)
Compensation of Employees	Statement of receipts and payments	3,465,325	3,770,206	(304,881)
Use of Goods and Service	Statement of receipts and payments	11,745,956	11,753,911	(7,955)
Other Grants and Transfers	Statement of receipts and payments	33,293,426	33,626,567	(333,141)
Prior Year Adjustments	Statement of assets and liabilities	451,874	1,097,851	(645,977)
Surplus/Deficit	Statement of assets and liabilities	(1,723,508)	(2,369,486)	645,985
Unutilized Funds	Note 17.3	62,424,888	61,778,903	(304,881)

The variances have not been explained or reconciled.

1.4 Unutilized Funds

Note 17.3 to the financial statement for year ended 30 June, 2020 indicated unutilized funds totalling Kshs.71,814,046 while Annex 3 shows unutilized funds totalling Kshs.71,814,044 which further differs with Kshs.71,748,046 reflected in the budget utilization difference as per the summary statement of appropriation - recurrent and development combined. The variances have not been explained or reconciled.

Under the circumstances, the financial statements are not fairly presented in accordance with the International Public Sector Accounting Standards.

2. Cash and Cash Equivalents

The statement of assets and liabilities as at 30 June, 2020 reflects cash and cash equivalents amounting to Kshs.4,290,387. However, examination of the bank reconciliation statement for the month of June, 2020 revealed long outstanding cheques amounting to Kshs.2,615,420, out of which, Kshs.395,865 relate to 2019 and earlier years

which had not been reversed in the cash book. No explanations were provided for the anomaly.

Consequently, the accuracy and completeness of the cash and cash equivalents of Kshs.4,290,387 as at 30 June, 2020 could not be confirmed.

3. Project Management Committee Bank Account Balances

Note 17.4 and Annex 5 to the financial statements reflect Project Management Committee (PMC) bank accounts balances amounting to Kshs.26,400,031. However, a recast of Annex 5 gives a total of Kshs.26,600,031 resulting in unexplained and unreconciled variance of Kshs.200,570. Further, cash books and bank reconciliation statements for the PMC bank accounts were not provided for audit review.

Consequently, the accuracy and completeness of the Project Management Committee bank balances amounting to Kshs.26,400,031 as at 30 June, 2020 could not be confirmed.

4. Summary of Fixed Assets Register

Annex 4 to the financial statements reflects total assets valued at Kshs.19,448,680 on historical costs. However, the fixed assets register was not availed for audit verification.

Consequently, the accuracy and completeness of the assets valued at Kshs.19,448,680 as at 30 June, 2020 could not be confirmed, including their nature, quantities, physical location and fair values.

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 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

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.199,792,613 and Kshs.127,817,879 respectively resulting to shortfall of Kshs.71,974,734 or 36% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.199,792,613 and Kshs.128,044,566 respectively, resulting in underperformance amounting to Kshs.71,748,046 or 36% of the budget.

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

2. Projects Verification

Twelve (12) projects with a funding of Kshs.33,800,000 were sampled and inspected during the audit in February, 2021. The inspection revealed that ten (10) projects were fully completed and equipped, while the remaining two (2) were ongoing as detailed in the table below:.

S/No.	Project Name	Project Activity	Amount Allocated (Kshs.)	Amount Disbursed During the Year (Kshs.)	Observation
1.	Atapar Primary School	Construction of two classrooms to completion (Kshs.2,400,000), equipping with 30 desks at Kshs.150,000 and construction of two door pit latrine to completion at Kshs.350,000	2,900,000	2,900,000	Two Classrooms Complete Latrine Complete No desks equipped.
2.	Katiko Primary School	Construction of an 80-student capacity Dormitory to completion at Kshs.2,400,000 and purchase of 100 double decker beds at Kshs.1,500,000.	3,900,000	3,900,000	Dormitory Complete. Double decker beds equipped.
3.	Kangatukisio Primary School	Construction of two classrooms to completion (Kshs.2,200,000), equipping with 30 desks at Kshs.200,000 and construction of two door pit latrine to completion at Kshs.500,000	2,900,000	2,900,000	Two Classrooms Completed. Latrine Completed.
4.	Lomekwi Primary School	Construction of two classrooms to completion Kshs.2,500,000, purchase of 30 desks at Kshs.200,000.	2,700,000	2,700,000	Two Classrooms Complete and in use. Desks equipped and in use.
5.	Nachukui Primary School	Completion of 80 student capacity dining hall, store and Kitchen; flooring, roofing, painting, fixing of doors and windows	2,200,000	2,200,000	Dining Hall Complete.

S/No.	Project Name	Project Activity	Amount Allocated (Kshs.)	Amount Disbursed During the Year (Kshs.)	Observation
6.	Natoo Anam Primary School	Construction of two classrooms to completion (Kshs.2,400,000), equipping with 30 desks at Kshs.150,000 and construction of two door pit latrine to completion at Kshs.350,000	2,900,000	2,900,000	Two Classrooms Complete Latrine Complete No desks equipped.
7.	Losanyanait Primary School	Construction of two classrooms to completion Kshs.2,200,000, purchase of 30 desks at Kshs.200,000 and construction of one-door pit latrine at Kshs.500,000 to completion	2,900,000	2,900,000	Two Classrooms Complete Latrine Complete Desks equipped.
8.	Nayanae kabaran Primary School	Construction of two classrooms to completion Kshs.2,200,000, purchase of 30 desks at Kshs.200,000 and construction of one-door pit latrine at Kshs.500,000 to completion	2,900,000	2,900,000	Two Classrooms Complete Latrine Complete Desks equipped.
9.	Shabaha Primary School	Construction of two classrooms to completion at Kshs.2,400,000, two door Pit latrine at Kshs.300,000 and Renovation of two classrooms (flooring, painting, fixing of doors and windows) at Kshs.700,000	3,400,000	3,400,000	Two Classrooms Complete Latrine Complete Renovation Complete.
10.	Kaituko Primary School (Environment)	Renovation of one door pit latrine at Kshs.150,000	0	150,000	Pit latrine renovated
11.	Nariokotome Secondary School	Construction of a dining hall to completion at kshs.5,700,000	5,700,000	5,700,000	Dining hall Complete.

S/No.	Project Name	Project Activity	Amount Allocated (Kshs.)	Amount Disbursed During the Year (Kshs.)	Observation
12.	Nariokotome Secondary School (Emergency Fund)	Construction of 3km water pipeline from a nearby borehole.	0	1,250,000	Pipeline Complete and in use
			Total	33,800,000	

In view of the above, the residents of Turkana North Constituency may have not gotten value for money from the incomplete 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. Bursary to Secondary Schools and Tertiary Institutions

The statement of receipts and payments for the year ended 30 June, 2020 reflects other grants and transfers of Kshs.18,836,452 which includes bursaries to secondary schools amounting to Kshs.3,639,597 and tertiary institutions amounting to Kshs.952,000 as disclosed in Note 7 to the financial statements. However, no evidence was provided for audit review to show how vetting, identification and categorizing of needy students was conducted by the Bursary sub-committee as required by the CDF Board circular reference Vol. 1/111 dated 13 September, 2010. Further, no evidence of acknowledgement in form of receipts and letters from the various institutions that received the bursary funds was provided for audit verification.

Consequently, the Management was in breach of the Circular.

2. Unsupported Expenditure

The statement of receipts and payments reflects transfers to other government units amount of Kshs.93,900,000 relating to funds disbursed to various Project Management Committees. However, expenditure returns and acknowledgement letters from institutions where the funds were disbursed to were not provided for audit verification. This was in contravention of Regulation 15(1)(d) of the National Constituency Development Fund Regulations, 2016 which states that the Project Management Committees shall prepare returns and file them with a Constituency Committee.

In the circumstances, it was not confirmed whether the funds totalling Kshs.93,900,000 were received and utilized for the budgeted projects in the year under review.

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 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 Funds ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the National Government either intends to terminate the Fund or to cease operations.

Management is also responsible for the submission of the Fund's 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 Fund's 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 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 National

Government Constituencies Development Fund - Turkana North Constituency 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 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

04 February, 2022