

# **REPORT OF THE AUDITOR-GENERAL ON TURKANA COUNTY COVID-19 EMERGENCY RESPONSE FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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## **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of Turkana County Covid-19 Emergency Response Fund set out on pages 22 to 62, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of 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 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 Turkana County Covid-19 Emergency Response Fund as at 30 June, 2021, 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 the Turkana County Covid-19 Emergency Response Fund Regulations, 2020 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **Inaccuracies in the Statement of Cash Flows**

The statement of cash flows reflects net cash flows from operating activities of Kshs.171,421,418 while Note 21 to the financial statements reflects a balance of Kshs.101,543,359 as net cash flows from operating activities resulting to an unexplained and an unaccounted variance of Kshs.69,878,059.

In the circumstances, the accuracy and completeness of the statement of cash flows balance of Kshs.171,421,418 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Turkana County Covid-19 Emergency Response 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 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 statement of comparison budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.556,676,113 and Kshs.556,676,113 respectively. Similarly, the Fund, expended Kshs.385,254,695 against an approved budget of Kshs.556,676,113 resulting to an under-expenditure of Kshs.171,421,418 or 30% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

### **Other Information**

The Fund Management are responsible for the other information, which comprises the Fund Chairpersons Report, Fund Administrators' report, the statement of Corporate

Governance, Management Discussions and Analysis, statement of Corporate Social Responsibility and the statement of Management Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

## 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 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. Failure to Prepare Operational Budget**

The statement of financial performance reflects total expenses amount of Kshs.385,254,695 comprising of fund administration and general expenses of Kshs.8,356,305 and Kshs.376,898,390, respectively. However, the expenses for the year amounting to Kshs.385,254,695 was incurred without an approved budget contrary to Section 149(2)(h) and (i) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law .

#### **2. Irregular Procurement**

The statement of financial performance reflects general expenses amount of Kshs.376,898,390 which includes hospitality expenses of Kshs.11,387,192 as disclosed in Note 7 to the financial statements. The expenditure includes an amount of Kshs.8,503,515 being payment to a hotel for provision of catering and accommodation services. The framework contract agreement was signed on 4 October, 2019 for a period of two (2) years at a unit rate Kshs.7,840 for full accommodation.

However, there was no evidence to show that the Management prepared value for money assessment report and that the procurement unit prepared and submitted to the Accounting Officer with a copy to the Internal Auditor quarterly reports detailing an analysis of items procured through framework agreements. This is contrary to Sections 114(2) and (6) of the Public Procurement and Asset Disposal Act, 2015.

Further, Note 7 to the financial statements includes payments amounting to Kshs.15,416,240 paid to unregistered suppliers for the financial year 2019/2021 for provision of hire of vehicles and transport services and those with tax compliance certificates that had expired and therefore not eligible for the award of tenders by the Fund contrary to Section 95(3) of the Public Procurement and Asset Disposal Act, 2015.

In addition, stores ledgers to record water deliveries were not availed for audit and therefore, it was not possible to establish water distribution to the residents of Turkana County contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulation, 2015.

In the circumstances, Management was in breach of the law and value for money could not be confirmed.

### **3. Lack of a County Disaster Management Committee and Inventory Management Policy**

The statement of financial performance reflects general expenses amount of Kshs.376,898,390 which includes consumables amount of Kshs.290,253,239 as disclosed in Note 7 of the financial statements. Included in the expenditure of Kshs.256,980,000 are payments in respect of supply and delivery of Covid-19 emergency relief food supplies. However, the County did not have in place Disaster Management Committee and a Disaster Management Policy contrary to Section 4(1) of Turkana County Emergency and Disaster Management Act, 2016.

Further, the Fund does not have an Inventory Management Policy to provide formal guidance on the management of inventory contrary to Regulation 132(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

### **4. Unaccounted for Internal Borrowing**

The statement of financial position reflects receivables from non-exchange transactions amount of Kshs.69,878,059 being outstanding short-term loans balance lent out to the Turkana County Executive as disclosed in Note 12 to the financial statements. However, borrowing agreements have not been availed for audit. Further, there was no evidence of County Assembly approval for short-term borrowings contrary to Section 142(1) and (3) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law .

### **5. Inaccuracies in Presentation of the Financial Statements**

The financial statement reports presented for audit did not include the following information as required by the Public Sector Accounting Standards Board (PSASB) reporting template: -

- i) The statement of financial performance and statement of the cash flows have both not been signed by the Accounting Officer.
- ii) The table of contents is missing critical information such as the individual names of the financial statements thus not aligned with the template.

- iii) Physical progress based on outputs, outcomes and impacts since establishment of County Government entity have not been disclosed as is required by the reporting template.
- iv) List of the implementation challenges of strategic objectives for the Fund and Fund's future outlook in the Management Discussion and Analysis section have not been disclosed.

In the circumstances, the completeness, presentation and disclosure of the financial reports could not be confirmed.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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.

### **Lack of Risk Management Policy**

The Turkana County COVID-19 Emergency Response Fund operated without a risk management policy during the year ended 30 June, 2021 contrary to Regulation 158(1) of the Public Finance Management County Government Regulations, 2015.

In the circumstances, Management was in breach of the law.

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 controls, risk management and overall 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 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 controls, risk management and overall governance.

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 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 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 controls in order to give an assurance on the effectiveness

of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 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 controls.

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 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 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 controls 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**

**07 September, 2022**