

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TURKANA WEST CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2022

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 the 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, the Public Finance Management Act, 2012 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 National Government Constituencies Development Fund -Turkana West Constituency set out on Pages 1 to 40, which comprise the statement of assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation 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 West Constituency as at 30 June, 2022, 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

Basis for Opinion

1. Inaccuracies in the Cash and Cash Equivalents

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.10,588,645 as disclosed in Note 10A to the financial statements. The bank reconciliation statement for June, 2022 reflects unrepresented cheques totalling to Kshs.30,934,624. However, unrepresented cheques amounting to Kshs.2,922,115 had become stale as at 30 June, 2022 and had not been reversed and replaced in the cashbook.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.10,588,645 could not be confirmed.

2. Incomplete Summary of Fixed Assets and Lack of Ownership Documents

Annex 4 to the financial statements - summary of fixed assets register reflects cumulative historical cost amount of Kshs.20,052,480 in respect of fixed assets. However, land on which the Fund's building and structures are built has not been valued and included in the summary of fixed assets register and financial statements. Further, land ownership documents in form of land title deeds were not provided for audit review.

In addition, equipment totalling to Kshs.316,680 which includes, one (1) photocopying machine Kyocera 2020, refrigerator, two (2) Lenovo Laptops Core i3 8GB and 1TB respectively and one (1) Samsung Television Set Smart 55" bought during the year were not included in the summary of fixed assets.

In the circumstances, the existence, completeness and accuracy of fixed assets historical cost amount of Kshs.20,052,480 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 West 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

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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. Project Implementation Status Report

The National Government Constituencies Development Fund -Turkana West Constituency did not prepare and maintain a project implementation status (PIS) report detailing the projects implemented during the year ended 30 June, 2022 and earlier, contract value, payments to date and the project status. It was therefore not possible to establish the status projects in the Constituency.

In the circumstances, it was not possible to confirm whether there was effective monitoring and evaluation of implemented projects.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues or given any explanation for failure to implement the recommendations.

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. Delay in Disbursement of Funds from Board

The statement of receipts and payments reflects transfers from National Government Constituencies Development Fund Board amount of Kshs.183,177,258 as disclosed in Note 1 to the financial statements. However, the receipts includes an amount of Kshs.46,088,379 or 25% of total receipts budgeted for in 2020/2021 financial year contrary to Section 39(2) of the National Government Constituencies Development Fund Act, 2015 which states that the disbursement of funds to the Constituency Fund

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account shall be effected at the beginning of the first quarter of each financial year with an initial amount equivalent to twenty-five per centum of the allocation for the constituency and thereafter the Constituency Fund account shall be replenished in three equal instalments at the beginning of the second, third and fourth quarters of the financial year and Section 40(1) which stipulates that the Board shall ensure that the list of projects forwarded to it by each constituency is, upon approval, funded in accordance with the Act.

In the circumstances, Management was in breach of law.

2. Unsupported Motor Vehicle Repairs

The statement of receipts and payments reflects use of goods and services amount of Kshs.11,629,970 which includes routine maintenance - vehicles and other transport equipment amount of Kshs.761,230 as disclosed in Note 5 to the financial statements. The amount of Kshs.761,230 includes payments of Kshs.319,100 made to two companies for repair of the Fund's motor vehicles. However, the payments of Kshs.319,100 were not supported by; pre-inspection report to show the extent of the damage, post-inspection report to confirm if the repairs were actually done, stores records for replaced or worn out parts, log-books, and work tickets where the defects were registered contrary to Regulation 104 of the Public Financial Management (National Government) Regulations, 2015 which stipulates that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

In the circumstances, Management breached the law.

3. Incomplete Construction of Administration Block at AIC Lopur Primary School

The statement of receipts and payments reflects transfers to other Government units amount of Kshs.86,000,000 which includes transfers to primary schools' amount of Kshs.53,000,000 as disclosed in Note 6 to the financial statements. The transfers includes an amount of Kshs.3,500,000 disbursed to AIC Lopur Primary School project for construction of the School's administration block. Project inspection conducted in the month of March, 2023 revealed that, although payments had been made in full, plastering, fixing of doors, windows, ceiling and floor works had not been done. No reason was provided for not completing the project. In addition, the contractor was not on site.

In the circumstances, value for money for the expenditure of Kshs.3,500,000 disbursed to the project could not be confirmed.

4. Undelivered Furniture for Construction of Lopuski Chief's Office

The statement of receipts and payments reflects other grants and transfers amount of Kshs.83,744,289 which includes security payments of Kshs.24,300,000 as disclosed in Note 7 to the financial statements. The expenditure includes an amount of Kshs.3,000,000 disbursed to Lopuski Chiefs office; Kshs,2,800,000 for office construction and Kshs.200,000 for supply of furniture to the office. However, project inspection

conducted in the month of March,2023 revealed that the office is complete but not in use and furniture is yet to be delivered despite full payment being made.

In the circumstances, value for money for the expenditure of Kshs.3,000,000 incurred on the project and Fund risks loss of Kshs.200,000 paid for undelivered furniture.

5. Unsupported Award of Bursaries

The statement of receipts and payments reflects other grants and transfers amount of Kshs.83,744,289 as disclosed in Note 7 to the financial statements which includes bursary to secondary schools and tertiary institutions amount of Kshs.16,692,000 and Kshs.27,270,000, respectively. However, there was no evidence to show that the sub-committee was formed included two co-opted members, one of whom must be education officer or an officer seconded from Ministry of Education. This is contrary to the Constituencies Development Fund (CDF) Board circular reference VOL1/111 dated 13 September, 2010 which requires formation of a subcommittee of Constituency Development Fund to manage the bursary scheme including two co-opted members one of whom must be education officer or an officer seconded from Ministry of Education. Further, the criteria of identifying the beneficiaries was not provided for audit review.

In addition, education bursary payments of Kshs.43,962,000 to various institutions were not supported by acknowledgement receipts contrary to Regulation 104(1) of Public Finance Management Regulations, 2015 which states that all receipts and payments of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

In the circumstances, Management was in breach of the law and may lose funds through unsupported bursary payments.

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.

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

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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 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 (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 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 intentions 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 control 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 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 controls 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 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 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 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

30 June, 2023