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REPORT



OF

THE AUDITOR-GENERAL

FOR

THE NATIONAL GOVERNMENT FUNDS

FOR

THE FINANCIAL YEAR

2020/2021

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Foreword

This report, is a compilation of the audit reports of National Government Funds for the year ended 30 June, 2021.

The Auditor-General is mandated by the Constitution of Kenya, 2010, under Article 229, to audit and report on the use of public resources by all entities funded from public funds. These entities include the National Government, County Governments, the Judiciary, Parliament, Statutory Bodies/State Corporations, Commissions, Independent Offices, Public Debt, Political Parties funded from public funds, other government agencies and any other entity funded from public funds. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

Article 229(7) of the Constitution requires the Auditor-General to audit and submit reports to Parliament or the relevant County Assembly within six (6) months after the end of the financial year. However, Section 81(4) of the Public Finance Management Act, 2012, reduces the timeline to three (3) months by giving entities leeway up to the end of September to prepare and submit financial statements for audit. This reduces the duration for audit and reporting from six (6) months given by the Constitution to three (3) months. This has been adversely affecting the timelines for reporting, leading to backlogs and affecting the efficiency and effectiveness for oversight by Parliament and the County Assemblies.

Further, as previously reported, an effective mechanism for follow up on implementation of audit recommendations is lacking and as such most audit queries recur in subsequent audit reports due to lack of requisite action. Section 204(1)(g) of the Public Finance Management Act, 2012 provides that the Cabinet Secretary for matters relating to finance may apply sanctions to a national government entity that fails to address issues raised by the Auditor-General, to the satisfaction of the Auditor-General.

However, despite numerous reports indicating lack of accountability and documents to support the legality and effectiveness in the use of public resources, the failure to apply the requisite sanctions and consequences has resulted to some Accounting Officers not adequately accounting for the management and use of public resources with impunity. The lack of action and sanctions has also led to fiscal indiscipline including misallocations, wastage of resources, lack of value for money in implementation of projects and loss of public funds, thereby impacting negatively on development programmes. This in turn threatens economic growth and sustainability of service delivery to citizens. There are instances where some Accounting Officers fail to adequately prepare for audit which is exhibited by numerous inaccuracies in financial statements presented for audit, lack of requisite supporting documents and, in some cases, reluctance to cooperate with the auditors during the audit process.

The Office of the Auditor-General has been continuously improving on the effectiveness and quality of the audit process to ensure that the results of audit and the recommendations thereof are credible, relevant, reliable and value adding. This is geared towards influencing improved decision making and positive impact on the lives and livelihoods of citizens and other stakeholders. Provision of quality and effective audit services and confirmation of the lawfulness and effectiveness in programme implementation requires comprehensive scrutiny and evaluation of supporting documents. Most critical is the physical confirmation of the existence and utilization of projects or programmes implemented throughout the country. To achieve this, therefore, requires an independent and well-resourced audit Office with guaranteed adequate funding to enable efficient, effective and timely execution of the audit cycle as well as retention of optimal staffing to ensure continuous, quality and sustainable audit operations.

The Office continues to seek financial independence and support from Parliament and The National Treasury for enhancement of resources to enable it build technical capacity, expand its presence in the counties, widen the scope and comprehensiveness of audit and motivate staff. We continue to devolve our services closer to the people through establishment of regional offices and construction of office premises to accommodate our staff in order to address the audit needs at the grassroot level. We have so far constructed regional offices in Garissa, Kakamega and Eldoret, while construction works in Embu is almost complete. Plans for construction of our Headquarters in Nairobi, which is currently at the design stage, has been delayed by lack of funding. However, the Office continues to make appeals to Parliament and The National Treasury for adequate funds to enable us perform our functions and achieve our mandate in enhancing accountability across government, both at the national and county levels, and in all other entities funded from public funds.

During the period under review, the Office of the Auditor-General made great strides in enhancing delivery of audit services to the people of Kenya. The Office has entered into partnerships with other Supreme Audit Institutions (SAIs) in the regionally and globally and with local oversight institutions such as the Ethics and Anti-Corruption Commission (EACC), State Corporations Advisory Committee (SCAC) among other organizations, as we strive to increase the impact of audit through learning, knowledge sharing, innovation and collaboration.

Specific reports together with my opinion for each entity are contained in the respective Fund's audited financial statements for the year ended 30 June, 2021, which I have already submitted to Parliament and to each Accounting Officer.

1.0 Introduction

1.1 Constitutional Mandate of the Auditor-General

The Auditor-General is mandated by the Constitution of Kenya, 2010, under Article 229, to audit and report on the use of public resources by all entities funded from public funds. These entities include; the National Government, County Governments, the Judiciary, Parliament, Statutory Bodies/State Corporations, Commissions, Independent Offices, Public Debt, Political Parties funded from public funds, other government agencies and any other entity funded from public funds. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

The Constitution requires the Auditor-General to audit and submit the audit reports of the public entities to Parliament and the relevant County Assemblies by 31 December, every year. In carrying out the mandate, the Auditor-General, is also required, under Article 229(6) to assess and confirm whether the public entities have utilised the public resources entrusted to them lawfully and in an effective way.

Further, the objects and authority of the Auditor-General, as outlined in Article 249 of the Constitution, are: to protect the sovereignty of the people; to secure the observance by all State Organs of democratic values and principles; and, to promote constitutionalism. The Auditor-General has also been given powers by the Constitution, under Article 252, to conduct investigations, conciliations, mediations and negotiations and to issue summons to witnesses for the purpose of investigations.

1.2 Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) Cash Basis, as prescribed by the Public Sector Accounting Standards Board (PSASB), and 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.

Management is also responsible for maintaining an effective internal control environment necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for the assessment of the effectiveness of internal control, risk management and governance.

Further, Management is required to ensure that the activities, financial transactions and information reflected in the financial statements, are in compliance with the law and other relevant or applicable authorities, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how each entity 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.

1.3 Auditor-General's Responsibility

My responsibility is to conduct an audit of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and to issue an auditor's report. The audit report includes my opinion as provided by Section 48 of the Public Audit Act, 2015, and the report is submitted to Parliament in compliance with Article 229(7) of the Constitution.

In addition, Article 229(6) of the Constitution requires me to express a conclusion on whether or not, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other authorities that govern them, and that public resources are applied in an effective way. I also consider the entities' control environment 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.

I am independent in accordance with Article 249(2) of the Constitution of Kenya and ISSAI 130 on the 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 public entities in the Republic of Kenya.

1.4 Reporting Structure

The reporting structure of my report address the reporting requirements of Article 229(6) of the Constitution of Kenya, which requires that an audit report shall confirm whether or not public resources have been applied lawfully and in an effective way. Section 7(1) (a) of the Public Audit Act, 2015 also requires that I provide assurance on the effectiveness of internal controls, risk management and overall governance.

In addition, the International Standards of Supreme Audit Institutions (ISSAIs), require the incorporation of Key Audit Matters in the report on the financial statements, which are those matters that I determine in my professional judgment, are of most significance in the audit of the financial statements as a whole, for the year under review.

In order to address these requirements, my audit reports contain the following:

- i. **Report on Financial Statements**, in which I give an audit opinion on whether the financial statements present fairly, in all material respects the financial position and performance of the entity.
- ii. **Report on Lawfulness and Effectiveness in Use of Public Resources**, in which I give a conclusion on whether or not public resources have been applied lawfully and in effective way.
- iii. **Report on Effectiveness of Internal Controls, Risk Management and Governance**, in which I give a conclusion on whether internal controls, risk management and overall governance were effective.
- iv. **Report on Other Legal and Regulatory Requirements** is included where applicable, especially for the entities that are registered under the Companies Act, 2015 and any other enabling legislation or authorities that require such disclosure.

1.5 Audit Opinions

I have expressed different types of audit opinions based on the following criteria:

a) Unmodified Opinion

The books of accounts and underlying records agree with the financial statements and no material misstatements were found. The financial statements present fairly, in all material respects, the operations of the entity. The financial statements with unmodified opinion are listed in **Appendix A**.

b) Qualified Opinion

Financial transactions were recorded and are to a large extent in agreement with the underlying records, except for cases where I noted material misstatements or omissions in the financial statements. The issues though material, are not widespread or persistent. The financial statements with qualified opinion are listed in **Appendix B**.

c) Adverse Opinion

The financial statements exhibit significant misstatements with the underlying accounting records. There exists significant disagreement(s) between the financial statements and the underlying books of accounts and/or standards. These problems are widespread, persistent and require considerable interventions by the Management to rectify. The financial statements with adverse opinion are listed in **Appendix C**.

d) Disclaimer of Opinion

The financial statements exhibit serious and significant misstatements that may arise from inadequate information, limitation of scope, inadequacy or lack of proper records such that I was not able to form an opinion on the financial operations. The financial statements with disclaimer of opinion are listed in **Appendix D**.

The key findings noted during the audit of the financial statements of the National Government Funds for the year ended 30 June, 2021 are highlighted in the ensuing pages.

THE NATIONAL TREASURY – VOTE 1071

EQUALISATION FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

1. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

2. Non-Compliance with the Constitution

Article 204(1) of the Constitution of Kenya, 2010 requires that one half per cent (0.5%) of all the revenue collected by the National Government each year calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly be paid into the Equalisation Fund. The purpose of the Equalisation Fund is to provide basic services including water, roads, health facilities and electricity to marginalised areas, to bring the quality of the services in those areas to the level generally enjoyed by the rest of the nation.

As reported in the previous year, review of the financial statements for the Equalisation Fund for the year ended 30 June, 2021 revealed that only an amount of Kshs.12,400,000,000 out of the expected Kshs.30,786,056,051 of the total entitlement from the financial years 2011/2012 to 2019/2020 had been transferred to the Equalisation Fund Account as tabulated below:

Financial Year	Approved Audited Revenues (Kshs.)	Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)
2011/2012	465,811,210,150	2,329,056,051	-
2012/2013	526,653,500,000	2,633,267,500	-
2013/2014	526,653,500,000	2,633,267,500	-
2014/2015	773,015,500,000	3,865,077,500	6,400,000,000
2015/2016	773,015,500,000	3,865,077,500	-
2016/2017	773,015,500,000	3,865,077,500	6,000,000,000
2017/2018	773,015,500,000	3,865,077,500	-
2018/2019	773,015,500,000	3,865,077,500	-
2019/2020	773,015,500,000	3,865,077,500	-
Total	6,157,211,210,150	30,786,056,051	12,400,000,000

The National Treasury had not remitted the remaining balance of Kshs.18,386,056,051 to the Fund as at 30 June, 2021. Management has stated that funds were not disbursed during the period under review due to a court ruling that declared the Guidelines on the Administration of the Equalisation Fund published on 13 March, 2015 null and void. Lack of disbursements casts doubt on realisation of the Fund's intended objective of providing basic services to the marginalized areas.

The National Treasury is, therefore, in breach of the Constitution.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

3. There were no material issues relating to effectiveness of internal controls, risk management and governance.

CONTINGENCIES FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

4. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

5. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

6. There were no material issues relating to effectiveness of internal controls, risk management and governance.

PETROLEUM DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

7. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

8. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

9. There were no material issues relating to effectiveness of internal controls, risk management and governance.

RURAL ENTERPRISE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

10. Unbanked Cash

As previously reported, the statement of financial position reflected bank balances totalling to Kshs.3,348,895 which related to balances brought forward from 2012/2013 and prior years. The balances comprised of cash with District Commissioners on account of loans repaid, interest on loans and balances held in miscellaneous deposits accounts amounting to Kshs.1,951,921, Kshs.108,840 and Kshs.1,288,135, respectively. However, evidence to confirm actual existence of the balance of Kshs.3,348,895 was not provided. Further, the balance of Kshs.1,951,921 relating to District Commissioners (Loans Repaid) included advances amounting to Kshs.207,344 in form of IOUs issued from the Fund to five (5) officers working at the District Commissioner's Office, Kisumu in 1997/1998. The IOUs had not been surrendered as at 30 June, 2021.

In the circumstances, the accuracy, existence and validity of the reported bank balances of Kshs.3,348,895 could not be confirmed.

11. Unreconciled Balances

As was reported in previous years, the statement of financial position for deposits as at 30 June, 2013 reflected a debit balance of Kshs.1,828,388 in respect of the Fund while the Fund account for the same year reflected a balance of Kshs.397,908,774. The significant difference of Kshs.399,737,162 between the two sets of records had not been reconciled or explained as at 30 June, 2021.

Emphasis of Matter

12. Delay in Winding Up the Fund

I draw your attention to Part III of the financial statements which disclosed that an order for the winding up of the Rural Enterprise Fund was issued by the Minister for Finance, through Legal Notice No.97 of 29 June, 2012 issued vide Kenya Gazette Supplement No. 119 dated 14 September, 2012.

The National Treasury had formed a task force on the winding up of dormant funds which included the Rural Enterprise Fund. Thereafter, The National Treasury sought and received legal opinion and recommendations from the Attorney General. A Cabinet Memorandum on winding up of the dormant funds was forwarded to the Attorney General in September, 2019 who advised that draft revocation orders be prepared on the dormant funds.

The Revocation Orders were prepared and submitted to the Cabinet for consideration and approval. On 2 March, 2021, the Head of Public Service communicated the Cabinet

approval for Revocation Order of the dormant funds. The Revocation Orders were submitted to the Attorney General's Office for onward transmission to the National Assembly for approval of the winding up of the dormant funds on 12 April, 2021. The Revocation Orders had not been acted upon by the National Assembly and the process of winding up the Fund had not been completed by the time of the audit.

My opinion is not modified in respect of the above matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

13. Because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

14. Because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

COVID-19 EMERGENCY RESPONSE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

15. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

16. Lack of a Management Board

As was reported in the previous financial year, the Fund has continued to exist without a properly constituted Board to manage the Fund as required by the Public Finance Management (COVID-19 Emergency Response Fund) Regulations, 2020. Management indicated that there exists another Board under the Office of the President whose roles and mandate conflict with the Fund being run by The National Treasury. However, there is no evidence that the existing Board was appointed within the provisions of the Public Finance Management (COVID-19 Emergency Response Fund) Regulations, 2020.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

17. Failure to Utilize Funds

The statement of receipts and payments for the year ended 30 June, 2021, reflects receipts of Kshs.13,336,527. Although the Fund has been in existence for two (2) years with total accumulated receipts of Kshs.9,700,586,977, no expenditure has been incurred since inception of the Fund. This is despite the fact that the Fund was created to alleviate the effects of the rampaging COVID-19 pandemic. The Fund has therefore been an accumulation of non-interest-earning funds.

In the circumstances, the Fund has not achieved its objective of alleviating the effects of the COVID-19 pandemic and public resources remained idle while the citizens suffered from the scourge.

STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

18. There were no material issues noted during the audit of the financial statements of the Fund.

Emphasis of Matter

19. Low Uptake of Loans by State Officers and Public Officers

I draw your attention to Part I (a) in the background information in the financial statements which discloses that the State Officers and Public Officers Motor Car Loan Scheme Fund was established in 2015 through Legal Notice No.195 of 25 September, 2015 and pursuant to guidelines provided by Salaries and Remuneration Commission on Car Loan benefit for State Officers and Other Public Officers in December, 2014. The Fund Management has, however, not undertaken any significant activities since then. Although the Secretariat of the Fund had processed sixty-six (66) applications for loans totalling to Kshs.141,313,804, the performance of the Fund still remains relatively low at 3.81% (2020: 1.15%) in comparison to the cash and cash equivalents amount of Kshs.3,704,618,796 held in the Fund's bank accounts as at 30 June, 2021.

In the circumstances, the objective and purpose for which the Fund was established may not be achieved and the value for money of the idle money has not been realised as the amount could have been invested on income generating securities.

My opinion is not modified in respect to the above matter.

Other Matter

20. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.15,100,000 and Kshs.15,152,408 respectively resulting to an over-funding of Kshs.52,408 of the budget. Similarly, the Fund expended Kshs.40,135,656 against an approved budget of Kshs.69,104,520 resulting to an under-expenditure of Kshs.29,768,864 or 42.6% of the budget.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

21. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

22. There were no material issues relating to effectiveness of internal controls, risk management and governance.

GOVERNMENT CLEARING AGENCY FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

23. Non-Disclosure of Receipts and Payments

As previously reported, the statements of receipts and payments for the year ended 30 June, 2020 reflected an amount of Kshs.2,174,171 received in 2018/2019 financial year but which was transferred to the Exchequer in 2019/2020. However, analysis of entries in the bank statement for the Fund bank account operated at a commercial bank in Mombasa revealed that the Agency had received a total of Kshs.252,459,894 and made payments amounting to Kshs.213,585,119 during the year then. No explanation was provided why the Agency did not disclose the receipts and the payments in the financial statements. Further, supporting documents for the transactions reflected in the bank statement were not provided for audit review.

Consequently, the accuracy and completeness of the reported payments amounting to Kshs.2,174,171 for the year ended 30 June, 2020 could not be confirmed.

24. Unsupported Fund Balances

The statement of financial position reflects balances of Kshs.300,931,776 and Kshs.52,973,896 in respect of the accounts receivables and accounts payables respectively, as at 30 June, 2021. The balances relate to opening balances brought forward from 2019/2020 and earlier years. However, the amounts were not supported by ledger, trial balance or any verifiable documents from which the receivables and payables were drawn.

Consequently, the accuracy and completeness of the reported accounts receivables and accounts payables balances of Kshs.300,931,776 and Kshs.52,973,896, respectively could not be confirmed.

25. Delay in Winding Up the Fund

The Fund has been dormant for over ten (10) years. The National Treasury had formed a task force on the winding up of dormant funds which included the Government Clearance Agency Fund. Thereafter, The National Treasury sought and got legal opinion and recommendations from the Attorney General to wind up the funds. A Cabinet Memorandum on winding up of the dormant funds was forwarded to the Attorney General in September, 2019 who advised that draft revocation orders be prepared on the dormant funds.

The Revocation Orders were prepared and submitted to the Cabinet for consideration and approval. On 2 March, 2021, the Head of Public Service communicated the Cabinet approval for Revocation Order of the dormant funds. The Revocation Orders were submitted to the Attorney General Office for onward transmission to the National Assembly for approval of the winding up of the dormant funds on 12 April, 2021. The

Revocation Orders had not been acted upon by the National Assembly and the process of winding up the Fund had not been completed by the time of the audit.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

26. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

27. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

TREASURY MAIN CLEARANCE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified of Opinion

28. Long Outstanding and Unsupported Balances

As reported previously, the statement of financial position reflects Kshs.12,503,607,446 and Kshs.12,490,478,941 in respect of accounts receivables-debtors and accounts payables – creditors respectively. The balances have not been supported and have been outstanding for a long period of time. However, Management has stated that the amount relates to old balances that have been carried forward for many years and it has submitted a draft revocation order to the National Assembly to wind up the Fund, the orders have not been acted upon by the National Assembly at the time of audit.

Consequently, and in absence of a provision for doubtful debts, the recoverability of the long outstanding accounts receivables - debtors and the discharge of the creditors could not be confirmed as at 30 June, 2021

29. Unsupported Deficit Balance Brought Forward

As reported previously, the statement of financial position reflects a net financial position (closing fund balance) of Kshs.13,128,505 which consists of a Fund balance and deficit brought forward of Kshs.14,000,000 and Kshs.871,495, respectively. However, the balances were not supported by any reconciliation statement.

Consequently, the accuracy of the closing Fund balance of Kshs.13,128,505 could not be confirmed as at 30 June, 2021

Emphasis of Matter

30. Delay in Winding Up the Fund

As reported previously, the Fund has been dormant for ten (10) years. The National Treasury had formed a task force on the winding up of dormant funds which included the Treasury Clearance Fund. Thereafter, The National Treasury sought and got legal opinion and recommendations from the Attorney General. A cabinet Memorandum on winding up of the dormant funds was forwarded to the Attorney General in September, 2019 who advised that draft revocation orders be prepared on the dormant funds.

The Revocation Orders were prepared and submitted to the Cabinet for consideration and approval. On 2 March, 2021, the Head of Public Service communicated the Cabinet approval for Revocation Order of the dormant funds. The Revocation Orders were submitted to the Attorney General Office for onward transmission to the National Assembly for approval of the winding up of the dormant funds on 12 April, 2021. The Revocation Orders had not been acted upon by the National Assembly and the process of winding up the Fund had not been completed by the time of the audit.

My opinion is not modified in respect of the above matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

31. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

32. There were no material issues relating to effectiveness of internal controls, risk management and governance.

KENYA LOCAL LOANS SUPPORT FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

33. Unsupported Balances in the Financial Statements

As reported in the previous year, the statement of assets and liabilities reflects Kshs.9,045,400, Kshs.6,364,973 and Kshs.71,595,406 in respect of the bank balance, investments at cost and accounts receivables - accrued interest respectively, as at 30 June, 2021. However, the amounts were not supported by ledger, trial balance and schedule of details or any verifiable documents from which the interest is receivable. This constitutes a serious limitation of scope as none of the balances could be tested for accuracy, completeness or measurement among other tests.

Under the circumstances, the accuracy and validity of the balances as at 30 June, 2021 could not be ascertained.

34. Delay in Winding Up the Fund

As reported in the previous year, the Fund has been dormant since June, 2006. Review of records revealed that The National Treasury had formed a task force on the winding up of dormant funds which included the Kenya Local Loans Support Fund. Further, The National Treasury, in consultation with the Attorney General developed a Cabinet Memorandum on winding up. This effort resulted to Revocation Orders which were approved by the Cabinet. However, as at the time of audit, the Revocation Orders had not been acted upon by the National Assembly and the process of winding up the Fund had not been completed.

In the circumstances, Management has continued to prepare financial statements using opening balances over the years.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

35. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

36. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

PROVIDENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

37. Long Outstanding and Unsupported Other Pending Payables

As disclosed in Note 12.11 to the financial statements, the statement of financial position reflects a balance of Kshs.9,715,111 in respect to other pending payables brought forward from previous years. This represented amounts due to National Government entities. However, the supporting documents or analysis for the balance were not provided for review. The balance has remained outstanding for a long period of time.

In the circumstances, the accuracy and validity of the balances amounting to Kshs.9,715,111 could not be confirmed.

38. Long Outstanding Other Receivables

As disclosed in Note 12.09 to the financial statements, the statement of financial position reflects an amount of Kshs.13,806,771 in respect to other receivables which includes a balance of Kshs.3,921,000 that was invested in the defunct Cereals and Sugar Finance Corporation. The amount has been outstanding for long pending conclusion of the winding up process of the Corporation. The Fund may never recover the amount owed by the defunct Corporation resulting to loss of public funds.

In the circumstances, the recoverability of other receivables amounting to Kshs.3,921,000 is doubtful.

Emphasis of Matter

39. Delay in Winding Up the Fund

As disclosed in Note 12.07 to the financial statements, the Fund does not have surviving beneficiaries. The National Treasury had formed a task force on the winding up of dormant funds which included the Provident Fund. Thereafter, The National Treasury sought and got legal opinion and recommendations from the Attorney General. A Cabinet Memorandum on winding up of the dormant funds was forwarded to the Attorney General in September, 2019 who advised that draft revocation orders be prepared on the dormant funds.

The Revocation Orders were prepared and submitted to the Cabinet for consideration and approval. On 2 March, 2021, the Head of Public Service communicated the Cabinet approval for Revocation Orders of the dormant funds. The Revocation Orders were submitted to the Attorney General Office for onward transmission to the National Assembly for approval of the winding up of the dormant funds on 12 April, 2021. However, the Revocation Orders had not been acted upon by the National Assembly and the process of winding up the Fund had not been completed as at the time of the audit.

My opinion is not modified in respect of the above matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

40. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

41. There were no material issues relating to effectiveness of internal of internal controls, risk management and governance.

EUROPEAN WIDOWS AND ORPHANS PENSION FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

42. Long Outstanding Receivables

As disclosed in Note 12.9 to the financial statements, the statement of financial position reflects a balance of Kshs.23,814,744 in respect to receivables. The balance includes an amount of Kshs.16,900,000 invested in the defunct Cereals and Sugar Finance Corporation which has been outstanding for a long period pending conclusion of the winding up process of the Corporation. No income was received in form of dividends and the Fund may not recover the amount invested resulting to loss of public funds.

Under the circumstances, the recoverability of receivables accounts balance of Kshs.16,900,000 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

43. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

44. There were no material issues relating to effectiveness of internal controls, risk management and governance.

ASIAN OFFICERS FAMILY PENSION FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

45. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following unsatisfactory matters:

- (i) The statement of financial performance for the year ended 30 June, 2021 did not disclose various balances reflected in the Pension Management Information System (PMIS) Trial Balance as detailed below:

No.	Items	Amount (Kshs.)
1	Pension Increase	1,156,505
2	Interest on Investment	1,084,319,585
3	Pension Payment	135,869,947
4	Interest on Investment	600,555,082
5	Other Administration-Contributions	81,932
6	Pension Increase A.O.F.P. E	81,932
7	Income and Expenditure Account	50,554
8	Expenses of Management	10,613,702
9	Appreciation/Depreciation Account	337,703

- (ii) Further, some balances reflected in the statement of financial performance and statement of financial position were not reflected in the PMIS Trial Balance which ordinarily should be the source of the balances as follows:

No.	Items	Amount (Kshs.)
1	Dividend Income: Preference Shares	8,996
2	Dividend Income: Ordinary Shares	3,175,038
3	Payment of Pensions	1,413,196
4	Cash Equivalent	445,483,122

Management has attributed the inaccuracies in the financial statements to the Pension Management Information System which does not give a true and fair reflection of the balances reflected in the Fund's financial statements. Management has however, initiated the process of acquiring a new Pension Management Information System but the resultant output or outcome of the data or information from the new system could not be determined.

- (iii) In addition, as disclosed in Note 12.8 to the financial statements, the statement of financial position reflects a receivables balance of Kshs.23,669,767 comprising of cash owed by defunct Cereals and Sugar Finance Corporation of Kshs.15,200,000.

However, the amount of Kshs.15,200,000 owed by the defunct Cereals and Sugar Finance Corporation has been outstanding for long and no supporting documents were provided for audit verification. Further, the balance of Kshs.23,669,767 includes an amount of Kshs.8,469,767 in respect of dividend due from The Kenya Power and Lighting Company. However, the PMIS Trial Balance reflects dividend receivable from The Kenya Power and Lighting Company of Kshs.5,291,730. The variance of Kshs.3,178,067 was not explained or reconciled.

Under the circumstances, the accuracy and completeness of the balances reflected in the financial statements and recoverability of Kshs.15,200,000 owed by the defunct Cereals and Sugar Finance Corporation for the year ended 30 June, 2021 could not be confirmed.

Other Matter

46. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.5,297,728 and Kshs.3,184,034 respectively, resulting to an under-funding of Kshs.2,113,694 or 40% of the budget. Similarly, the Fund spent a total of Kshs.1,413,196 against an approved budget of Kshs.1,601,196 resulting to an under-expenditure of Kshs.188,000 or 11% of the approved budget. The under-funding and under-expenditure could have affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

47. Because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

REPORT OF EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

48. Because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

ASIATIC WIDOWS AND ORPHANS PENSION FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

49. Unsupported Balance

As disclosed in Note 11.5 to the financial statements, the statement of financial position reflects an amount of Kshs.1,616,470 in respect of balance recoverable from pensioners. The amount relates to excess pension contribution made by the Fund to beneficiaries. No supporting documents or analysis for the balance were provided for audit review. Further, and as previously reported, the last pensioner for the Fund died in June, 2002 which puts into doubt the recoverability of the amounts due from pensioners.

Under the circumstances, the accuracy and validity of the balances could not be confirmed.

Emphasis of Matter

50. Delay in Winding-Up of the Fund

As previously reported, the Fund has been dormant since June, 2002 when the only surviving beneficiary died. The National Treasury had formed a task force on the winding up of dormant funds which included the Asiatic Widows and Orphans Pension Fund. Thereafter, The National Treasury sought and got legal opinion and recommendations from the Attorney General. A Cabinet Memorandum on winding up of the dormant funds was forwarded to the Attorney General in September, 2019 who advised that draft revocation orders be prepared on the dormant funds.

The Revocation Orders were prepared and submitted to the Cabinet for consideration and approval. On 2 March, 2021, the Head of Public Service communicated the Cabinet approval for Revocation Orders of the dormant funds. The Revocation Orders were submitted to the Attorney General's Office for onward transmission to the National Assembly for approval on 12 April, 2021. The Revocation Orders had not been acted upon by the National Assembly and the process of winding up the Fund had not been completed by the time of the audit.

My opinion is not modified in respect of the above matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

51. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

52. There were no material issues relating to effectiveness of internal controls, risk management and governance.

AFRICAN UNION AND OTHER INTERNATIONAL ORGANIZATIONS SUBSCRIPTION FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

53. There were no material issues noted during the audit of the financial statements of the Fund.

Emphasis of Matter

54. Multiple Laws Guiding Operations of the Fund

I draw your attention to Part III of the non-financial information at Page XVII of the financial statements which indicates that the Fund is established under a Gazette Notice No. 10 of 2017, in exercise of Section 24 of the Public Finance Management Act, 2012. The Public Finance Management (African Union and Other International Organizations Subscription Fund) Regulations, 2017 established the African Union and Other International Organizations Subscription Fund through which Kenya's contributions to African Union and Other International Organizations across all Government agencies were to be paid. Until 2017, the Government through The National Treasury has been paying subscriptions to International Organizations through Vote R53 – Consolidated Fund Services - Subscriptions to International Organizations under various pieces of legislation namely: International Finance Corporation Act, CAP 466, International Development Association Act, CAP 465, Bretton Woods Agreements Act, CAP 464, the African Development Bank Act, CAP 492 and the Multilateral Investment Guarantee Agency Convention, 1988 (Revised 2010).

Previously, the Ministries, Departments and Agencies (MDAs) have been remitting such subscriptions through their voted provisions within their budgets. The establishment of the African Union and Other International Organizations Subscription Fund has therefore rendered all other individual voted provisions to be consolidated and budgeted under one umbrella body, the African Union and Other International Organizations Subscription Fund.

Management has not caused the revocation or repealing of the earlier laws to be in tandem with the current legislation and therefore avert the risk of making multiple payments to the international organizations.

My opinion is not modified in respect of the above matter.

Other Matter

55. Budgetary Control and Performance

Review of the statement of comparison of budget and actual amounts for the year under review revealed that the Fund spent Kshs.4,906,730,229 out of a budget of

Kshs.7,210,691,055 resulting in under absorption of funds by Kshs.2,303,960,826 or 68% utilization. The under-utilization of funds was attributed to the fact that the Fund received invoices amounting to Kshs.4,906,730,229.

There is need for Management of the Fund to review its budget making process with a view to formulating a realistic budget that would be actualized during implementation.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

56. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

Conclusion

57. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR PLANNING – VOTE 1072

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – CENTRAL BANK OF KENYA

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

58. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

59. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

60. There were no material issues relating to effectiveness of internal controls, risk management and governance.

WOMEN ENTERPRISE FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

61. Doubtful Receivables from Exchange Transactions

As disclosed in Note 18 to the financial statements, the receivables from exchange transactions balance of Kshs.3,633,751,652 includes loans relating to LPO financing of Kshs.14,967,403 that were due but not paid as at 30 June, 2021. Included in the unpaid figure, is an amount of Kshs.12,257,403 that has been outstanding for more than one (1) year contrary to the loans policy of the Fund. Recoverability of these loans is doubtful since they have been in arrears beyond their respective repayment periods as stipulated in the loan agreements.

Further, the receivables from exchange transactions balance of Kshs.3,633,751,652 includes an amount due from Constituency Women Enterprise Schemes of Kshs.3,264,504,009 which has been outstanding for more than one (1) year. Although the Fund made a general provision for doubtful debts of 1% in line with its credit policy and guidelines, its adequacy cannot be confirmed.

In addition, the receivables from exchange transactions balance includes pikipiki loan amount of Kshs.1,106,920 which represents loan advanced to field officers. The amount includes non-performing loans totalling Kshs.283,333 from members who have failed to repay the loans over several years.

Further, the receivables from exchange transactions includes imprests and advances of Kshs.3,693,920. The amount includes salary advances of Kshs.184,581 owed by former staff who have exited the service. The recoverability of the balance is therefore doubtful.

In view of the foregoing, the accuracy and fair statement of receivables from exchange transactions balance of Kshs.3,633,751,652 as at 30 June, 2021 could not be confirmed.

62. Non-Performing Loans to Financial Intermediaries

The receivables from exchange transactions balance of Kshs.3,633,751,652 also includes amounts due from eight (8) financial intermediary partners with non-performing loans totalling to Kshs.71,330,000. As previously reported, there are ongoing court cases between the Fund and the Intermediaries which is indicative that the loans may not be recovered in full. Further, there are no collaterals to support an advance of Kshs.60,000,000 made to two (2) financial intermediaries who have failed to service the loans. No specific provisions by way of bad debts adjustments have been made in the financial statements to recognize the impairment.

Consequently, the accuracy of the receivables from exchange transactions could not be confirmed.

63. Unsupported Travel, Conferences and Accommodation

As disclosed in Note 14 to the financial statements, the statement of financial performance reflects a balance of Kshs.113,461,414 under general expenses which includes an expenditure of Kshs.21,789,005 in respect of travel, conferences and accommodation. However, review of records revealed an expenditure totalling to Kshs.1,735,400 in respect to travel, conferences and accommodation which was not supported with user requisitions, approval and taxi receipts.

In the circumstances, the validity and completeness of the expenditure totalling to Kshs.21,789,005 on travel, conference and accommodation could not be confirmed.

64. Irregular Payment of Extraneous Allowances

The statement of financial performance reflects an expenditure of Kshs.287,163,324 under employee costs which includes an amount of Kshs.2,859,659 for extraneous allowances paid to volunteers engaged by the Fund during the year under review. However, the payments were not approved by the Salaries and Remuneration Commission. Management did not provide justification for paying the extraneous allowance in addition to monthly stipends to volunteers who are not staff of the Fund or on permanent and pensionable terms of employment.

In the circumstances, the validity and completeness of the expenditure totalling to Kshs.2,859,659 on extraneous allowances could not be confirmed.

Other Matter

65. Unresolved Prior Year Audit Matters

Various prior year audit issues, as disclosed under the progress on follow up of auditor's recommendations section of the financial statements, remained unresolved as at 30 June, 2021. The Management did not provide explanations for the delay in resolving the prior year's audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

66. Irregular Procurement of Motor Vehicle Repairs

The statement of financial performance reflects an expenditure of Kshs.14,924,291 under repairs and maintenance which, as disclosed in Note 13 to the financial statements, includes an amount of Kshs.4,487,174 in respect of motor vehicle repairs. The balance includes maintenance expenses totalling to Kshs.453,256 whose supporting procurement records such as original tender bid documents, tender evaluation minutes, professional opinion, and award minutes were not provided for audit review. This is contrary to Section 68(2)(d)(iii) of the Public Procurement and Asset Disposal Act, 2015, which requires an entity to keep a summary of the proceedings of the opening of tenders, evaluation and comparison of the tenders, proposals or quotations, including the evaluation criteria used.

Consequently, the Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

67. There were no material issues relating to effectiveness of internal controls, risk management and governance.

NATIONAL GOVERNMENT AFFIRMATIVE ACTION FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

68. Unsupported Property, Plant and Equipment

68.1 Lack of Assets Register and Disputed Land Ownership

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.216,583,723 under property, plant and equipment as at 30 June, 2021. However, the fixed assets register indicating the asset number, carrying amounts or cost, accumulated depreciation and netbook values of the assets was not provided for audit review. Further, included in the property, plant and equipment balance of Kshs.216,583,723 is the Gender-Based Violence Centre constructed by the Fund in Kisii County at a contract sum of Kshs.20,813,816. However, the parcel of land on which the Centre was constructed has an ongoing ownership dispute case.

Under the circumstances, the existence, completeness and accuracy of the reported property, plant and equipment balance of Kshs.216,583,723 as at 30 June, 2021 could not be confirmed.

68.2 Missing Generator at the Kiambu County Office

Included in the property, plant and equipment assets register maintained at the Fund's Kiambu County Office is a generator serial number DB2016329212 of undetermined value that was reported to have been stolen. However, police reports and records to confirm the carrying value and the circumstances under which the asset was stolen were not provided for audit review.

Under the circumstances, the completeness and accuracy of the property, plant and equipment balance of Kshs.216,583,123 as at 30 June, 2021 could not be confirmed.

69. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.907,044,462 under cash and cash equivalents which, as disclosed in Note 17 to the financial statements, includes cash held by forty-one (41) counties amounting to Kshs.257,946,864. However, Management did not provide the supporting information and documents such as bank reconciliation statements and the respective cashbooks. Further, the reported balance of Kshs.257,946,864 includes an amount of Kshs.11,034,868 held in a bank account in respect of Kiambu County which differed with the quarterly report amount of Kshs.8,554,212 resulting to an unexplained variance of Kshs.2,480,656.

In addition, the bank reconciliation statements for Nyeri County and Siaya County Offices reflects receipts in bank statement not recorded in the cash book of Kshs.700,000 and payments in the bank statement not in the cashbook totalling to Kshs.4,731,243,

respectively. However, no explanations were provided on why the long outstanding reconciling items had not been written back in the respective cash books.

Consequently, the accuracy and completeness of the reported cash and cash equivalents balance of Kshs.907,044,462 as at 30 June, 2021 could not be confirmed.

70. Unexplained Variance in Transfers to Other Government Units - Kiambu County

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects transfers to other Government units' expenditure of Kshs.1,971,080,886. The amount relates to disbursements and expenditure incurred in forty-seven (47) counties. However, review of expenditure records maintained by Kiambu County Fund Office revealed an unexplained variance of Kshs.14,918,842 between the total expenditure of Kshs.75,850,797 reflected in the financial statements and the balance of Kshs.90,769,639 reflected in the cash book.

Under the circumstances, the accuracy of transfers to other Government units of Kshs.1,971,080,886 reflected in the statements could not be confirmed.

71. Siaya County - Irregular Procurements

The Siaya County NGAAF Office awarded a tender for the supply of 260 bales of 20kgs sugar for flood victims under emergency vote at total cost of Kshs.631,800. However, the following anomalies were noted:

- i. Original tender forms, tender opening and evaluation minutes, professional opinion and tender award letter were not provided for audit review.
- ii. The sugar received was repackaged into smaller quantities of one Kilogram (1 kg) and distributed to various locations in the County with a reimbursement fare of Kshs.100. Scrutiny of the list provided to support the distribution of the procured sugar revealed missing details such as identification numbers of the beneficiaries and mobile phone numbers and failure to indicate specific villages of affected areas in Gem, Rarieda and Bondo Constituencies.
- iii. Local Purchase Order No.1671681 and S13 number 7448143 for the purchase reflected 260 bales of sugar while the delivery note from the supplier indicated 243 bales. The resultant difference of 17 bales was not explained or accounted for.

Under the circumstances, the propriety and validity of payments amounting to Kshs.1,191,750 could not be confirmed.

Other Matter

72. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given an explanation for failure to resolve them in accordance with the provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

73. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget and actual expenditure on comparable basis of Kshs.2,505,031,888 and Kshs.2,119,681,948 respectively, resulting to an under expenditure of Kshs.385,349,940 or 15% of the budget. The under expenditure may have affected the planned activities and impact negatively on service delivery to the public. Further, during the year under review, Kiambu County Office incurred an unbudgeted expenditure totalling to Kshs.742,000 on Civic Education without approval. No explanation was provided for the anomaly.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

74. Nairobi County - Unutilized Funds for Purchase of Motor Vehicles

Records held by the Fund indicated that Nairobi County Office transferred funds totalling to Kshs.8,500,000 to Twende Kazi, a community based organization (CBO) on 30 June, 2021 for the purchase of salon cars. However, audit verification carried out on 21 January, 2021, revealed that the CBO had not utilized the funds which were still held in a bank account. The purpose and objective of the funds disbursed to the group are therefore not being met. No explanation was provided for the failure to utilize the funds for the intended purpose.

Consequently, the public may not get value for money from the unutilized funds.

75. Irregular Award of Tender by Splitting Quotes

Expenditure records indicate that an amount of Kshs.2,287,110 was spent by Kiambu County Office for purchase of wheel chairs, crutches and walking sticks with NGAAF Logo from three firms as follows:

Item Awarded and Supplied	Amount (Kshs.)
Children normal wheelchair	524,700
Common Wheelchairs, elbow clutches, normal clutches and walking sticks	263,910
Adult wheelchairs	1,498,500
Total	2,287,110

The procurement was done through quotation but the quotations register did not indicate when the quotations were received. Further, the order was split among the three bidders contrary to Section 54 of the Public Procurement and Asset Disposal Act, 2015 which prohibits an entity to structure procurements as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed.

Consequently, the Management was in breach of the law.

76. Award of Tenders to Preferred Suppliers

Expenditure records at Kiambu County Office revealed that three suppliers appear to have received preferential treatment in award of tenders. This is contrary to Part I-Preliminary of the Public Procurement and Asset Disposal Regulations, 2020 which provides that an Accounting Officer shall ensure a fair and equitable rotation amongst the persons on the list for subsequent tendering proceedings such as requests for quotations or restricted tendering that may arise during the period of listing. No satisfactory explanation was provided by Management for the unfair selection of suppliers.

77. Lack of Approved Human Resource Plan/Staff Establishment

During the year under review, The National Government Affirmative Action Fund (NGAAF) did not have an approved staff establishment/human resource plan contrary to Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service. The policy requires that every Ministry/State Department shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans should be based on comprehensive job analysis and should be reviewed every year to address emerging issues and needs. Further, the Fund had a total of eighty-nine (89) members of staff employed by the Board and fifteen (15) deployed from other Ministries against staff proposed establishment of two hundred and sixty-one (261) resulting in a shortfall of one hundred and fifty-seven (157).

In the absence of approved human resource plans and job analysis, it was not possible to ascertain how the staff were held accountable and whether the staffing level of the Fund was optimal.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

78. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR INTERIOR AND CITIZEN SERVICES - VOTE 1021

NATIONAL HUMANITARIAN FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

79. Unsupported Payments to Internally Displaced Persons (IDPs)

As disclosed under Note 4 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2021 reflects a total of Kshs.116,198,001 in respect of other grants and transfers and payments/expenses out of which payments amounting to Kshs.43,800,000 were made to various IDPs under the cash payment programme through Equity Bank. However, the payments were not supported with verifiable accounting documents including clearly authenticated schedules from the receiving bank and acknowledgements from the beneficiaries.

Consequently, the validity and propriety of the disbursement of Kshs.43,800,000 included in other grants and transfers and payments/expenses could not be confirmed.

80. Unsupported Bank Balances

As disclosed under Note 5 to the financial statements, the statement of assets and liabilities as at 30 June, 2021 reflects a balance of Kshs.272,622,222 in respect of cash and cash equivalents. However, the unpaid list of IDPs to support the amount of Kshs.259,321 and Kshs.99,760 held in National Bank of Kenya and Equity Bank, respectively all amounting to Kshs.359,081 was not provided for audit verification.

Further, review of the Fund's Bank statement for the account maintained at Equity Bank for the year under review reflected the following unexplained transactions:

- (i) RTGS State Department for Interior and Citizen Services Kshs.193,537,036 Credit on 26.02.2021 and Debit of the same amount on 19.03.2021.
- (ii) RTGS State Department for Interior and Citizen Services Kshs.3,012,737 Credit on 28.05.2021 and Debit of the same amount on 25.06.2021.

In the circumstances, the validity and completeness of the cash and cash equivalents of Kshs.272,622,222 as at 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

81. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

82. Non-Functioning Fund Committee

Although the Prevention, Protection and Assistance to Internally Displaced Persons and Affected Communities Act, 2012 prescribes the Fund Administration procedures including the composition and functions of the Committee and Secretariat, there was no evidence in form of minutes to indicate that the Committee deliberated on the matters of the Fund and directed its administration in the year under audit as provided for under the Act. Further, no evidence was provided of an active Secretariat as provided for in the enabling Act.

Consequently, the adequacy and effectiveness or otherwise of risk management and oversight over the Fund could not be confirmed.

GOVERNMENT PRESS FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

83. Long Outstanding Debtors

As disclosed in Note 11 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.219,220,649 which includes long outstanding debts amounting to Kshs.121,126,799 that have been outstanding for more than five (5) years. No satisfactory reason was provided for failure to collect these long outstanding debts. Further, no provision for bad and doubtful debts has been made in the financial statements.

Under the circumstances, the receivables from exchange transactions balance of Kshs.219,220,649 as at 30 June, 2021 may not be fairly stated.

Other Matter

84. Use of Aged and Obsolete Equipment

The Government Press offers services to Ministries, Departments and Agencies by extension to the general public. Review of the Fund's assets registers and the Government Press Strategic Plan 2020-2024 showed that over 70% of the printing machines that are currently in operation were acquired between 1930 and 1980. This has led to obsolescence with frequent breakdowns and hence high maintenance costs, and difficulties in sourcing for spare parts for maintenance of the otherwise outdated machines.

Consequently, the use of aged equipment has increased the production cost and hence reduced the Fund's competitive advantage in the industry.

85. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects an approved revenue budget of Ksh.400,000,000 with actual revenue collected of Ksh.222,251,651, resulting in an under collection of Kshs.177,748,349 or approximately 44% of the budget. The Management has explained that the shortfall was as a result of harsh economic hardships brought about by COVID-19 pandemic.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

86. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

87. Health and Safety Concerns in Stores

Physical inspection of paper stores at the Fund revealed that the stores were not well ventilated and thus exposing the officers deployed to work therein to the risk of contracting respiratory diseases. Further, the Department did not have adequate safety and firefighting equipment in the stores. These matters were raised in the previous year's audit report and no action has been taken to address the above shortcomings.

STATE DEPARTMENT FOR CORRECTIONAL SERVICES – VOTE 1023

PRISON INDUSTRIES REVOLVING FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

88. Inaccuracies in the Financial Statements

The statement of cashflows reflects an amount of Kshs.2,671,989 in respect of purchase of non-current asset under cash flow from investing activities while the property, plant and equipment schedule in Note 15 to the financial statements reflects nil additions during the year. The resultant difference was not explained or reconciled.

Further, the increase in accounts receivables is reflected in the statement of cash flows as negative balance of Kshs.30,318,827 instead of negative balance of Kshs.113,109,259 resulting in an unexplained variance of Kshs.82,790,432. In addition, the decrease in payables is reflected in the statement of cash flows as negative balance Kshs.41,628,085 instead of negative balance of Kshs.69,509,274 resulting in an unexplained variance of Kshs.27,881,188.

In the circumstances, the accuracy and completeness of the balances reflected in the financial statements could not be confirmed.

89. Unsupported Cash and Cash Equivalents

The statement of financial position, reflects cash and cash equivalents balance of Kshs.593,362,910 as at 30 June, 2021. Although the reporting date of the Fund is 30 June, 2021, the books of accounts for 2020/2021 financial year were closed on 19 July, 2021. As a result, the cut-off procedures were not complied with in determining the reported cash and cash equivalents balance.

Further, one cash book and a single bank account was maintained in the year under review for recording of financial transactions for both the Prison Farms Revolving Fund and the Prisons Industries Revolving Fund yet the two Funds are distinct and prepare separate sets of financial statements for audit purposes. In addition, the reported cash and cash equivalents balance of Kshs.593,362,910 is a computed figure for the purposes of reporting and was not supported with cash book, bank reconciliations or certificate of bank balances.

In the circumstances, it has not been possible to confirm the accuracy, completeness, and existence of the reported cash and cash equivalents balance of Kshs.593,362,910 as at 30 June, 2021.

90. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects sales of furniture and number plates totalling Kshs.397,006,637 for the year ended 30 June, 2021. However, the main cash book maintained for recording sales of furniture and number plates was the same one used to record sales from prison farms. The combined cash book reflects amounts received without indicating the source of revenue and the account to which it relates, whether prison industries or farms.

Further, the cash book was updated using the entries in the bank statements instead of the source documents raised at the point of sale. As a result, the revenue generated in respect of sales of furniture and number plates was not supported with documentary evidence in the form of cash book extracts, miscellaneous receipt books or bank statements. In addition, the manual revenue register maintained to support the amount of Kshs.397,006,637 could not be reconciled with the entries posted in the main cash book.

Consequently, the accuracy and completeness of the revenue from exchange transactions of Kshs.397,006,637 could not be confirmed.

91. Unsupported Non-Current Assets

The statement of financial position reflects non-current assets balance of Kshs.60,475,786 as at 30 June, 2021 which is at variance with Note 15 to the financial statements on property, plant and equipment figure of Kshs.57,549,346 resulting into an unreconciled variance of Kshs.2,926,440. Further, the assets register maintained for the Prison Industries Revolving Fund was last updated on 30 June, 2017.

In the circumstances, the accuracy and completeness of the non-current assets of Kshs.60,475,786 as at 30 June, 2021 could not be confirmed.

Other Matter

92. Long Outstanding Creditors

As disclosed in Note 16 to the financial statements, the statement of financial position as at 30 June, 2021 reflects trade and other payables - creditors of Kshs.312,345,174. The balance includes an amount of Kshs.82,921,500 owed to the other Government entities which have been outstanding for more than a year.

Management has not explained why the creditors were not paid despite the Fund having funds in its bank account as at 30 June, 2021.

93. Unresolved Prior Year Matter - Stalled Project for Production of Modern Motorized Vehicle Number Plates and Supply and Delivery of Motorized Vehicle Number Plates Blanks

As previously reported, records at Kamiti Main Prison Industry revealed that machines for producing modern motorized vehicle number plates which were supplied and delivered in the year 2016 at a cost of Kshs.15,295,500 have not been used for the intended purposes

and have since remained idle to date. In addition, a three-year contract for supply and delivery of motorized vehicle number plate blanks was signed on 7 November, 2017 and the raw material supplied. However, the raw materials (motorized vehicle number plates blanks) are still held at the Kamiti Prison Industries stores.

Information available indicates that a case relating to the supply and delivery of Motorized Vehicle Number Plate Blanks: was filed in the Milimani High Court, Case No. E321 of 2020, between a technology company and the Principal Secretary State Department for Correctional Services seeking specific performance of the contract or in the alternative compensation for the full contract value of Kshs.1,050,000,000. No information was provided on the current status of the case. Further, the Management has not disclosed a contingent liability in these financial statements in relation to the case.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

94. Failure to Use Information Technology in Finance and Procurement Sections

The Prison Industries Fund was established by Legal Notice No.314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988 and was deemed to be operational from 1 July, 1987. The Fund, despite being in operation for 34 years is yet to automate its operations especially for purposes of financial reporting and procurement of goods and services. The transaction processing, ledgers and financial statements is done manually. Further, the Fund is yet to implement e-procurement for the management of the procurement processes as required by the Public Procurement and Asset Disposal Regulations, 2020 and the Executive Order No. 2 of 2018.

Management did not provide explanations for the failure to automate its operations.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

95. There were no material issues relating to effectiveness of internal controls, risk management and governance.

PRISON FARMS REVOLVING FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

96. Inaccuracies in Presentation of the Financial Statements

The statement of cash flows reflects cash flows from operating activities amounting to Kshs.119,111,044. However, the balance includes a reduction of creditors from previous year of Kshs.871,000. Review of the statement of financial position indicates that creditors decreased by Kshs.821,000 from Kshs.1,700,000 to Kshs.829,000 as disclosed in Note 20(b) to the financial statements, resulting to an unreconciled difference of Kshs.50,000.

Further, the statement of comparison of budget and actual amounts reflects an amount of Kshs.261,327,868 in respect of both the original and final budget. However, the cast amount for both the original and final budget is Kshs.259,892,868 resulting in an unexplained variance of Kshs.1,435,000 respectively.

In addition, the statement of financial position reflects total non-current assets of Kshs.111,539,902 which includes an amount of Kshs.1,096,300 in respect of scrap machinery. However, this amount and the item were not included in the property, plant and equipment movement schedule in Note 18 to the financial statements.

In the circumstances, the accuracy and completeness of the balances reflected in the financial statements for the year ended 30 June, 2021 could not be confirmed.

97. Unsupported Revenue

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects total revenue of Kshs.355,889,736 in respect of sale of goods. However, audit inspection of various prison farms revealed that records such as the ledgers, receipts vouchers, cash books and banking of receipts from the sale of goods were not provided for audit review.

Consequently, the accuracy, completeness and existence of the reported revenue amounting to Kshs.355,889,736 could not be confirmed.

98. Unsupported Cash and Cash Equivalents

As disclosed in Note 14 to the financial statements, the statement of financial position reflects cash and cash equivalents of Kshs.381,419,861 while the cash balance reported at Central Bank of Kenya was Kshs.381,469,861. The difference of Kshs.50,000 has not been explained. Further, bank reconciliations were not provided.

In the circumstances, the accuracy, completeness and existence of the reported cash and cash equivalents balance of Kshs.381,419,861 could not be confirmed.

99. Unsupported Non-Current Assets

As disclosed in Note 18 to the financial statements, the statement of financial position reflects total non-current assets of Kshs.111,539,902. However, Management did not provide an asset register incorporating all the classes of assets managed and maintained by the Fund to support the balance of assets held by Fund.

In the circumstances, the accuracy, completeness and valuation of the non-current assets of Kshs.111,539,902 could not be confirmed.

Other Matter

100. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref AG.4/16/2Vol.3(72) dated 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

101. Undue Delay in Disposal of Assets

Physical verification carried out in Kitale Main Prison Farm in October, 2021 revealed that a Board of Survey on stores and unserviceable items was conducted on 10 September, 2019, which identified various old and ageing livestock for disposal. On 19 December, 2019, the State Department for Correctional Services halted the disposal exercise, advising that an auctioneer had been identified to conduct the disposal. However, the disposal process had not been concluded as of October, 2021.

In the circumstances, value for money could not be realised due to deterioration of value of the livestock.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

102. Comingling of Funds

Review of the cashbook revealed that Management uses a single cash book for recording of financial transactions and maintains one bank account for both the Prison Farms Revolving Fund and the Prisons Industries Revolving Fund leading to comingling of funds. This is despite the fact that the two funds prepare and submit separate sets of financial statements for audit purposes.

In the circumstances, existence of effective internal controls on funds could not be confirmed.

STATE DEPARTMENT FOR DEVOLUTION – VOTE 1032

STREET FAMILIES REHABILITATION TRUST FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

103. Understatement of Directors' Expenses

As disclosed in Note 5 to the financial statements, the statement of financial performance reflects remuneration of Directors totalling to Kshs.1,982,000. Further, review of records revealed that the remuneration of Directors amount was made up of Chairman's honoraria and Directors' emoluments of Kshs.420,000 and Kshs.1,562,000 respectively. In addition, the verification of payment vouchers of the Fund revealed that accommodation allowances for the Board of Trustees totalling Kshs.8,607,400 that ought to have been charged to remuneration of Directors expenses against a budget of Kshs.2,259,200, was instead charged under employees costs. However, no explanation was provided for this anomaly.

Consequently, the remuneration to Directors expenses for the year ended 30 June, 2021 is understated by Kshs.8,607,400.

104. Lack of Land Ownership Documents

The statement of financial position reflects Kshs.10,034,365 (2020 – Kshs.9,744,614) in respect of property, plant and equipment which excludes the value of various parcels of land that have no ownership documents as indicated below: -

104.1 Land Donated by the Kenya Pipeline Company Limited

As previously reported, Kenya Pipeline Company Limited donated and surrendered to the Fund a piece of land on 23 August, 2007 vide a letter Ref. No. LE/LA/ 25/4 addressed to the Commissioner of Lands by the Managing Director of the Company. The title deed was surrendered to the Commissioner of Lands on 6 August, 2007 for purposes of transferring and registering the property in the name of the Trust Fund. Review of the matter during the month of December, 2021, fourteen (14) years later, reveals that land at Mukuru Kwa Njenga slum had been encroached upon and had not been transferred to the Trust Fund.

104.2 Parcels of Land in Embu, Murang'a and Laikipia

As previously reported, available information indicates that the defunct Local Authorities of Embu, Murang'a and Laikipia allocated land informally to the Street Families Rehabilitation Trust Fund as captured in the Minutes dated 19 September, 2016. However, review of the matter during the audit revealed that the Fund had not identified locations of the properties and had not obtained their title deeds or any other legal/formal

allocation documents. Management had also not demonstrated any efforts put in place to acquire ownership documents.

104.3 Land in Mavoko Town

As previously reported, the Trust Fund purchased land measuring 8.09 hectares in Mavoko town at a cost of Kshs.38 Million on 6 December, 2013. Although, the original title deed was surrendered to the Ministry of Lands for subsequent transfer and registering of the property in the name of the Trust Fund, review of the matter during the audit revealed that the property has not been transferred to the Trust Fund.

Consequently, it is not possible to confirm the ownership, accuracy and completeness of property, plant and equipment balance of Kshs.10,034,365 as at 30 June, 2021.

Emphasis of Matter

105. Accumulation of Idle Bank Balance

As disclosed in Note 9 to the financial statements, the statement of financial position shows a cash and cash equivalents balance of Kshs.143,111,500 (2020 – Kshs.130,325,621) representing cash held in the Fund's bank account. Further, the statement of financial performance indicates that Government transfers totalled Kshs.5,535,642, being transfers to street families' homes against the total transfers to the Trust Fund of Kshs.147,000,000 through Exchequer releases during the year under review. In addition, available information revealed that the cash in the bank account did not earn any interest for over two years.

In the circumstances, the intended beneficiaries, being the street families, may not have benefitted as expected from the idle cash in the bank.

Other Matter

106. Unresolved Prior Year Matters

In the audit report of the previous year, several issues 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. The Management had not resolved the issues or provided reasons for the delay in resolving prior year audit issues as at 30 June, 2021.

In addition, the prior year audit issues have not been included in the annexures to the financial statements under progress on follow-up of auditor's recommendation as required by the Public Sector Accounting Standards Board recommended reporting template.

Consequently, the Management has not complied with Public Sector Accounting Standards Board reporting template for the year ended 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

107. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

108. Lack of Fraud Management Policy

Available records revealed that during the year under review, the Fund Management did not put in place an institutionalized fraud management policy as expected. Consequently, there are no formal approved processes and guidelines on how to mitigate operational, legal and financial frauds such as, identifying business frauds relevant to financial reporting objectives, estimating significance of the frauds, assessing the likelihood of their occurrence and deciding about actions to be taken to address those frauds. In the circumstances, the resources of the Trust Fund are at risk of loss due to fraud.

STATE DEPARTMENT FOR INFRASTRUCTURE – VOTE 1091

MECHANICAL AND TRANSPORT FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

109. Financial Performance

During the year under review, the Fund reported a deficit of Kshs.208,927,996 (2019/2020 deficit - Kshs.156,545,165) resulting in depletion of accumulated reserves from Kshs.1,835,536,866 as at 1 July, 2020 to Kshs.1,626,608,870 as at 30 June, 2021. Management did not disclose any strategies put in place to reverse the unfavourable trend which, if not addressed, may adversely affect the Fund's sustainability of services.

110. Cash and Cash Equivalents

The statement of financial position and Note 10 to the financial statements reflect cash and cash equivalents balance of Kshs.31,259,106 as of 30 June, 2021. The supporting bank reconciliation statement for June, 2021 however reflects receipts in the bank statement but not in the cashbook totalling to Kshs.57,690,345 out of which balances totalling to Kshs.7,881,320 were long outstanding dating back to 2018/2019 and 2019/2020 financial years. Management has not explained why the receipts have not been posted in the cash book for that long.

In the circumstances, it was not possible to confirm that the cash and cash equivalents balance of Kshs.31,259,106 as at 30 June, 2021 was fairly stated.

111. Inaccuracies in Intangible Assets

The statement of financial position and Note 15 to the financial statements reflects intangible assets balance of Kshs.5,906,199. However, the intangible assets were not amortized. Further, the balance of Kshs.5,906,199 excludes an ERP system procured by the World Bank through the Kenya Transport Sector Support Programme (KTSSP) in 2019 at a cost of Kshs.12,397,245 with an aim of integrating its business operations.

Under the circumstances, the accuracy of intangible assets balance of Kshs.5,906,199 could not be confirmed.

112. Property, Plant and Equipment

The statement of financial position and Note 14 to the financial statements reflect property, plant and equipment balance of Kshs.3,910,738,830. However, the historical cost of property, plant and equipment balance of Kshs.6,810,855,639 as at 30 June, 2021 was not supported by an updated fixed assets register. The assets register presented for audit had various gaps in purchase prices, location, logbook number and year of purchase.

Physical verification of assets acquired during the year revealed that none had been tagged and therefore difficult to verify whether the assets were procured during the year under review and whether they belong to the Fund.

Although available information indicated that the Fund occupies several parcels of land in the Country, their details and values have not been disclosed in the financial statements as the Management has not obtained ownership documents for the land.

In view of the above, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,910,738,830 could not be confirmed.

113. Unsupported Travel and Subsistence Allowance

The statement of financial performance and Note 5 to the financial statements reflect travel and subsistence allowances of Kshs.92,613,507 which further includes project allowances amounting to Kshs.70,797,550. However, an examination of documents revealed that there were no regulated rates to guide in the payment of allowances for attendants, supervisors, operators, drivers and mechanics.

In the circumstances, the validity and accuracy of project allowances of Kshs.70,797,550 for the year ended 30 June, 2021 could not be confirmed.

Other Matter

114. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.714,020,019 and Kshs.589,008,620 respectively, resulting in a revenue shortfall of Kshs.125,011,399 or 18% of the budget. Similarly, the Fund spent an amount of Kshs.556,961,074 against an approved budget of Kshs.714,020,020 resulting in an under absorption of Kshs.157,058,946 or 21% of the budget.

The revenue deficit and under-absorption affected the planned activities of the Fund and impacted negatively on service delivery to the public.

115. Trade and Other Payables

The statement of financial position reflects trade and other payables totalling Kshs.29,696,200 as at 30 June, 2021, which as disclosed in Note 16 to the financial statements comprise of trade payables balance of Kshs.15,966,565 and third-party balance of Kshs.13,729,635 relating to previous years.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form the first charge.

116. Unresolved Prior Year Audit Matters

In the audit report of the previous year, a number of issues were raised. However, Management has not resolved the issues or disclosed the prior year matters as provided

by the Public Sector Accounting Standards Board (PSASB) and The National Treasury's Circular Ref: AG.4/16/2 Vol.3 (72) dated 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

117. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

118. Non-Compliance with Authorized Staff Establishment

Review of the Fund's authorized staff establishment revealed that, in-post staff in various cadres were 1,210 against an authorized establishment of 2,677 resulting in a shortage of 1,467. The staff shortage noted if not addressed could impact negatively on the operations of the Fund.

ROADS ANNUITY FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

119. There were no material issues noted during the audit of the financial statements of the Fund.

Other Matter

120. Under-Absorption of Funds

The statement of comparison of budget and actual amounts reflects approved budgeted transfers to other Government entities of Kshs.12,326,000,000 against actual transfers of Kshs.2,826,858,620 resulting in an under absorption of Kshs.9,499,141,380. Further, it was observed that roads work of Kshs.2,682,858,620 relating to Ngong-Kiserian-Isinya and Kajiado-Imororo road was the first activity since the Road Annuity Fund was operationalized in 2015. The under absorption is an indication that the Fund may not be achieving its mandate as per the Public Finance Management Act, 2012.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

121. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

122. Effectiveness of the Road Annuity Oversight Committee

Review of the composition of the Fund's Oversight Committee revealed that, the Committee is not duly constituted as required by Regulation 12(1) of the Public Finance Management (Roads Annuity Fund) Regulations, 2015 as there was no representation from the Kenya Bankers Association and two other persons being eminent professionals drawn from the engineering, accounting or legal professions. It was therefore not clear whether the oversight committee as was constituted discharged its oversight functions as provided in the law.

In the circumstances, the oversight committee may not effectively discharge its mandate as envisaged by the Public Finance Management (Roads Annuity Fund) Regulations, 2015.

STATE DEPARTMENT FOR TRANSPORT – VOTE 1092

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

123. Transfers to Other Government Entities

The statement of financial performance reflects an amount of Kshs.4,238,936,886 under transfers to other Government entities which, as disclosed in Note 12.5 to the financial statements, includes an amount of Kshs.405,179,213 transferred to the Kenya Railways Corporation (KRC) Escrow Account. The latter balance differs with the amount credited to the KRC Escrow bank account of Kshs.392,792,409 resulting to a difference of Kshs.12,386,804 attributed to the exchange difference of Kshs.3.4041 between the Central Bank of Kenya (CBK) rate of Kshs.107.9459 on 24 August, 2020 and the rate of Kshs.111.35 applied by the Kenya Commercial Bank (KCB) on the same date. Management did not demonstrate efforts made to negotiate for a better exchange rate with the bank to avoid the loss which could point to weak treasury management.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

124. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

125. There were no material issues relating to effectiveness of internal controls, risk management and governance.

RAILWAY DEVELOPMENT LEVYFUND (HOLDING ACCOUNT)

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

126. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

127. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

128. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT – VOTE 1094

CIVIL SERVANTS HOUSING SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

129. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects accounts capital/development grants/funds balance of Kshs.9,080,969,134 as at 30 June, 2021. A casting of the balances gives a total amount of Kshs.9,080,933,130 resulting to a variance of Kshs.36,004. Similarly, the statement reflects payable 10% deposits reserves balance of Kshs.602,785,168 while the supporting schedule reflects a balance of Kshs.602,749,167 resulting to a variance of Kshs.36,001. Further, the statement reflects capital reserves debit balance of Kshs.2,070,562 and deposit for houses debit balance of Kshs.7,577,065 whose supporting analysis were not provided for audit review.

Under the circumstances, the accuracy and validity of the statement of changes in net assets could not be confirmed.

130. Use of Goods and Services

As disclosed in Note 12 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.107,340,348 under use of goods and services. Review of records provided revealed the following inadequacies;

130.1 Unsupported Advertisement, Awareness and Publicity

Included in the expenditure on use of goods and services is an amount of Kshs.69,653,017 incurred on advertisement, awareness and publicity. However, payment documents in support of expenditure totalling to Kshs.19,816,552 were not provided for audit review. Further, the amount of Kshs.69,653,017 includes an expenditure of Kshs.29,294,888 whose break down was not provided for audit verification. In addition, the total expenditure includes payments totalling to Kshs.31,300,188 relating to general expenses, travel and domestic expenses that were misclassified under advertisement, awareness and publicity.

130.2 Unreconciled Training Expenses

The expenditure on use of goods and services includes training expenses of Kshs.5,000,000. However, the amount excludes payments totalling to Kshs.2,511,880 which although traced in the cash book, were not included in the ledger and supporting schedule.

130.3 Unreconciled Electricity Expenses

Included under use of goods and services expenditure, is an amount of Kshs.646,048 in respect of electricity expenses. However, the amount did not include payments amounting to Kshs.1,195,551 which were instead charged to refurbishment of residential buildings.

Under the circumstances, the accuracy of the expenditure of Kshs.107,340,348 could not be ascertained.

131. Receivables from Exchange Transactions

As disclosed at Note 17 to the financial statements, receivables from exchange transactions balance of Kshs.6,097,035,324 comprised of current receivables of Kshs.392,643,328 and long-term receivables of Kshs.5,704,391,996 as at 30 June, 2021. Included in the current receivables of Kshs.392,643,328 is an amount of Kshs.109,647,558 owed by the Principal Secretary-Lands which has remained outstanding for several years. In addition, the current receivables reflects rent and service charge arrears balances of Kshs.237,105,191 and Kshs.45,890,579, respectively. The analysis provided revealed that although the balances were grouped as current receivables, most of the balances have been outstanding for several years and some were running balances. Further, Management did not provide details of the composition of long-term receivables of Kshs.5,704,391,996 since the ledger extracts provided for audit review did not indicate the names of persons or institutions owing the Funds. In addition, no provision for bad and doubtful debts has been provided despite some balances remaining outstanding for a considerable long period.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.6,097,035,324 as at 30 June, 2021 could not be confirmed.

132. Cash and Cash Equivalents

As previously reported and as disclosed in Note 16 to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.2,234,665,183 as at 30 June, 2021. However, the bank reconciliation statement for the deposit account reflects un-banked receipts totalling to Kshs.17,840,670 out of which amounts totalling to Kshs.14,360,196 was in respect to 2018/2019 and 2019/2020 financial years. Further, the reconciliation statement reflects unrepresented cheques totalling to Kshs.21,274,256 out of which clearance status for payments totalling to Kshs.1,709,090 was not provided. In addition, the clearance status of receipts in the bank statement not in the cash book amounting to Kshs.182,667,400 was not provided.

In the circumstances, it was not possible to confirm whether the cash and cash equivalents balance of Kshs.2,234,665,183 as at 30 June, 2021 was fairly stated.

Other Matter

133. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and expenditure budget of Kshs.372,275,206 and Kshs.240,518,763, respectively, resulting to a variance of Kshs.131,756,443. No explanation was provided for the

unbalanced budget. In addition, the Fund expended Kshs.155,864,653 against an approved budget of Kshs.240,518,763 resulting to an under-expenditure of Kshs.84,654,110 or 35% of the budget. The Management did not provide the approved budget for the 2020/2021 financial year and as a result, the validity of the final receipt and expenditure budget amounts of Kshs.372,275,206 and Kshs.240,518,763 respectively could not be confirmed. In addition, it was not possible to confirm whether the Fund was authorised to incur the total expenses of Kshs.155,864,672 reflected in the statement of financial performance for the year ended 30 June, 2021, which is contrary to Regulations 51(2) of the Public Finance Management (National Government) Regulations, 2015 that requires expenditure commitments for supply of goods and services to be controlled against spending and procurement plans approved by the responsible Accounting Officer based on allocations from approved budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

134. Irregular Payments made out of Machakos Housing Project

As reported in the previous year, the contract for the Machakos Housing Project was awarded on 25 August, 2017 at a sum of Kshs.706,500,000 which was later revised to Kshs.744,475,735 for a duration of ninety-six (96) weeks ending on 21 June, 2019. An extension of time was subsequently granted to 20 November, 2020. Information provided by the Management indicate that the project was completed and a practical completion certificate issued on 12 August, 2020. However, and as similarly reported in 2019/2020, payments amounting to Kshs.10,639,982 were made out from the contract without adequate supporting documents contrary to Regulations 99(3) of the Public Finance Management (National Government) Regulations, 2015.

135. Delay in Completion and Failure to Recover Liquidated Damages for Embu Housing Project

As reported in the previous year, the contract for the Embu Housing Project was awarded at a sum of Kshs.843,932,665 and later revised to Kshs.866,737,918 for a duration of ninety-six (96) weeks ending on 20 June, 2019 and later revised to 31 July, 2020. However, information available indicate that the project was completed on 31 December, 2021. The project was thus behind schedule by 68 weeks by the time of completion. Review of the contract document further indicate that liquidated damages were provided at the rate of Kshs.300,000 per week which translate to Kshs.20,400,000 for the 68 weeks duration. However, no evidence was provided for audit review to confirm that the liquidated damages were charged and recovered as provided for in the contract.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

136. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE OFFICERS HOUSE MORTGAGE SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

137. Long Term Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 13(b) to the financial statements reflects a balance of Kshs.2,962,606,383 under long-term receivables from exchange transactions (mortgage recoverable) as at 30 June, 2021. However, a review of loans records revealed that loans amounting to Kshs.379,774,630 due from fifteen (15) individuals were not being serviced and had accumulated arrears amounting to Kshs.15,601,855 as at 30 June 2021. No evidence of measures being taken by Management to recover the loans was provided for audit review and no provision for doubtful debts has been made against the receivables.

Under the circumstances, the recoverability of loans amounting to Kshs.379,774,630 and arrears thereof of Kshs.15,601,855 included in the long-term receivables balance of Kshs.2,962,606,383 as at 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

138. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

139. There were no material issues relating to effectiveness of internal controls, risk management and governance.

KENYA SLUM UPGRADING LOW COST HOUSING AND INFRASTRUCTURE TRUST FUND (KENSUF)

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

140. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

141. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

142. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR PUBLIC WORKS – VOTE 1095

STORES AND SERVICES FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

143. Lack of Underlying Records and Approved Budget

During the audit, the Fund did not provide for audit review, the underlying records used to prepare the financial statements by way of approved budget and trial balance. In addition, the financial statements presented for audit did not include the statement of comparison of budget and actual amounts contrary to the reporting template issued by the Public Sector Accounting Standards Board (PSASB)

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

144. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions - sale of goods of Kshs.112,673. However, the Fund Management did not provide the relevant supporting documents in support of the sales. Further, it appears strange that there were no expenses to match the revenue as required by the matching concept.

In the circumstances, the accuracy and validity of the reported revenue from exchange transactions - sale of goods of Kshs.112,673 could not be confirmed.

145. Receivables from Exchange Transactions

As previously reported, the statement of financial position reflects receivables from exchange transactions balance of Kshs.1,232,261 which has been outstanding for more than three (3) years. No provision for bad and doubtful debts has been made in the financial statements. Further, the Fund Management did not provide any documentation or information in support of this balance.

Consequently, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs.1,232,261 could not be confirmed.

146. Unsupported Inventories Balance

The statement of financial position reflects inventories balance of Kshs.197,048,168 as at 30 June, 2021. This figure has remained the same over the years. However, no supporting documents including stock take schedules for the inventories balance as well as stock ledgers were provided for audit.

In the circumstances, the accuracy and existence of the inventories balance of Kshs.197,048,168 as at 30 June, 2021 could not be confirmed.

147. Trade and Other Payables from Exchange Transactions

147.1 Unsupported Suspense Account Balance

As reported previously, the statement of financial position reflects a suspense account balance of Kshs.19,641,489 as at 30 June, 2021. However, supporting documents for the balance were not provided for audit review.

Consequently, the accuracy and validity of the suspense account balance of Kshs.19,641,489 could not be confirmed.

147.2 Unsupported Payments Received in Advance

As reported previously, the statement of financial position reflects payments received in advance balance of Kshs.57,166,713 as at 30 June, 2021. However, documents in support of the balance by way of bank statements and/or a schedule indicating dates of the deposits were not provided for audit review.

In the circumstances, the accuracy of the payments received in advance balance of Kshs.57,166,713 could be confirmed.

148. Unsupported Bank Overdraft

As reported previously, the statement of financial position and Note 12 to the financial statements reflects borrowings - bank overdraft (CBK) balance of Kshs.283,595,154 as at 30 June, 2021. This is contrary to Regulation 83(3) of Public Finance Management (National Government) Regulations, 2015 which requires that a National Government overdraft at the Central Bank of Kenya shall be retired by the end of the financial year. Further, the supporting documents for this balance was not provided for audit.

Consequently, it was not possible to confirm that the bank overdraft balance of Kshs.283,595,154 as at 30 June, 2021 was fairly stated.

149. Effectiveness of the Audit Committee

During the year under review, the State Department for Public Works nominated five members to the Audit Committee. However, available information indicates that the Committee met only once contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the audit committee shall meet at least once in every three months.

In the circumstances, the effectiveness of the audit committee over the Fund's operations for the year ended 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

150. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

151. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

MINISTRY OF LANDS AND PHYSICAL PLANNING – VOTE 1112

LAND SETTLEMENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

152. Long Outstanding Trade Receivables

The statement of financial position and as disclosed in Note 9 to the financial statements, and reflects trade receivables of Kshs.12,188,377,058. Included in the balance are land loans and development loan issued amounting to Kshs.6,896,185,412 and Kshs.69,819,548, respectively. Some of these loans were issued to settlers as far back as the year 1962 and have remained outstanding to date. In addition, the Fund Management has no clear policy on evaluation of the account receivables from time to time to determine the recoverability of the outstanding loans.

Consequently, the accuracy and recoverability of the trade receivables balance of Kshs.12,188,377,058 as at 30 June, 2021 could not be confirmed.

153. Long Outstanding Interest Receivable

As disclosed in Note 9 to the financial statements, the trade receivables balance of Kshs.12,188,377,058 also includes an amount of Kshs.5,222,372,098 relating to interest receivable which has accumulated over the years on loans issued to settlers since the year 1962. It was observed that the Fund continued to compound cumulative interest as long as the loan remained outstanding without due consideration to the recoverability.

In the circumstances, the accuracy and recoverability of the long outstanding interest receivable balance of Kshs.5,222,372,098 as at 30 June, 2021 could not be confirmed.

Other Matter

154. Budgetary Control and Performance

The statement of comparative budget and actual amounts for the year ended 30 June, 2021 reflects final budgeted expenditure and actual expenditure of Kshs.1,078,018,391 and Kshs.905,071,988, respectively resulting in an under-expenditure of Kshs.172,946,403 or about 16 % of the budgeted amount. The under-expenditure affected the planned activities and may have impacted negatively on the delivery of land settlement services to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

155. Undistributed Land - Kisima Njoro for Resettlement of Internally Displaced Persons (IDPS) in Nakuru County

As previously reported, Kisima Njoro land was purchased at a cost of Kshs.396,984,000 as per agreement for sale dated 3 October, 2012 for resettlement of Internally Displaced Persons (IDPS). However, during physical verification of the land in the month of September, 2021, it was noted that, the land had not been surveyed or sub-divided and therefore, the beneficiaries had not been settled nine (9) years after the purchase of the land.

Consequently, the objective for which the land was acquired and value for money had not been achieved as at 30 June, 2021.

156. Undistributed Land - Mikanjuni Farm in Kilifi County

During the year under review, the Fund purchased Mikanjuni Farm at a cost of Kshs.377,000,000 as per agreement for sale dated 22 April, 2020 for resettlement of informal settlers. During field visit to the farm in the month of October, 2021 a list of beneficiaries was provided by the Land Adjudication and Settlement Officer (LASO) of Kilifi County but the farm was still listed as undistributed. No justification was given for not distributing and settling the informal settlers.

Consequently, the objective for which the land was acquired and value for money had not been achieved as at 30 June, 2021.

157. Undistributed Land - Kadza Ndani Land in Mombasa County

The Fund purchased three (3) parcels of land at Kadza Ndani in Mombasa County at a cost of Kshs.378,000,000 as per sale agreement dated 11 September, 2020 for resettlement of informal settlers. However, during field visit to the farm in the month of October, 2021, a list of beneficiaries was provided by the Land Adjudication and Settlement Officer (LASO) of Mombasa County but the land was still listed as undistributed. No justification was given for not distributing and settling the informal settlers.

Consequently, the objective for which the land was acquired and value for money had not been achieved as at 30 June, 2021.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

158. Inactive Audit Committee

Review of Internal Audit function revealed that the Ministry's Audit Committee never met to discuss internal audit reports for the Land Settlement Fund during the year under

review. The Audit Committee was, therefore, not effective in providing oversight on financial and risk management including monitoring and reviewing of the effectiveness of internal audit functions and internal controls, risk management systems and financial statements.

In the circumstances, the internal control system is not working as intended.

159. Lack of a Risk Management Policy

During the year ended 30 June, 2021, despite the Internal Audit Unit having a risk matrix that ranks risks and guides their annual internal audit plans, the Management did not have in place an institutionalized Risk Management Policy. As a result, there was no formal approved processes and guidelines on how to identify, assess and mitigate operational, legal and financial risks.

STATE DEPARTMENT FOR SPORTS – VOTE 1132

SPORTS, ARTS AND SOCIAL DEVELOPMENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

160. Unsupported Disbursements to Various Federations

The statement of financial performance reflects transfers to Government implementing agencies and sports organizations amount of Kshs.8,986,829,006 as disclosed in Note 18 to the financial statements. The amount includes Kshs.6,946,550,167 for development of sports, Kshs.1,756,080,820 for social development including universal health, Kshs.218,098,442 for promotion and development of arts and Kshs.66,099,576 for monitoring and evaluation costs. However, bills of quantities, governing body minutes, designs, approved plans and monitoring and evaluation reports were not provided for audit review.

Consequently, the propriety of Kshs.8,986,829,006 transferred to Government implementing agencies and sports organizations could not be confirmed.

161. Irregular Procurement of Air Tickets for Members of Parliament

The statement of financial performance reflects Kshs.8,986,829,006 in respect to transfers to Government implementing agencies and sports organizations. The figure includes an amount of Kshs.1,176,695 paid to a travelling agent for procurement of return air tickets to Mombasa for a parliamentary committee retreat under the World Under 20 Championship.

Although authority was sought from the Cabinet Secretary to approve the expenditure for Ministry of Sports, Culture and Heritage officers to attend the retreat, only four (4) received tickets, while twenty nine (29) tickets were for Members of Parliament whose names were not included in the approved request. It was not explained why the Management of World Under 20 procured return air tickets for Members of Parliament yet their expenses are funded by the Parliamentary Service Commission. Further, there were no boarding passes, attendance register and back to office report to confirm that the retreat took place.

Consequently, the propriety of Kshs.1,176,695 expenditure on air tickets could not be confirmed.

162. Unconfirmed Expenditure on Social Development Including Universal Health

The statement of financial performance reflects transfers to Government implementing agencies and sports organizations amount of Kshs.8,986,829,006 and as disclosed under Note 18 to the financial statements. The balance includes an amount of Kshs.1,756,080,820 disbursed to the Ministry of Health (MOH) as a Sports Fund Agency relating to social development including universal health.

However, no evidence was provided to confirm that the quarterly and annual progress reports from the social development including universal health (MOH) were submitted to the Sports Fund to confirm the expenditure of Kshs.741,581,520 for the year under review.

Further, no evidence was provided to confirm that Kshs.1,014,499,300 which was not utilized during the year under review was returned to Sports, Arts and Social Development Fund in line with Section15(3) of Legal Notice No.194 dated 25 October, 2018.

In the circumstances, the accuracy and completeness of social development including universal health expenditure of Kshs.1,756,080,820 could not be confirmed.

163. Unsurrendered Imprests - World Rally Championship (WRC) Safari Rally

Examination of imprest register maintained by World Rally Championship revealed that imprests issued to nine (9) officers totalling to Kshs.17,126,719 were not surrendered as at 30 June, 2021. In addition, personal numbers for four (4) officers were not indicated as tabulated below:

Personal No.	Imprest Register Folio No.	Date of Issue	Imprest Warrant No.	Unsurrendered Imprest (Kshs.)
2016005779	14	28 June, 2021	3898892	6,251,000
2018101050	3	26 February, 2021	3898859	2,000,000
1982021799	23	15 May, 2021	3898878	2,774,750
N/A	16	26 April, 2021	3898869	139,400
N/A	15	26 April, 2021	3898872	170,100
2018101043	13	26 April, 2021	3898874	1,543,500
N/A	4	24 November, 2020	3898853	244,069
2016005779	14	26 April, 2021	3898876	3,679,900
N/A	28	15 June, 2021	3898886	324,000
Total				17,126,719

Further, it was noted that, one officer had retired and was no longer in service. No reasons were provided for failure to account for the imprests or have them recovered from the officers' salaries.

Consequently, the recoverability of imprests totalling to Kshs.17,126,719 could not be confirmed.

Other Matter

164. Unresolved Prior Year Audit Matters

In the audit report of the previous year, a number of issues were raised under the Report on the Financial Statements. However, Management has not resolved the issues nor disclosed all the prior year matters as required by the Public Sector Accounting Standards Board template and The National Treasury's Circular Ref: PSASB /1/12 Vol.1 (44) of 25 June, 2019.

165. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the Fund received Kshs.7,010,832,192 against an approved budget of Kshs.7,514,000,000 resulting to a shortfall of Kshs.503,167,808 or 7% of the approved budget.

However, actual expenditure amounted to Kshs.10,126,342,500 against the approved budget of Kshs.7,514,000,000 resulting to an over absorption of Kshs.2,612,342,500 or 35% of the budget. No approval was provided for the over-expenditure.

Consequently, the regularity for the excess expenditure could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

166. Excess Transfers to Government Implementing Agencies and Sports Organizations

The statement of financial performance reflects transfers to Government implementing agencies and sports organizations amount of Kshs.8,986,829,006 and as disclosed in Note 18 to the financial statements. The figure includes an amount of Kshs.6,946,550,168 for promotion and development of sports, and an amount of Kshs.218,098,422 for promotion and development of arts all totalling to Kshs.7,164,648,610. However, the transfers of Kshs.7,164,648,610 exceeds the actual total revenue of Kshs.7,010,832,191 resulting to excess transfer of Kshs.153,816,419 or 102% expenditure.

Further, the expenditure of Kshs.7,164,648,610 exceeded the social development threshold of 60% of the Fund's apportionment, contrary to Section 4(2) of Legal Notice No.194. No reason was provided for exceeding the apportionment rate.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

167. There were no material issues relating to effectiveness of internal controls, risk management and governance.

MINISTRY OF ENERGY – VOTE 1152

PETROLEUM DEVELOPMENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

168. Bank Balances

The statement of assets and liabilities as at 30 June, 2021 reflects bank balances of Kshs.146,950,155 comprising of Kshs.4,956,822 and Kshs.141,933,333 for KCB Bank Limited Current account and Credit Bank Limited Current account respectively. However, the Board of Survey provided for audit review which was signed by three witnessing officers reflected a cash book balance of Kshs.291,994,533. The anomaly has not been explained.

Consequently, the accuracy and completeness of the bank balances of Kshs.146,950,155 as at 30 June, 2021 could not be confirmed.

169. Inaccuracies of Financial Statements

The statements of receipts and payments reflects an interest income of Kshs.17,092,235 while the corresponding Note 2 to the financial statements reflects an amount of Kshs.17,097,235 resulting in an unreconciled difference of Kshs.5,000.

Other Matter

170. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects that the Fund budgeted and received Kshs.2,207,000,000 during the financial year and transferred Kshs.2,074,000,000 to other Government entities resulting to budget under-utilization of Kshs.133,000,000 or 6%. Further, review of the Fund's thematic areas revealed that some budget lines were fully funded while the National Grid System was not funded and the Energy Efficient Charcoal Kilns Development had a decrease in funding.

In view of the above, the under-funded components may affect the planned activities and could have impacted negatively on service delivery for the public.

Further, the budget does not appear to support the activities provided for in the Petroleum Development Fund Act No. 4 of 1991.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

171. Irregular Utilization of the Fund Resources

As disclosed in Note 3 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2021 reflects transfers to other Government

Entities of Kshs.2,074,000,000. According to Section 4(4) of the Petroleum Development Fund Act No.4 of 1991(Revised 2012), there shall be paid out of the Petroleum Development Funds such monies as are necessary for the development of common facilities for distribution or testing of oil products and matters relating to the development of the oil industry. However, the Fund Management transferred a total of Kshs.2,074,000,000 to various Government entities and one private entity all which had no responsibility in the Oil and Petroleum Industry. Further, Management did not provide explanations to support how the funds were utilized upon being transferred to the entities listed below.

No.	Payee	Amount (Kshs.)
1.	Ministry of Energy	500,000,000
2.	Kenya Association of Manufacturers	35,000,000
3.	Kenya Energy Sector -Environment and Social Responsibility Programme	50,000,000
4.	Rural Electrification and Renewal Energy Corporation	1,359,000,000
5.	Nuclear Power and Agency	130,000,000
	Total	2,074,000,000

In the circumstances, the propriety and validity of transfers to other Government entities of Kshs.2,074,000,000 and Kshs.35,000,000 transferred to private entity for the year ended 30 June, 2021 could not be confirmed and Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

172. There were no material issues relating to effectiveness of internal controls, risk management and governance.

KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

173. Overstatement of Domestic Travel Expenses

The statement of financial performance reflects Kshs.65,025,306 on use of goods and services and as disclosed in Note 3 to the financial statements. The amount includes Kshs.16,647,014 in respect of domestic travel and subsistence expenses out of which an amount of Kshs.1,534,080 related to imprests issued to staff that had not been accounted as 30 June, 2021. Therefore, domestic travel and subsistence expenses were overstated by Kshs.1,534,080 and similarly, the accounts receivables were understated by the same amount.

Under the circumstances, the accuracy of domestic travel and subsistence expenditure of Kshs.16,647,014 for the year ended 30 June, 2021 could not be confirmed.

Other Matter

174. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.55,000,000 against actual expenditure of Kshs.65,025,306, resulting to over expenditure of Kshs.10,025,306 or 18% of the budgeted amount.

The Management has attributed the overspending to availability of funds that were under-utilized in the previous financial year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

175. Low Contribution to the Fund

The projected contributions by eight (8) Agencies for the ten-year period towards the Fund, based on the 2019-2029 Action Plan, revealed that out of the expected contribution of Kshs.1,082,000,000, only Kshs.155,000,000 or 14% was realized from three (3) Agencies including the Ministry of Energy, Kenya Power and Lighting Company Limited and Energy and Petroleum Regulatory Authority as detailed below;

No.	Organization	Proposed Phase Two Allocation (2019-2029) (Kshs.)	Contribution Allocation for 2 years (Kshs.)	2019/2020 (Kshs.)	2020/2021 (Kshs.)	Total Contribution (Kshs.)	Deficit in Contribution (Kshs.)
1	Ministry of Energy (MOE)	659,000,000	131,800,000	100,000,000	50,000,000	150,000,000	(18,200,000)
2	Kenya Electricity Transmission Company	5,000,000	1,000,000	-	-	-	1,000,000
3	Geothermal Development Company	54,000,000	10,800,000	-	-	-	10,800,000
4	Nuclear Power and Energy Agency	12,000,000	2,400,000	-	-	-	2,400,000
5	Kenya Power and Lighting Company Limited	10,000,000	2,000,000	-	1,000,000	1,000,000	1,000,000
6	Energy and Petroleum Regulatory Authority	20,000,000	4,000,000	-	4,000,000	4,000,000	-
7	Kenya Electricity Generating Company	10,000,000	2,000,000	-	-	-	2,000,000
8	Rural Electrification & Renewable Energy Corporation	54,000,000	10,800,000	-	-	-	10,800,000
	Total	1,082,000,000	216,400,000	100,000,000	55,000,000	155,000,000	61,400,000

No explanation was given as to why the other five Agencies were not contributing in accordance with the agreement.

Consequently, the non-contribution to the Fund by the other five Agencies is a violation of terms of the agreement and may impact negatively on the operations of the Fund and its ability to achieve the intended goals and objectives.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

176. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR LIVESTOCK – VOTE 1162

VETERINARY SERVICES DEVELOPMENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

177. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.25,749,262 and as disclosed under Note 12 to the financial statements. However, detailed analysis of individual assets costs, accumulated depreciation and net book value under the various classes of assets was not provided for audit.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.25,749,262 as at 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

178. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

179. Lack of Enterprise-Wide Risk Management (ERM) in Place

As previously reported, there was no documented enterprise-wide risk management process and policies in place during the year under review to effectively guide the enterprises risk management processes at large.

180. Lack of Internal Audit Function and Audit Committee

The Fund does not have an Internal Audit function and Audit Committee to review/appraise its existing internal controls, with a view to enhancing the Fund's operational efficiency, governance and compliance. In addition, it lacks an internal audit manual and charters to guide the Internal Audit function and operations. Although the Management has explained that the Fund relies on the Internal Audit Unit of the State Department of Livestock, no internal audit reports on the Fund's operations were provided for audit review.

STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH – VOTE 1169

STRATEGIC FOOD RESERVE TRUST FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

181. Inaccuracies in the Financial Statements

181.1 Unexplained Variances Between the Statement of Financial Position and the Statement of Changes in Net Assets

The statement of financial position as at 30 June, 2021 reflects balances of Kshs.20,308,437,162 and Kshs.6,841,477,890 under accumulated surplus and total net assets and liabilities, which varies with the statement of changes in net assets related account items balances of Kshs.16,284,725,589 and Kshs.20,308,437,162, respectively. The resulting respective variances of Kshs.4,023,711,573.80 and Kshs.13,466,959,272 were not explained or analyzed.

181.2 Inconsistencies Between the Statement of Comparison of Budget and Actual Amounts and the Statement of Financial Performance

The statement of comparison of budget and actual amounts reflects final budget total revenue figure of Kshs.2,689,496,699. However, there was no budget allocation for the Fund during the year under review. Further, total actual expenditure for the year of Kshs.9,842,697,213 shown in the same statement differs with the total expenditure figure of Kshs.2,078,532,937 reflected in the statement of financial performance, resulting in unexplained variance of Kshs.7,764,164,275.

181.3 Inaccurate Disclosures in the Notes to the Financial Statements

Note 6 to the financial statements reflects nil revenue on transfers from other Government entities which differs with the statement of financial performance figure of Kshs.2,689,496,699. Further, the statement of financial performance reflects Kshs.2,074,562,537 under interest expenses. However, there is no disclosure in the notes to the financial statements giving details of the figure and no verifiable documents were provided for audit to support these expenses.

181.4 Statement of Cash Flows

The statement of cash flows reflects comparative year`s figures of Kshs.18,287,773,060, Kshs.28,281,773,060 and Kshs.4,725,613,502 under net cash flows from investing activities, net cash flows used in financing activities and net increase/(decrease) in cash and cash equivalents which differs with the previous year`s audited financial statements figures of Kshs.14,500,000, nil, and Kshs.9,842,697,213, respectively. Further, the statement of cash flows does not reflect revenue from non-exchange transactions and interest expense of Kshs.2,689,496,699 and Kshs.2,074,562,537, respectively.

In the circumstances, the accuracy, completeness, presentation and disclosure of the statement of cash flows for the year ended 30 June, 2021 could not be confirmed.

182. Unsupported Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2021 reflects current portion of receivables from exchange transactions of Kshs.7,322,218,136 and as disclosed under Note 29(a) to the financial statements. Included in this amount is Kshs.434,996,371 relating to proceeds from sale of imported and local maize on behalf of the Fund by National Cereals and Produce Board (NCPB). The sales proceeds were not supported by the records on sales of maize and the validity of the amount of Kshs.434,996,371 owing from proceeds from sale of maize could not be confirmed.

In addition, as reported in the previous year, the current portion of receivables from exchange transactions of Kshs.7,322,218,136 includes other exchange debtors amounting to Kshs.6,865,220,613 relating to receivables from the State Department for Special Programmes which has been long outstanding and whose recoverability is doubtful.

Consequently, the accuracy, completeness and recoverability of the reported receivables from exchange transactions balance of Kshs.7,322,218,136 as at 30 June, 2021, could not be confirmed.

183. Long Outstanding Receivables from Non-exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions of Kshs.700,000,000 and as disclosed under Note 30 to the financial statements. This receivable arose as a result of a memorandum of understanding signed in the year 2016 between the Fund and the New Kenya Cooperative Creameries (KCC). From the minutes of meetings of the oversight Board, the Fund resolved to transfer Kshs.700,000,000 to New KCC for purchase of surplus milk from farmers for the establishment of a strategic reserve of milk powder. However, although New KCC acknowledged receipt of the funds and recognized the liability as disclosed in their financial statements, it was not holding any stocks of milk powder on behalf of the Fund as at 30 June, 2021.

Consequently, the recoverability of receivables from non-exchange transactions amounting to Kshs.700,000,000 as at 30 June, 2021 could not be confirmed.

184. Unsupported Inventories

As reported in the previous year, the statement of financial position reflects inventories balance of Kshs.34,802,500 and as disclosed under Note 31 to the financial statements which comprises of consumable stores—maize. However, the inventories balance of Kshs.34,802,500 which was carried forward from the previous year, was not supported by any verifiable record.

Consequently, the accuracy, value and existence of the inventories amounting to Kshs.34,802,500 as at 30 June, 2021 could not be confirmed.

185. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.1,226,417,747 and as disclosed under Note 36 to the financial statements. The balance includes an amount of Kshs.12,380,355,021 brought forward from the previous financial year which was not supported by any verifiable records. Following verification exercises carried out in the month of August and September, 2020 by a team drawn from the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, The National Treasury and Planning and the Executive Office of the President, the verified pending bills amounted to Kshs.14,454,917,559 including interest on delayed payments. This resulted in variance of Kshs.2,074,562,538 between Kshs.14,454,917,559 and Kshs.12,380,355,021 which has been disclosed as interest expense not supported by any verifiable records.

Further, the trade and other payables balance of Kshs.1,226,417,748 includes a figure of Kshs.2,689,496,699 under other payables – third party. Though the Fund explained that the amount was Exchequer made through the State Department for Crop Development and Agricultural Research to settle pending bills, the balance was not supported by any verifiable records as well.

In addition, the figure of trade and other payables balance of Kshs.1,226,417,747 is a net off. As disclosed under Note 36 to the financial statements, the figure includes both debit and credit balances therefore netting off. This is contrary to International Public Sector Accounting Standards (IPSAS) 1.

Consequently, the accuracy, completeness and presentation of the trade and other payables from exchange transactions balance of Kshs.1,226,417,747 as at 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

186. Because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

187. Because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

COMMODITIES FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

188. Unsupported Prior Year Adjustment

The statement of changes in net assets reflects a Revenue Reserve net balance of Kshs.12,039,180,000 that includes prior year adjustments to the revenue reserves of Kshs.74,939,000 dating back to financial year 2016/2017 that could not be traced in the prior year operations. Although the Management explained that the prior year adjustments arose after a reconciliation of the loans and perfection of the Credit Management System, the reconciliation figures were not supported by the loan statements.

Consequently, the accuracy, completeness and presentation and disclosure of the revenue reserves balance of Kshs.15,264,852,000 as at 30 June, 2021 could not be confirmed.

189. High Rate of Provisioning on Loans and Advances

As disclosed under Note 17(iv) to the financial statements, the gross loans and advances reflected in the financial statements amounted to Kshs.16,103,966,000 with a total provision of Kshs.14,732,422,000 which translate to 91% of the loans and advances to farmers. Management has not given the basis for the huge provision for the loans. Further, the Fund disbursed approximately Kshs.321,168,000 for sugar and coffee portfolios during the year under review, despite the high percentage of the portfolio risk.

Consequently, the validity, accuracy and full recoverability of the long-term receivables from exchange transactions - loans and advances totalling to Kshs.754,905,000 could not be confirmed.

190. Unsupported Loans and Advances Balance

The statement of financial position reflects a balance of Kshs.754,905,000 under long-term receivables from exchange transactions - loans and advances as disclosed in Note 17(iv) to the financial statements. However, the amount was not supported by any verifiable document or records.

In the circumstances, the accuracy and completeness of the long-term receivables from exchange transactions - loans and advances of Kshs.754,905,000 as at 30 June, 2021 could not be confirmed.

191. Unrecovered Fund Transferred to the Parent Ministry

The statement of financial position reflects receivables from non-exchange transactions of Kshs.46,410,000 and as disclosed in Note 18 to the financial statements. Included in the balance is an amount of Kshs.40,000,000 advanced to the Parent Ministry to offer financial assistance to Chemilil Sugar Company to enhance its sugar production that has

remained outstanding since 2017. The Ministry was to reimburse these funds once The National Treasury released its budgeted funds for the year. However, the Ministry failed to reimburse the funds to the Fund. It was not clear if the disbursement was approved by The National Treasury. Further, a scrutiny of the corresponding letter to the Managing Trustee revealed that the Principal Secretary did not sign the advance request.

Consequently, the accuracy and validity of Kshs.40,000,000 advanced to the Parent Ministry to offer financial assistance to Chemilil Sugar Company could not be confirmed.

192. Unsupported Trade and Other Payables

As disclosed in Note 23 to the financial statements, the statement of financial position reflects trade and other payables from exchange transactions (creditors and accruals) of Kshs.63,825,000 which includes trade payables balance of Kshs.9,608,000. However, the trade payables includes unsupported balance amounting to Kshs.5,765,258.

Further, the general ledger of trade and other payables include a journal voucher entry for Kshs.2,997,214 dated 1 July, 2020 which was not explained nor supported.

Consequently, the accuracy, completeness, and validity of the trade and other payables from exchange transactions balance of Kshs.63,825,000 could not be confirmed.

193. Unconfirmed Expenditure on Remuneration of Trustees

As disclosed in Note 11 to the financial statements, the statement of financial performance reflects an expenditure on remuneration of trustees of Kshs.18,949,000. The expenditure includes an amount of Kshs.9,756,563 that was paid to three (3) members of the Board of Trustees. However, their letters of appointment were not provided for audit review.

Consequently, the validity of the expenditure amounting to Kshs.9,756,563 could not be confirmed.

Other Matter

194. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.815,370,000 and Kshs.498,517,000 respectively, resulting to an under-funding of Kshs.316,853,000 or 38% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.293,892,000 and Kshs.255,152,000 respectively, resulting to an under-expenditure of Kshs.38,740,000 or 13% of the budget.

Further, the statement of financial performance reflects remuneration of trustees of Kshs.18,949,000 and as disclosed in Note 11 to the financial statements which includes sitting allowance totalling Kshs.7,860,000. However, the approved budget for sitting allowance was Kshs.4,800,000 resulting in an overpayment of Kshs.3,060,000 or 63%. Although the Management explained that the board members were required to attend forums organized by the Ministry on all coffee growing regions to sensitize coffee

stakeholders on Coffee Bill, 2020 leading to the more meetings than had been anticipated, there was no evidence to show that the over expenditure was authorized.

Based on the approved estimates, under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public while the validity of the expenditure on remuneration of trustees of Kshs.18,949,000 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

195. Single Sourcing of Security Services and Fuel Products

The statement of financial performance reflects expenditure on use of goods and services of Kshs.98,805,000 as disclosed in Note 9 to the financial statements. The balance includes security and vehicle running expenses of Kshs.1,130,000 and Kshs.7,207,000 respectively. Analysis of the supporting documents for these expenses revealed that during the year under review, a security firm was awarded a contract effective from 1 September, 2020 with an expiry date of 31 August, 2021. The security firm was single sourced without justification contrary to the requirements of Section 103 of the Public Procurement and Asset Disposal Act, 2015 on direct procurement. It was also noted that, for the first two months of the financial year under audit, the procuring entity paid the security firm an amount of Kshs.157,516 against a lapsed contract.

Further, the Fund single sourced oil, fuel and lubricants from a fuel company contrary to the requirements of Section 103 of the Public Procurement and Asset Disposal Act, 2015 on direct procurement. In addition, no documentary evidence was provided for audit to confirm that a contract agreement was signed between the procuring entity and the fuel company.

Under the circumstances, the regularity and value for money for the above expenditure totalling Kshs.8,337,000 on security and vehicle running expenses could not be confirmed.

196. Non-Compliance with the One Third of Basic Salary Rule

During the year ended 30 June, 2021, some employees earned a net salary of less than a third (1/3) of the basic salary for all the twelve months of the financial year contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. The Management has not given an explanation for failure to comply with the policy.

In the circumstance, the Fund Management contravened Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 as this may expose the staff to pecuniary embarrassment.

197. Un-Approved Remuneration Structure

As disclosed under Note 10 to the financial statements, the statement of financial performance reflects employees' costs amounting to Kshs.111,010,000 which includes

salaries and wages, housing benefits and allowances, pensions contributions and medical aids. However, as previously reported, the salary structure and scale on payment of employees' salaries and allowances used by the Fund was not approved by the Salaries and Remuneration Commission contrary to Article 230(4) (b) of the Constitution which provides that the powers and functions of the Salaries and Remuneration Commission shall be to advise the National and County Governments on the remuneration and benefits of all other public officers.

Consequently, the Management is in breach of the law.

198. Non-Compliance with Law on Ethnic Composition

As reflected under Note 10 to the financial statements, the statement of financial performance reflects employee costs amounting to Kshs.111,010,000. The amount comprises of salaries and wages, housing benefits and allowances, pensions contributions and medical aids. However, during the year under review, 34% of the employees were from the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

Consequently, the Management is in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

199. There were no material issues relating to effectiveness of internal controls, risk management and governance.

AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

200. Presentation and Disclosure of Financial Statements

The financial statements submitted for audit for the year ended 30 June, 2021 reflects omissions on presentation, disclosures and other information accompanying the financial statements. The detailed information on Board of directors, key management team, report of the chief executive/accounting officer, management discussion and analysis and report of the directors were omitted.

Further, the report on corporate governance and environmental and sustainability reporting were all contained under one header with information relating to the two all mixed-up and incomplete.

Consequently, the financial statements do not fully comply with the International Public Sector Accounting Standards (Accrual Basis) reporting template for State Corporations and Semi-Autonomous Government Agencies (SAGAS) Revised, 2021 prescribed by the Public Sector Accounting Standards Board.

201. Misclassification of Revenue from Exchange Transactions

The statement of financial performance reflects an amount of Kshs.17,899,906 in respect of revenue from exchange transactions which includes other income of Kshs.1,879,116. However, a review of the accounting schedule provided for audit revealed that, Kshs.1,879,116 was in respect of disbursements from the State Department of Crop Development and Agricultural Research for payment of casual wages, which relates to non-exchange transactions.

Consequently, the accuracy and fair presentation of other income of Kshs.1,879,116 for the year under review could not be confirmed.

202. Inaccurate Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2021 reflects cash and cash equivalents balance of Kshs.809,219. However, a review of cash flows from various activities revealed the following anomalies:

- i) Cash flows from investing activities reflects an increase in debtors of Kshs.811,840 while the recalculated increase in debtors was Kshs.1,516,500, resulting in a variance of Kshs.704,660.
- ii) Cash flows from financing activities reflects decrease in government grants of Kshs.584,635. However, the government grants are not reflected in other components of the financial statements including under revenue in the statement of financial performance for both the current and prior year.

- iii) The statement of cash flows reflects net increase in cash and cash equivalents of Kshs.625,856 while the recomputed amount was Kshs.1,154,577 resulting to a variance of Kshs.528,721.

Consequently, the accuracy and fair presentation of the statement of cash flows for the year under review could not be confirmed.

203. Inaccurate Balances in the Statement of Changes in Net Assets

The statement of changes in net assets reflects opening capital replacement development reserves and opening accumulated surplus of Kshs.8,996,454.95 and Kshs.285,993 as at 1 July, 2020 respectively. However, recalculation of the movement from opening balances as at 01 July, 2019 revealed an unexplained net variance of Kshs.37,390,049.06 as analysed below:

Account	Balance as at 01 July, 2019 (Kshs.)	Net Changes during the Year 2019/2020 (Kshs.)	Recalculated Balance as at 1 July, 2020 (Kshs.)	Disclosed Balance as at 1 July, 2020 (Kshs.)	Variance (Kshs.)
Capital Reserve	23,919,175.01	0	23,919,175.01	8,996,454.95	14,922,720.06
Accumulated Surplus	18,292,508.01	4,460,814.01	22,753,322.02	285,993.00	22,467,329.00
Total	42,211,683.02	285,993.00	46,672,497.03	9,282,447.95	37,390,049.06

Consequently, the accuracy and fair presentation of the statement of changes in net assets for the year under review could not be confirmed.

204. Unsupported Revenue from Rendering of Services

The statement of financial performance reflects an amount of Kshs.16,020,790 in respect of revenue from rendering of services. Review of the schedules provided for audit against the sales invoices revealed an amount of Kshs.20,813,244, resulting in an understatement of revenue realized by Kshs.4,792,454. Further, balances totalling Kshs.15,032,772 were not supported with invoices.

In addition, audit review of the schedules against revenue source records disclosed that there were no approved budgets for projected revenue, no revenue accounts ledgers and no source records in the form of applications or requests for the services.

In the circumstances, the accuracy and completeness of the disclosed revenue for rendering of services of Kshs.16,020,790 for the year under review could not be ascertained.

205. Unsupported Receivables from Exchange Transactions

As disclosed in Note.11 to the financial statements, the statement of financial position reflects a balance of Kshs.9,381,959 in respect of receivables from exchange transactions. A review of the receivables schedule revealed that only invoices worth

Kshs.4,340,660 out of the total balance of Kshs.9,381,959 had been issued to the clients for payment. Therefore, receivables amounting to Kshs.5,041,299 were not supported by corresponding invoices raised to the clients.

Further, included in the receivables of Kshs.9,381,959 is an amount of Kshs.7,053,619 which was outstanding as at 30 June, 2020 and has therefore been outstanding for more than one financial year. The Fund has not outlined any efforts put in place to recover the long outstanding balance of Kshs.7,053,619.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.9,381,959 as at 30 June, 2021 could not be confirmed.

206. Overstated Cash and Cash Equivalents

As disclosed in Note 10 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.809,219. However, the balance reported is the amount as per the bank statement and not the cash book balance of Kshs.277,052 as at 30 June, 2021, resulting in an overstatement by Kshs.532,167.

Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.809,219 as at 30 June, 2021 could not be confirmed.

207. Long Outstanding Accounts Payable

The statement of financial position as at 30 June, 2021 reflects current liabilities balance of Kshs.1,904,667 which has been outstanding from the year 2019/2020. However, supporting documents indicating the transactions that gave rise to the accounts payable were not provided for audit review.

Consequently, the accuracy and completeness of the accounts payable balance of Kshs.1,904,667 as at 30 June, 2021 could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

208. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects total budgeted income of Kshs.41,400,000 and total budgeted expenditure of Kshs.32,390,400. However, the approved budget for the Fund was not provided for confirmation of the authorized income and expenditure.

As a consequence, the regularity and validity of the budgeted amounts, variances between the budgeted figures and actual amounts and explanation for the variances could not be ascertained.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

209. Failure to Maintain an Assets Register

The Fund did not maintain an asset register in the year under review contrary to Paragraph 83(8) of The National Treasury Guidelines on Assets and Liability Management in the Public Sector, March, 2020, which requires asset registers to be maintained for all different categories of assets.

In the circumstances, the Fund lacked an effective system for recording, controlling and accounting for its assets.

STATE DEPARTMENT FOR CO-OPERATIVES – VOTE 1173

CO-OPERATIVE SOCIETIES LIQUIDATION FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

210. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

211. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

212. There were no material issues relating to effectiveness of internal controls, risk management and governance.

MANAGEMENT AND SUPERVISION FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

213. Under-Payment of Appropriations-In-Aid (AIA)

The statement of financial performance reflects revenue from non-exchange transactions totalling Kshs.16,401,646 and transfer of Appropriations-In-Aid (AIA) of Kshs.4,000,000 under expenses for the year ended 30 June, 2021. The Fund apparently transferred an amount of Kshs.4,000,000 to the State Department instead of Kshs.8,200,823 resulting in an underpayment by Kshs.4,200,823 or 24% of the total revenue collected. This is contrary to Section 19(1) of the Cooperative Societies Rules, 2004, which states that fifty (50) per cent of the annual receipts received by the Fund shall be payable half yearly to the Government as Appropriations-In-Aid.

In the circumstances, the validity, accuracy and completeness of the transfer of AIA of Kshs.4,000,000 for the year ended 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

214. Failure to Follow Legal Provisions for Writing-Off Debts

Examination of debtor ledgers revealed that the Management wrote-off debts amounting to Kshs.24,022,267 owed to the Fund without submitting relevant loss and write-off authorization reports to The National Treasury and the Auditor-General or applying the provisions of Regulations 145(b) and 148(5), (6) and (7) of the Public Finance Management (National Government) Regulations, 2015.

According to the Regulations, the term losses includes non-collection of any moneys due or belonging to National Government and, if the loss falls within the Accounting Officer's powers under Section 69(1) of the Public Finance Management Act, 2012, he shall authorize the write-off of the loss up to an amount not exceeding hundred thousand (Kshs.100,000) shillings in any one incidence. Further, if the loss falls within the Cabinet Secretary's powers under Section 69 (2) of the Act, the Accounting Officer shall seek the approval of the Cabinet Secretary to authorize him to write-off the loss of an amount exceeding one hundred thousand (Kshs.100,000) shillings but not exceeding one percent of the National Government's entity's approved estimates excluding the Consolidated Fund Services in any one incidence.

Although it was explained that the Management wrote-off the debts by invoking Rule 18(1) of the Co-operative Societies Rules, 2004 under Co-operative Societies Act, 1997, where every registered society shall unless exempted in writing by the Commissioner pay into it annually an audit and supervision fee, the Management was nevertheless in breach of the law because a write off is not the same an exemption.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT
AND GOVERNANCE

Conclusion

215. There were no material issues relating to effectiveness of internal controls, risk management and governance.

CHERRY AVANCE REVOLVING FUND
FINANCIAL STATEMENTS

CONCLUSION
REPORT ON THE
Unmodified

There were no material issues noted during the audit of the financial statements of

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

217. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

218. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR LABOUR – v

1184

OCCUPATIONAL SAFETY AND HEALTH FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

219. Irregular Transfer of Appropriations-In-Aid

The statement of financial performance reflects use of goods and services payments totalling Kshs.99,894,839. Included in the balance is Kshs.5,868,000 denoted in Note 3 to the financial statements as transfer of Appropriations-in-Aid to the State Department for Labour. Management explained the transfers as expenditure incurred by the Directorate of Occupational Safety and Health Services on activities of the Directorate and the State Department of Labour. However, the financial statements for the Ministry of Labour and Social Protection for the year under review do not reflect receipt of Kshs.5,868,000 from the Fund. Further, the Occupational Safety and Health Act, 2007 does not provide for transfer to the State Department of Appropriations -in-Aid collected by the Fund.

Consequently, reflection of the Appropriations-in-Aid totalling Kshs.5,868,000 as expenditure on use of goods and services was irregular and may have resulted in misstatement of the financial performance of the Fund in the year under review. Further, the propriety of the expenditures incurred from the transfers could not be confirmed.

Other Matter

1. Prior Year Audit Matters

Annex 1 to the financial statements highlights the progress made by Management in dealing up on issues raised in the audit report for the previous year. Only one out of several issues is reported to have been resolved by the end of the year under review. No explanation was provided for delay in resolution of the outstanding issues.

CONCLUSION ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

Issue of Multiple Imprests

Expenditure records indicated that new imprests totalling Kshs.675,200 were issued to officers who had not surrendered previous imprests.

Management was in breach of Regulation 92(4)(b) of the Public Finance Regulations (National Government) Regulations which prohibits issue of new imprests to officers that have not surrendered previous ones.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT
AND GOVERNANCE

Conclusion

222. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR SOCIAL PROTECTION – VOTE 1185

THE NATIONAL ASSISTANCE TRUST FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

223. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

224. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

225. There were no material issues relating to effectiveness of internal controls, risk management and governance.

COFFEE CHERRY ADVANCE REVOLVING FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

216. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

217. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

218. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR LABOUR – VOTE 1184

OCCUPATIONAL SAFETY AND HEALTH FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

219. Irregular Transfer of Appropriations-In-Aid

The statement of financial performance reflects use of goods and services payments totalling Kshs.99,894,839. Included in the balance is Kshs.5,868,000 denoted in Note 3 to the financial statements as transfer of Appropriations-in-Aid to the State Department for Labour. Management explained the transfers as expenditure incurred by the Directorate of Occupational Safety and Health Services on activities of the Directorate and the State Department of Labour. However, the financial statements for the Ministry of Labour and Social Protection for the year under review do not reflect receipt of Kshs.5,868,000 from the Fund. Further, the Occupational Safety and Health Act, 2007 does not provide for transfer to the State Department of Appropriations -in-Aid collected by the Fund.

Consequently, reflection of the Appropriations-in-Aid totalling Kshs.5,868,000 as expenditure on use of goods and services was irregular and may have resulted in misstatement of the financial performance of the Fund in the year under review. Further, the propriety of the expenditures incurred from the transfers could not be confirmed.

Other Matter

220. Prior Year Audit Matters

Appendix 1 to the financial statements highlights the progress made by Management in following up on issues raised in the audit report for the previous year. Only one out of several issues is reported to have been resolved by the end of the year under review. No explanation was provided for delay in resolution of the outstanding issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

221. Irregular Issue of Multiple Imprests

Examination of expenditure records indicated that new imprests totalling Kshs.675,200 were issued to Officers who had not surrendered previous imprests.

Consequently, Management was in breach of Regulation 92(4)(b) of the Public Finance Management Act (National Government) Regulations which prohibits issue of new imprests to persons that have not surrendered previous ones.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT
AND GOVERNANCE

Conclusion

222. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR SOCIAL PROTECTION – VOTE 1185

THE NATIONAL ASSISTANCE TRUST FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

223. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

224. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

225. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR PETROLEUM – VOTE 1193

PETROLEUM DEVELOPMENT LEVY FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

226. Unaccounted for Expenditure and Transfers to Other Government Entities

Section 4(4) of the Petroleum Development Act, 1991 states that; “there shall be paid out of the Fund such monies as necessary for development of common facilities for distribution or leasing of oil products and for matters relating to development of oil industry as the Minister may direct.” Further, the Development Levy Order No.24 issued on 15 July, 2020 provided that the levy should be used for matters relating to development of the oil industry including stabilization of local petroleum pump prices.

The statement of receipts and payments for the year ended 30 June, 2021 reflects an amount of Kshs.2,921,677,803 being transfer to other Government entities. This amount includes Kshs.250,000,000 which as disclosed in Note 2 to the financial statements, was transferred to National Oil Corporation of Kenya (NOCK). However, the budget, the work plan and cost statements for oil and gas exploration activities to support the transfer was not provided for audit verification. Further, no documentation including the framework agreement for the transfer was provided in support of this expenditure.

In addition, the Fund transferred a total of Kshs.2,671,677,803 to the State Department for Petroleum during the year. However, there was no evidence that has been provided for audit verification to demonstrate that the transferred funds were used in accordance with the existing regulations.

Consequently, it was not been possible to ascertain whether the amount/expenditure of Kshs.2,921,677,803 included in transfer to other government entities in the statement of receipts and payments for the year ended 30 June, 2021 was properly incurred for the intended purposes.

Other Matter

227. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.3,222,000,000 in the year under review. However, from the receipts realized, the Fund utilized Kshs.2,921,677,803 or 91% resulting into an under-absorption of Kshs.300,322,197 or 9%. The under absorption affected the planned activities and could have negatively impacted on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

228. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

229. There were no material issues relating to effectiveness of internal controls, risk management and governance.

PETROLEUM TRAINING LEVY FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

230. Unsupported Expenditure

The statement of financial performance reflects an expenditure of Kshs.267,788,525 under general expenses, which as disclosed in Note 4 to the financial statements, includes an amount of Kshs.264,089,932 incurred on training. Included in the latter balance is an amount of Kshs.60,645,400 paid to staff members whose supporting documents such as training approval letters, imprest warrants, payment vouchers, invoices and payment schedules were not provided for audit review.

In the absence of the supporting documents, the accuracy and validity of the expenditure in respect of training expenses could not be ascertained.

231. Unaccounted for Expenditure

The statement of financial performance reflects an amount of Kshs.30,000,000 in respect of transfer to other Government units. The amount relates to transfers to the National Oil Corporation of Kenya for training activities during the year under review. However, detailed expenditure returns, approved training plans, training attendance registers, travel documents and proof of venues used for training to indicate how the funds were utilized were not provided for audit review.

Under the circumstances, it was not possible to confirm whether the funds were utilised for training in upstream petroleum operations as provided for in the Act.

232. Long Outstanding Training Levies and Service Fees

The statement of financial position reflects a balance of Kshs.2,280,948,522 in respect of accounts receivables – fines, penalties, and levies. The amount includes training levy and service fees brought forward from the financial year 2019/2020 amounting to Kshs.1,963,072,617 which have been accumulating over the years and have remained unpaid by oil exploration companies since 2011. The amount is due from eight (8) oil companies that operated fifteen (15) oil blocks as at 30 June, 2021.

Further, two (2) of the eight (8) contractors with an outstanding amount of US\$.925,751.10 (equivalent to Kshs.99,842,256) have since relinquished the blocks they had been operating to the Government while the remaining six (6) are still active. However, the two (2) contractors who relinquished their blocks were discharged before settling the outstanding training levy and surface fees. The Management did not provide evidence to demonstrate how and when the amount will be recovered.

Consequently, the recoverability of Kshs.2,280,948,522 reflected in the statement of financial position as at 30 June, 2021 in respect of accounts receivables remains doubtful.

233. Unauthorized and Irregular Expenditure on Unrelated Activities

The statement of financial performance reflects an expenditure of Kshs.267,788,525 under general expenses which, as disclosed in Note 4 to the financial statements, includes an amount of Kshs.264,089,932 incurred on training during the year. However, review of expenditure documents revealed the following anomalies;

- (i) Payments totalling Kshs.20,861,000 were made to various staff members on 30 June, 2021 to cover allowances and expenses for activities that did not relate to the Fund and were not in line with the Fund's objectives. The unrelated activities included job description analysis, Committee workshops, development of Internal Audit and Audit Committee Charter, induction programme, risk management training and succession management, and organization structure. The Management did not provide explanations for the anomaly.
- (ii) Payment amounting to Kshs.23,517,300 were made on 29 June, 2021 and expensed as training expenses with no indication of when the training was undertaken. Further, the criteria for selection of the persons to be trained was not supported while the same officers were indicated as being trained severally.
- (iii) The training expenses of Kshs.264,089,952 includes an amount of Kshs.36,334,550 paid to the State Department for Petroleum . However, the amounts are not reflected in the financial statements of the State Department resulting in unexplained and unreconciled variance of the same amount. Further, payments amounting to Kshs.26,259,950 made to the State Department for Petroleum on 29 June, 2021 were not traced to the State Department's cashbook.

Under the circumstances, the accuracy and validity of expenditure amounting to Kshs.267,788,525 charged to the Fund under general expenses in the statement of financial performance could not be confirmed.

234. Accuracy of Revenue from Non-Exchange Transactions

The statement of financial performance reflects revenue from non-exchange transactions - fines, penalties and levies amounting to Kshs.198,837,610 (2020 - Kshs.150,811,132) comprising of Kshs.147,792,594 and Kshs.51,045,016 in respect of training levy and surface fees respectively. According to Section 52 (3) of the Petroleum Act. 2019, all moneys raised by the contractors as training contribution shall be paid into the Training Fund. However, amounts collected in respect of surface fees do not comprise the training fund revenue and ought to have been accounted for under the State Department as Appropriations-In-Aid or surrendered to the Exchequer. However, the financial statements of the Fund recognised the amounts received in respect of surface fees but did not recognise an accrued transfer to The National Treasury as an expense or a corresponding liability under accounts payables in the statement of financial position as at 30 June, 2021. No explanation was provided for failure to remit the amount of Kshs.51,045,016 surface fees collected during the year under review to The National Treasury.

Under the circumstances, the accuracy of the revenue from non-exchange transactions of Kshs.198,837,610 for the year ended 30 June, 2021 could not be confirmed.

Other Matter

235. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given an explanation for failure to resolve them in accordance with the provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

236. Unutilized Data Management System

The State Department, through the Kenya Technical Assistance Project (KEPTAP) embarked on establishing a commercial database for purposes of maintaining data of all exploration activities and collection of annual fees. A consultant was engaged to develop the database and install Petroleum Integrated Planning System (PIPS) at a sum of Kshs.29,556,842 in 2019. The last instalment of Kshs.1,179,151 was paid during the year under review. However, the system has never been put into use and the hardware was in the custody of the National Oil Corporation of Kenya as at 30 June, 2021.

The State Department has therefore not received value for money from the system which would have improved management of exploration activities including collection of training levy and surface fees.

237. Delay in Collecting Receivables

The statement of financial position reflects a balance of Kshs.2,280,948,522 in respect of accounts receivables – fines, penalties, and levies which, as disclosed in Note 8 to the financial statements, includes an amount of Kshs.1,963,072,617 brought forward from the prior years. Although the State Department had issued demand notices to the defaulting companies, no other avenues had been exploited in collecting the long outstanding amounts. Further, an outstanding imprest of Kshs.656,040 was issued on 20 April, 2017 but has not been recovered to date.

Under the circumstances, recoverability of the long outstanding receivables is in doubt, and may result to loss of public resources.

238. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.252,000,000 and Kshs.239,307,873 respectively resulting to an under-funding of Kshs.12,692,127 or 5% of the budget. However, the Fund

expended a total of Kshs.297,788,525 against an approved budget of Kshs.252,000,000 resulting in an excess expenditure of Kshs.45,788,525 or 18% of the budget. The Fund did not therefore comply with the approved budget provisions.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

239. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR GENDER – VOTE 1212

UWEZO FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

240. Unsupported and Unreconciled Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.2,308,751,932 under cash and cash equivalents. However, the schedule presented in support of the balance reflected an amount of Kshs.2,308,718,934 resulting in an unexplained variance of Kshs.32,998. Further, as disclosed in Note 15 to the financial statements, included in the balance is Kshs.1,997,846,287 held in eight commercial banks with each of the 290 Constituencies maintaining three (3) types of bank accounts namely; main, administration and loan accounts. However, supporting documents including bank reconciliation statements, certificate of bank balance confirmation, board of survey reports and copies of cash book extracts for 291 bank accounts were not provided for audit review. Further, the reported bank balance was derived from the bank statement balances as at 30 June, 2021 instead of the cash book balances. This is a departure from the generally accepted accounting principles and practices.

In addition, the loan accounts schedules submitted in support of individual constituencies balances amounted to Kshs.1,128,137,461 which varied with the reported balance in the financial statements of Kshs.1,132,555,536, resulting to an unexplained and unreconciled variance of Kshs.4,418,074.

Consequently, the accuracy and completeness of the reported cash and cash equivalents balance of Kshs.2,308,751,932 could not be confirmed.

241. Unsupported Long-Term Receivables

The statement of financial position reflects a balance of Kshs.4,640,480,509 in respect of long term receivables - outstanding loans to groups as 30 June, 2021. The balance has been derived by adjusting loan capital fund grants of Kshs.6,654,087,019 for amount of monies presumably held at the Central Bank of Kenya, loan repayments and main accounts of Kshs.48,702,119, Kshs.1,132,555,536 and Kshs.832,348,855, respectively. However, the presumed bank balances were not supported. Further, as previously reported, there were no debtors' ledgers detailing loans issued by the Fund since inception and repayments made over the years on account of loan recoveries. There were no comprehensive loan listings or aging analysis in support of the loans.

In the circumstances, the accuracy and completeness of the reported receivables-outstanding balance of Kshs.4,640,480,509 could not be confirmed.

242. Unsupported Constituencies' Administration Costs

The statement of financial performance reflects constituencies' administration costs of Kshs.173,113,419. However, out of 290 constituencies, only 213 constituencies

submitted their respective expenditure returns totalling to Kshs.130,468,263, leaving a balance of Kshs.42,645,156 in respect of 77 constituencies which was not supported by comprehensive expenditure returns. Further, examination of the submitted returns from Turkana Central Constituency revealed unsupported expenditure of Kshs.293,000 during the year. Cash sale receipts were also not supported with electronic tax receipts as required.

In the circumstances, the accuracy and completeness of the constituencies' administration costs of Kshs.173,113,419 could not be confirmed.

Other Matter

243. Unresolved Prior Year Audit Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

244. There were no material issues relating to lawfulness and effectiveness in use of public resource.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

245. Internal Control Weaknesses in Fund Administration at the Constituency Level

As disclosed in Note 17 to the financial statements, the statement of financial position reflects a balance of Kshs.4,640,480,509 under long term receivables- outstanding loans. The balance relates to outstanding loans to various groups issued since inception of the Fund. However, a review of records maintained at sampled Constituency Uwezo Fund offices revealed the following internal control weaknesses:

- i. Failure to institute measures for effective follow up of beneficiaries of loans leading to high loan defaulters.
- ii. The Fund Management did not carry out reconciliations of loans records. As a result, repayments in bank statements were not reconciled to the loan registers leading to un-cleared suspense ledger balances in Kasipul-Kabondo and Khwisero Constituencies.
- iii. Several Constituencies did not update loan registers, bank reconciliation statements and loan repayments.
- iv. The records further revealed deficiency in documentation, authorization and approvals of loans to prevent irregular loans. Individual loan accounts and details

of loans beneficiaries were not maintained in Muhoroni and Khwisero Constituencies. Further, some groups were given loans yet there was no evidence of approval and completed application forms.

- v. The Uwezo Fund operations in Bureti Constituency appear to have been dormant since 2016 and as a result, outstanding loans may not be recovered.

In view of the above, the effective management and recoverability of the loans may not be achieved. This raises doubt on the internal controls put in place to implement the activities of the Fund to achieve the intended purpose.

STATE DEPARTMENT FOR PUBLIC SERVICE – VOTE 1213

MECHANICAL AND TRANSPORT FUND - NATIONAL YOUTH SERVICE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

246. Inaccuracy of Non-Current Assets

As disclosed in Note 19 to the financial statements, the statement of financial position reflects total non-current assets balance of Kshs.4,059,317,242. However, the Management had not valued the assets for financial reporting purposes since inception and the depreciation policy has not been approved by the Council.

In the circumstances, the accuracy and completeness of non-current assets balance of Kshs.4,059,317,242 as at 30 June, 2021 could not be confirmed.

247. Unsupported Receivables

The statement of financial position reflects receivables from the National Youth Service Units balances of Kshs.1,003,517,664 and receivables from external operations of Kshs.641,736,8697 all totalling to Kshs.1,645,254,533. However, supporting schedules were not provided for audit verification. In addition, provisions for bad and doubtful debts were not made for the receivables to recognize possible impairment of the debts.

In the circumstances, the validity, accuracy and completeness of the receivables totalling to Kshs.1,645,254,533 could not be confirmed.

248. Unsupported Overpayment for Supplies

The statement of financial performance reflects an expenditure of Kshs.2,620,000 under supply of firefighting/disaster materials which as disclosed in Note 13 to the financial statements, includes an amount of Kshs.1,220,000 paid to a supplier during the year under review. Records indicated that the supplier was issued with an undated Local Purchase Order for the supply and delivery of various items at a cost of Kshs.1,220,000. However, the supplier was only able to supply materials worth Kshs.720,000, resulting in an unexplained overpayment of Kshs.500,000. In addition, it has not been disclosed whether due diligence was carried out to evaluate the firm's capacity to supply the items.

In the circumstances, the validity and completeness of the expenditure totalling to Kshs.500,000 could not be confirmed.

Other Matter

249. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: AG.4/16/2Vol.3(72) dated 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

250. Grounded Motor Vehicles

Review of the Fund's assets revealed that seven (7) motor vehicles have been grounded for a long time due to various mechanical reasons. Management has not made any efforts to repair or to seek for approval for disposal of the vehicles.

In the circumstances, the assets continued to deteriorate and any salvage value that could have been realized may be lost.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

251. There were no material issues relating to effectiveness of internal controls, risk management and governance.

STATE DEPARTMENT FOR YOUTH AFFAIRS – VOTE 1214

YOUTH ENTERPRISE DEVELOPMENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

252. Unexplained Revolving Fund Variance

As disclosed in Note 25 to the financial statements, the statement of financial position reflects revolving fund balance of Kshs.4,167,798,856. The balance represents loan receivables from clients and cash and bank balances held in the entity's loan accounts. However, Note 16 to the financial statements reflects trade debtors (loan outstanding) totalling to Kshs.3,142,195,610 and bank balance of Kshs.31,039,009 which is included in the bank balance of Kshs. 33,338,866 as reflected in Note 15 to the financial statements all totalling to Kshs.3,173,097,291, resulting to a variance of Kshs.994,701,566. Management explained that the variance was due to development funds totalling to Kshs.1,083,926,194 that were used to purchase assets, hatcheries, deposit at chase bank and program support expenses that were wrongly posted to revolving fund accounts as follows;

Item	Amount (Kshs.)
Purchase of Hatcheries	199,500,000
Purchase of Capital Assets	547,523,824
Amount Receivable from Chase Bank	180,184,856
Programs Support Expenses	156,717,514
Total	1,083,926,194

Further, the variance of Kshs.89,224,628 between Kshs.994,701,566 and Kshs.1,083,926,194 was not explained and reconciled.

In the circumstances, the accuracy and completeness of the revolving fund balance of Kshs.4,167,798,856 as at 30 June, 2021 could not be confirmed.

253. Unconfirmed Receivables from Exchange Transactions

As disclosed in Note 16 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.2,899,796,858. The balance includes an amount of Kshs.2,503,233 in respect of other exchange debtors, some dating back to the year 2011, which includes imprests of Kshs.1,994,848 and Kshs.202,000 both totalling to Kshs.2,196,848 issued irregularly to the former Chief Executive Officer and the Board Chairman respectively. However, the recovery of these imprests is doubtful and no provision for impairment has been made in the financial statements.

Further, included in the receivables from exchange transactions balance of Kshs.2,899,796,858 is an amount of Kshs.92,281,098 described as loans repaid unidentified. However, supporting documents indicating the date, transaction number and amount received were not provided for audit review.

In addition, the receivables balance of Kshs.2,899,796,858 includes an amount of Kshs.180,184,865 owed by Chase Bank Limited that was not supported by any documentary evidence. The amount originated from payments made by the bank and for which the bank did not produce documents to support the withdrawals.

Additionally, no ageing analysis to determine the period the receivables have been outstanding was provided.

In the circumstances, the valuation and completeness of the receivables from exchange transactions balance of Kshs.2,899,555,324 as at 30 June, 2021 could not be confirmed.

254. Doubtful Recovery of Receivables from Non-Exchange Transactions

As disclosed in Note 17 to the financial statements, the statement of financial position reflects a balance of Kshs.1,620,594 in respect of receivables from non-exchange transactions out of which an amount of Kshs.951,593 relates to rental deposits of a premise that the Fund vacated in 2017, but the recovery is yet to be made. Management did not provide explanation for not recovering the deposit. Further, no provision for bad and doubtful debts was made in these financial statements.

In the circumstances, the accuracy and recoverability of the rental deposits balance of Kshs.951,593 as at 30 June, 2021 could not be confirmed.

255. Unsupported Interest from Direct Funding Loans

As disclosed in Note 7 to the financial statements, the statement of financial performance reflects interest and fees of Kshs.65,625,928. The amount includes Kshs.38,270,063 in respect of interest from direct funding. However, the schedule provided for audit did not reflect the interest rates used and how the balance covering two accounting periods were prorated to ascertain amount reflected in the financial statements. This is contrary to explanatory Note 4(ii), to the financial statements on summary of significant accounting policies regarding revenue recognition which provides that interest and management fee on loans is recognized when it falls due using simple interest rates determined at the time the loan is disbursed and prorated when it relates to more than one accounting period.

In the circumstances, the completeness and accuracy of interest from direct funding loans of Kshs.38,270,063 for the year ended 30 June, 2021 could not be confirmed.

Emphasis of Matter

256. Going Concern of the Fund

I draw your attention to the disclosure under Note 26 to the financial statements which indicate that the Fund has been reporting losses over several years. During the year under review, the Fund continued to register dismal performance where the statement of

financial performance reflects a deficit of Kshs.11,625,570 (2020 – deficit of Kshs.42,663,882), a situation that has prevailed over the past six years. This has eroded the capital invested in the revolving Fund and impaired the ability of the Fund to discharge its mandate and casts significant doubt on the ability to sustain its services in the foreseeable future.

My opinion is, however, not modified in respect of this matter.

Other Matter

257. Unbalanced Budget

The statement of comparison of budget and actual amount reflects Kshs.366,660,833 and Kshs.365,460,833 in respect to budgeted revenue and expenditure respectively resulting to unbalanced budget by Kshs.1,200,000, contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which states that budget shall be balanced.

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

258. Long Outstanding Payables

As disclosed in Note 22 to the financial statements, the statement of financial position reflects a balance of Kshs.79,251,763 in respect to trade and other payables. Included in the balance is an amount of Kshs.10,161,795 out of which Kshs.5,511,045 and Kshs.4,650,750 has been outstanding since 30 June, 2014 and 30 June, 2015 respectively. No satisfactory explanation was given for failure to settle the long outstanding accounts payables.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

259. Incomplete Fixed Assets Register

As disclosed in Note 19 to the financial statements, the statement of financial position and reflects a balance of Kshs.30,035,823 in respect to property, plant and equipment. Review of the fixed assets register provided revealed that critical information such as location of the assets, asset number and serial numbers was not indicated in the register.

Further, physical verification of the assets revealed that the assets were not tagged for ease of identification and movement, contrary to Regulation 139(1)(2) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that an Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

260. Grounded Motor Vehicles and Motorcycles

Review of the assets register revealed that eighteen (18) motor vehicles and two hundred and ten (210) motorcycles were grounded due to various mechanical defects. Although the Management wrote to the Head of Public Service requesting approval for disposal on 6 March, 2018 and a reminder on 9 March, 2021, no response had been received as at the time of the audit.

As a result, the assets continue to deteriorate and any salvage value that could have been realized from sale may be lost.

ETHICS AND ANTI-CORRUPTION COMMISSION – VOTE 1271

ETHICS AND ANTI-CORRUPTION COMMISSION - STAFF HOUSE MORTGAGE AND CAR LOAN SCHEME

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

261. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

262. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

263. There were no material issues relating to effectiveness of internal controls, risk management and governance.

NATIONAL INTELLIGENCE SERVICE – VOTE 1281

INTELLIGENCE SERVICE DEVELOPMENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

264. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

265. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

266. There were no material issues relating to effectiveness of internal controls, risk management and governance.

OFFICE OF THE REGISTRAR OF POLITICAL PARTIES – VOTE 1311

POLITICAL PARTIES FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

267. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

268. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

269. There were no material issues relating to effectiveness of internal controls, risk management and governance.

OFFICE OF THE REGISTRAR OF POLITICAL PARTIES-STAFF MORTGAGE LOAN FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

270. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

271. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

272. There were no material issues relating to effectiveness of internal controls, risk management and governance.

OFFICE OF THE REGISTRAR OF POLITICAL PARTIES-CAR LOAN FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

273. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

274. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

275. There were no material issues relating to effectiveness of internal controls, risk management and governance.

WITNESS PROTECTION AGENCY – VOTE 1321

WITNESS PROTECTION AGENCY STAFF MOTOR CAR LOAN SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

276. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

277. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

278. There were no material issues relating to internal controls, risk management and governance.

KENYA NATIONAL COMMISSION ON HUMAN RIGHTS – VOTE 2011

KENYA NATIONAL COMMISSION ON HUMAN RIGHTS MORTGAGE AND CAR LOAN SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

279. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

280. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

281. There were no material issues relating to effectiveness of internal controls, risk management and governance.

NATIONAL LAND COMMISSION – VOTE 2021

NATIONAL LAND COMMISSION - STAFF CAR LOAN SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

282. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

283. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

284. There were no material issues relating to effectiveness of internal controls, risk management and governance.

NATIONAL LAND COMMISSION HOUSING SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

285. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

286. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

287. There were no material issues relating to effectiveness of internal controls, risk management and governance.

**INDEPENDENT ELECTORAL AND BOUNDARIES
COMMISSION – VOTE 2031**

**INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION STAFF
MORTGAGE AND CAR LOAN SCHEME**

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

288. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

289. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

290. There were no material issues relating to effectiveness of internal controls, risk management and governance.

PARLIAMENTARY SERVICE COMMISSION – VOTE 2041

PARLIAMENTARY CAR LOAN SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

291. Statement of Comparison of Budget and Actual Amounts

Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

292. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

293. There were no material issues relating to effectiveness of internal controls, risk management and governance.

PARLIAMENTARY MORTGAGE LOAN SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

294. Receivables

The statement of financial position as at 30 June, 2021 reflects receivables balance of Kshs.6,604,410,119. The balance includes an amount of Kshs.47,690,230 due from loan defaulters, whose loans were not being serviced. Further, some of the loans have been in default for more than three (3) financial years and no adequate provision was made in the financial statements to cater for the uncertainty.

Consequently, the receivables balance of Kshs.6,604,410,119 as at 30 June, 2021 is not fairly stated.

295. Statement of Comparison of Budget and Actual Amounts

Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements for the year ended 30 June, 2021 submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

296. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

297. There were no material issues relating to effectiveness of internal controls, risk management and governance.

PARLIAMENTARY CATERING FUND

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

298. Statement of Comparison of Budget and Actual Amounts

Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements for the year ended 30 June, 2021 submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

299. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

300. There were no material issues relating to effectiveness of internal controls, risk management and governance.

COMMISSION ON REVENUE ALLOCATION – VOTE 2061

COMMISSION ON REVENUE ALLOCATION STAFF MORTGAGE SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

301. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

302. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

303. There were no material issues relating to effectiveness of internal controls, risk management and governance.

COMMISSION ON REVENUE ALLOCATION STAFF CAR LOAN SCHEME

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

304. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

305. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

306. There were no material issues relating to effectiveness of internal controls, risk management and governance.

SALARIES AND REMUNERATION COMMISSION – VOTE 2081

SALARIES AND REMUNERATION COMMISSION MORTGAGE AND CAR LOAN SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

307. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

308. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

309. There were no material issues relating to effectiveness of internal controls, risk management and governance.

NATIONAL POLICE SERVICE COMMISSION – VOTE 2101

NATIONAL POLICE SERVICE COMMISSION STAFF CAR LOAN AND MORTGAGE SCHEME FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

310. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

311. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

312. There were no material issues relating to effectiveness of internal controls, risk management and governance.

OFFICE OF THE CONTROLLER OF BUDGET – VOTE 2121

OFFICE OF THE CONTROLLER OF BUDGET MORTGAGE FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

313. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

314. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

315. There were no material issues relating to effectiveness of internal controls, risk management and governance.

COMMISSION ON ADMINISTRATIVE JUSTICE – VOTE 2131

COMMISSION ON ADMINISTRATIVE JUSTICE MORTGAGE AND CAR LOAN FUND

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

316. There were no material issues noted during the audit of the financial statements of the Fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

317. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

318. There were no material issues relating to effectiveness of internal controls, risk management and governance.

APPRECIATION

I wish to sincerely thank the entire staff of the Office of the Auditor-General for their commitment, passion and professionalism in carrying out their duties despite the challenges posed by lack of adequate funds and the COVID-19 pandemic. Special appreciation goes to the team that prepared this Consolidated Audit Report.

I wish also to appreciate my clients/auditees for the cooperation they accorded my staff during the audit.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 July, 2022

Appendix A: Unmodified Opinion

No. National Government Funds

1. Equalisation Fund – The National Treasury
2. Contingencies Fund – The National Treasury
3. Petroleum Development Levy (Holding Account) – The National Treasury
4. COVID-19 Emergency Response Fund –The National Treasury
5. State Officers and Public Officers Motor Car Loan Scheme Fund – The National Treasury
6. African Union and Other International Organizations Subscription Fund – The National Treasury
7. National Government Constituencies Development Fund – Central Bank of Kenya – State Department for Planning
8. Roads Annuity Fund – State Department for Infrastructure
9. Railway Development Levy Fund (Holding Account) – State Department for Transport
10. Kenya Slum Upgrading Low Cost Housing and Infrastructure Trust Fund (KENSUF) – State Department for Housing and Urban Development
11. Co-operative Societies Liquidation Fund – State Department for Co-operatives
12. Coffee Cherry Advance Revolving Fund – State Department for Co-operatives
13. The National Assistance Trust Fund – State Department for Social Protection
14. Ethics and Anti-Corruption Commission – Staff House Mortgage and Car Loan Scheme
15. Intelligence Service Development Fund
16. Political Parties Fund
17. Office of the Registrar of Political Parties-Staff Mortgage Loan Fund
18. Office of the Registrar of Political Parties-Car Loan Fund

Appendix A: Unmodified Opinion

No. National Government Funds

19. Witness Protection Agency Staff Motor Car Loan Scheme Fund
20. Kenya National Commission on Human Rights Mortgage and Car Loan Scheme Fund
21. National Land Commission – Staff Car Loan Scheme Fund
22. National Land Commission Housing Scheme Fund
23. Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme
24. Commission on Revenue Allocation Staff Mortgage Scheme Fund
25. Commission on Revenue Allocation Staff Car Loan Scheme
26. Salaries and Remuneration Commission Mortgage and Car Loan Scheme Fund
27. National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
28. Office of the Controller of Budget Mortgage Fund
29. Commission on Administrative Justice Mortgage and Car Loan Fund

Appendix B: Qualified Opinion

No. National Government Funds

1. Treasury Main Clearance – The National Treasury
2. Provident Fund – The National Treasury
3. European Widows and Orphans Pension Fund – The National Treasury
4. Asiatic Widows and Orphans Pension Fund – The National Treasury
5. Women Enterprise Fund – State Department for Planning
6. National Government Affirmative Action Fund – State Department for Planning
7. National Humanitarian Fund – State Department for Interior and Citizen Services
8. Government Press Fund – State Department for Interior and Citizen Services
9. Prison Industries Revolving Fund – State Department for Correctional Services
10. Prison Farms Revolving Fund – State Department for Correctional Services
11. Street Families Rehabilitation Trust Fund – State Department for Devolution
12. Mechanical and Transport Fund – State Department for Infrastructure
13. Railway Development Levy Fund (Operations Account) – State Department for Transport
14. Civil Servants Housing Scheme Fund – State Department for Housing and Urban Development
15. State Officers House Mortgage Scheme Fund – State Department for Housing and Urban Development
16. Land Settlement Fund – Ministry of Lands and Physical Planning
17. Sports, Arts and Social Development Fund – State Department for Sports
18. Petroleum Development Fund – Ministry of Energy
19. Kenya Energy-Sector Environment and Social Responsibility Programme Fund – Ministry of Energy

Appendix B: Qualified Opinion

No. National Government Funds

20. Veterinary Services Development Fund – State Department for Livestock
21. Commodities Fund – State Department for Crop Development and Agricultural Research
22. Management and Supervision Fund – State Department for Co-operatives
23. Occupational Safety and Health Fund – State Department for Labour
24. Petroleum Development Levy Fund – State Department for Petroleum
25. Petroleum Training Levy Fund – State Department for Petroleum
26. Uwezo Fund – State Department for Gender
27. Mechanical and Transport Fund – National Youth Service – State Department for Public Service
28. Youth Enterprise Development Fund – State Department for Youth Affairs
29. Parliamentary Car Loan Scheme Fund – Parliamentary Service Commission
30. Parliamentary Mortgage Loan Scheme Fund – Parliamentary Service Commission
31. Parliamentary Catering Fund – Parliamentary Service Commission

Appendix C: Adverse Opinion

No. National Government Funds

1. Rural Enterprise Fund – The National Treasury
2. Asian Officers Family Pension Fund – The National Treasury
3. Strategic Food Reserve Trust Fund – State Department for Crop Development and Agricultural Research
4. Agricultural Information Resource Centre Revolving Fund – State Department for Crop Development and Agricultural Research

Appendix D: Disclaimer of Opinion

No. National Government Funds

1. Government Clearing Agency Fund – The National Treasury
2. Kenya Local Loans Support Fund – The National Treasury
3. Stores and Services Fund – State Department for Public Works