

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KAJIADO NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2021**

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## **PREAMBLE**

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Kajiado North Constituency set out on pages 18 to 73, which comprise of the statement of assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other

explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Government Constituencies Development Fund – Kajiado North Constituency as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

Review of the financial statement reflects unexplained variances between opening balance and balances in the prior year audited financial statements as analysed below:

<b>Item</b>	<b>Comparative Balance in 2020/2021 (Kshs.)</b>	<b>2019/2020 Audited Amount (Kshs.)</b>	<b>Variance (Kshs.)</b>
Gratuity (Note 17.2)	-	147,134.68	(147,134.68)
Unutilized Funds (Note 17.3)	89,590,507.40	11,018,382.94	78,572,124.46
PMC Account (Note 17.4)	14,146,270.00	14,155,635.60	(9,365.60)
Acquisition of Assets (Note 8)	870,419.00	(870,419.00)	1,740,838.00

Further, Annex 5, reflects a Project Management Committee (PMC) bank balance of Kshs.22,624,443 instead of a balance of Kshs.38,660,594. The variance of Kshs.16,036,151 was not explained.

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

### **2. Under-Allocation of Bursary Funding**

Note 7 to the financial statements on other grants and other payments reflects bursary to secondary schools and tertiary schools totalling Kshs.2,877,001 and Kshs.865,000 respectively, resulting to total disbursements of Kshs.3,742,000 or 2% of the total funds received by the constituency of Kshs.163,990,507. This is contrary to Regulation 21(5) of the National Government Constituencies Development Fund Regulations, 2015 which provide for bursaries allocation of not less than twenty-five percent of the funds allocated to a constituency. Further, the

analysis of bursary to secondary schools totalling Kshs.2,877,001 revealed transfers to the Fund Account Manager of Kshs.472,000 and Kshs.665,500 dated 16 June, 2020 and 6 June, 2021 respectively. No explanation was provided for the transfers.

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

### **3. Unsupported Sports Projects Expenditure**

Note 7 to the financial statements reflects other grants and other payments amount of Kshs.37,128,444 which include Kshs.2,074,500 incurred for sports projects. Review of records provided revealed that Kshs.843,000 was paid for the supply of assorted sports equipment. However, the user requisitions, delivery notes and distribution list were not provided for audit review. Further, the reported amount also includes expenditure amounting to Kshs.1,211,500 whose payment vouchers were not provided for audit.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.2,074,500 on sports projects could not be confirmed.

### **4. Unsupported Environment Projects Expenditure**

Review of records provided revealed that Kshs.2,700,000 was incurred under environment projects for the purchase of seedlings for planting within twenty-seven (27) schools in the Constituency. However, the method of procurement and the suppliers involved were not disclosed. Also, the payments were not supported with inspection reports and cash sale receipts or invoices from the suppliers

In the circumstances, the accuracy and completeness of the expenditure of Kshs.2,700,000 on environment projects could not be confirmed.

### **5. Unsupported Prior Year Adjustments**

The statement of assets and liabilities reflects a prior year adjustments balance of Kshs.898,603 indicated in Note 14 to the financial statements being accumulated unrepresented bursary cheques from previous financial years that were reversed back in the cash book and vote book at the end of the financial year. However, the schedule of the unrepresented cheques, cash book and vote book entries were not provided for audit.

In the circumstances, the accuracy and completeness of the prior year adjustments of Kshs.898,602 could not be confirmed.

### **6. Unsupported Cash and Cash Equivalents Balance**

The statement of assets and liabilities and Note 10 to the financial statements reflects cash and cash equivalents balance of Kshs.65,077,686 as at 30 June, 2021. The bank reconciliation statement provided for audit reflects unrepresented cheques of Kshs.5,552,795. The details as to when the respective cheques cleared were not

provided for audit. Further, the reconciliation statement reflects an amount of Kshs.13,000,000 as receipts in bank statement not in the cash book. No explanation was provided for failure to receipt the amount.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.65,077,686 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund – Kajiado North Constituency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Budgetary Control and Performance**

The summary statement of appropriation reflects a final expenditure budget of Kshs.226,679,387 against actual expenditure of Kshs.99,811,424 resulting in budget under-utilization of Kshs.126,867,963 or 64% of the approved budget. In addition, the Fund budgeted to receive Kshs.226,679,387 from the Constituencies Development Fund Board out of which the Board remitted Kshs.163,990,507 resulting in a deficit of Kshs.62,688,880 or 28% of the budget.

In the circumstances, the Fund did not implement planned and approved projects thereby denying residents of Kajiado North Constituency services.

#### **2. Stalled Project**

As disclosed under Note 9 to the financial statements, the statement of receipts and payments reflects other payments amount of Kshs.3,000,000 which was in respect to construction of a social hall. However, audit inspection in May, 2022 revealed that the Project had stalled and the contractor had abandoned the site. No explanation or documentation was provided on the cause of the current status and/or the way forward.

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

### **3. Un-Implemented Projects**

Review of budget execution by sectors and projects revealed that various projects under other grants and transfers were approved by the Board and allocated funds for implementation during the year under review. However, as at the 30 June, 2021, nine (9) projects with an allocation of Kshs.22,500,000 had not been implemented.

In the circumstances, Kajiado North constituents may not get value for money from the incomplete projects.

### **4. Transfers to Other Government Units**

The statement of receipts and payments reflects transfers to other Government units amount of Kshs.49,045,240. Review of records provided revealed the following:

- (i) Embullbil Primary was allocated Kshs.1,500,000 as per the financial statements while the project status report reflects an actual disbursement of Kshs.1,200,000.
- (ii) The financial statements reflect that no funds were disbursed towards projects in Enoomatasia Primary, Kerarapon Primary and Nkaimurunya Primary in the year under review, while the status implementation report indicates that Kshs.6,000,000 was issued towards the schools' projects in Enoomatasia Primary, Kerarapon and Nkaimurunya are 100%, 70% and 60% complete respectively. The inconsistencies were not explained.
- (iii) The financial statements indicate that Nakeel and Ongata Rongai Primary Schools each received Kshs.2,000,000 while the project status reports indicates that no funds were disbursed towards the school projects in the year under review.
- (iv) As per the project status reports, Kiserian Secondary School and Nkroi Secondary received Kshs.3,000,000 each and the projects are at 60% and 80% complete respectively while the financial statements reflects that no funds were disbursed in the year under review.
- (v) Funds totalling Kshs.16,089,220 or 60% of funds disbursed to secondary schools, were in respect to Catholic Diocese of Ngong Secondary School, Embulbul Mixed day, Enoomatasiani Girls, Kerarapon, Nkaimurunya, Nkroi Mixed and Olekasasi but whose project details and current status reports were not provided for audit review.
- (vi) Under security projects, Kahuho Chiefs Office, Kajiado North Deputy Commissioner Public Toilet, Kiserian and Ongata Rongai Chiefs' Offices projects have their funds disbursed and the projects on going in the status report while according to the financial statements the projects funds totalling to Kshs.6,100,000 were not disbursed. Further, as per the budget execution by sectors and projects, Oloika Police Station received an amount of

Kshs.8,600,000 against a budget of Kshs.7,100,000 but the approval for the over expenditure was not provided.

- (vii) Included in transfers to secondary schools balance of Kshs.26,689,220, are provisional funds totalling to Kshs.1,530,000 to various contactors for ten (10) constructions projects. However, the sums remained unaccounted for and examination of sampled payment vouchers revealed that the contracts and award letters for four constructions projects had varying amounts. Further, it was noted that the amounts paid for five projects were different from the awarded amounts. In addition, four contracts documents were not provided for audit. No explanations were provided for the anomalies.

In the circumstances, the accuracy of the transfers to other government units balance could not be confirmed.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit

evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund, or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence



obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**22 July, 2022**