

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KAJIADO WEST 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 West Constituency set out on pages 20 to 62, 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 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 West 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**

#### **1.1 Variances Between the Statement of Receipts and Payments and the Statement of Cash Flows**

The statement of receipts and payments reflects comparative balances for compensation of employees and use of goods and services of Kshs.2,139,459 and Kshs.7,863,349 respectively, while the statement of cash flows reflects comparative amounts of Kshs.2,242,303 and Kshs.7,760,505 respectively.

#### **1.2 Variances Between Financial Statements and Support Schedules**

Note 5 to the financial statements reflects use of goods expenditure amounts of Kshs.10,597,960 in the year under review which is not in agreement with the respective categories in the supporting schedules as analysed below:

<b>Item</b>	<b>Financial Statement Amount (Kshs.)</b>	<b>Supporting Schedule Amount (Kshs.)</b>	<b>Variance (Kshs.)</b>
Utilities, Supplies and Services	22,071	-	22,071
Committee Expenses	2,435,000	2,090,000	345,000
Committee Allowances	3,467,345	2,829,690	637,655
Fuel, Oil and Lubricants	100,000	-	100,000
Training Expenses	1,500,000	1,400,000	100,000
Specialised materials & services	2,287,300	-	2,287,300
Routine maintenance - vehicles and other equipment	786,244	-	786,244
<b>Total</b>	<b>10,597,960</b>	<b>6,319,690</b>	<b>4,278,270</b>

The variances were not explained.

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

## 2. Irregularities in Other Grants and Other Payments

### 2.1 Irregular Emergency Projects

Note 7 to the financial statements reflects other grants and other payments of Kshs.54,596,658 which includes emergency projects balance of Kshs.11,232,880. However, the amount includes an amount of Kshs.7,490,000 for six projects as tabulated below whose proof to ascertain that they related to emergency expenditure was not provided as required by Section 8(3) of the National Government Constituencies Development Fund Act, 2015.

School	Nature of Works	Amount (Kshs.)
Olkiramatian Primary school	Purchase of Fourteen (14) Solar Batteries of 200 Watts	650,000
Olchorro - Onyorri Primary School	Construction of 2 blocks of 4no. Door Each Pit Latrines & Supply of Desks	1,250,000
Nangingoi Girls Boarding Primary School	Repair, Renovation, Rehabilitation & Piping	640,000
Oloirien Primary School	Renovation of 8 no. Door Pit Latrines	250,000
Ewangan Primary School	Construction of 2 No. Classrooms	1,200,000
Emboliei Primary School	Renovation of 8 No. Classroom and Administration Block	3,500,000
	<b>Total</b>	<b>7,490,000</b>

In addition, there was no evidence provided to confirm that the use of the emergency reserves was reported to the Board within 30 days of occurrence. The expenditure was therefore irregular since it was not emergency in nature.

In the circumstances, the validity of the expenditure totalling to Kshs.7,490,000 incurred under emergency projects could not be ascertained.

### 2.2 Unsupported Bursaries

The other grants and other payments includes disbursement of bursaries totalling Kshs.30,276,500 in respect of for secondary schools and tertiary institutions for Kshs.19,550,000 and Kshs.10,726,500 respectively. Analysis of the bursary award documents presented for audit revealed the following inadequacies.

- i. The amount of amount of Kshs.30,276,500 allocated as bursary as per Note 7 to the financial statements and budget execution by sectors and projects is 18% of the funds received in the year. Based on the law, the Management ought to have disbursed an amount of Kshs.40,639,510 (25%) resulting to an under issue of bursary in the year under review by Kshs.10,363,010 of 7% of the amount disbursed. No explanation was provided for not adhering to the law.

- ii. The Fund Management disbursed bursaries according to various locations within the Constituency. Examination of records provided revealed that bursary awards totalling to Kshs.625,000 were not supported by any approval
- iii. Analysis of the bank statement provided for audit review revealed cheques totalling to Kshs.300,000 issued under bursaries could not be traced to the supporting schedule. In addition, the benefiting institutions and respective students could not be established.
- iv. The appointment letters of the bursary vetting Committee were not provided for audit review and therefore the basis of appointment and terms of service could not be ascertained. In addition, the Bursary Vetting Committee minutes were not provided and, confirmations that the bursaries were indeed received by the respective Institutions were not provided for audit review.

In the circumstances, the validity and accuracy of bursary amounts totalling to Kshs.30,276,500 in the year under review could not be ascertained.

### **3. Omitted Project Management Committee Bank Account Balances**

The Project Management Committee accounts had unutilized account balances of Kshs.67,387,964 as at 30 June, 2021 which were not returned to the Constituency Account, contrary to Section 12(8) of the National Government Constituency Development Fund Act, 2015. Further, a recast of the balances resulted an amount of Kshs.80,469,624. The variance of Kshs.13,081,660 was not explained.

In the circumstances, the cash and cash equivalent balance of Kshs.18,177,838 reflected in the statement of assets and liabilities is understated by the amount of unutilized funds in the project management committees accounts.

### **4. Summary of Fixed Asset Register**

Annex 4 to the financial statement reflects land valued at Kshs.2,630,000. A further enquiry on the information revealed that the Fund occupies land of unknown acreage donated to it by the Kajiado County Government and did not possess an allotment letter or title deed of the land in its name as a proof of ownership. The historical cost of the land stated as Kshs.2,630,000 could not be ascertained since no valuation report was provided for audit verification. Further, included in the assets are balances of Kshs.2,592,117 and Kshs.22,900 being value for other machinery and equipment and intangible assets respectively which were not explained.

In addition, the Fund constructed the Kajiado West Constituency Development Fund Administration Office Block whose initial historical cost was Kshs.13,353,203 but now stands at Kshs.18,005,000. However, the fixed assets movement schedule to support its build-up was not provided.

In the circumstances, the accuracy of the summary of fixed assets register could not be ascertained.

## **5. Unsupported Routine Maintenance of Vehicles and Other Transport Equipment**

Included in the use of goods and services balance of Kshs.10,597,960 disclosed under Note 5 to the financial statements, is routine maintenance of vehicles and other transport equipment balance Kshs.786,244. However, examination of payment vouchers, supporting records and other motor vehicle records maintained by Kajiado West Constituency revealed that the payments were not supported with the pre-inspection and post inspection reports carried out by the Ministry of Public Works on the alleged vehicles. The repairs were also not recorded in the logbooks (G.P.55) and the request for quotations were not attached. Further, it was established that the local service orders (LSOs) were issued without evaluation of the tender or quotation and the tender evaluation minutes and the professional opinions were similarly not presented for audit.

In the circumstances, the validity, accuracy and completeness of the routine maintenance of vehicles and other transport equipment expenses balance of Kshs.786,244 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 West Constituency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

Examination of the summary statement of appropriation revealed a final expenditure budget of Kshs.215,096,697 against actual expenditure of Kshs.151,829,979 resulting in budget under-utilization of Kshs.63,266,718 or 29% In addition, the Fund budgeted to receive Kshs.207,646,918 from the CDF Board but received Kshs.162,558,039 resulting in a deficit of Kshs.45,088,879 or 22%

As a result, the Fund did not implement planned and approved projects in accordance with the approved programme thereby denying residents of Kajiado West Constituency services.

There is need for Management to relook into its budgeting mechanism.

## 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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Non-Implementation of Projects**

Examination of records provided for audit review revealed that fourteen (14) projects with an estimated cost of Kshs.31,300,000 included in the approved programmes for the year were not implemented as at 30 June, 2021, thereby denying Kajiado West Constituency residents service delivery.

The budget execution by sectors and projects indicates that, Kshs.500,000 budgeted under Olentorko Primary School was not disbursed. However, the bank statement reflects that the said amount was disbursed on 26 February, 2021. In addition, according to the project implementation report, the projects in the stated schools were considered to have received the funds and were completed. The anomaly was not explained.

The Management by not implementing the projects denied the Constituents of Kajiado West benefits that would have accrued from the projects.

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 its sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management either intends 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.



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

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

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



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

**Nairobi**

**28 July 2022**