

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

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 - Konoin Constituency set out on pages 14 to 66, 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 summary statement of appropriation for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 - Konoin 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 Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

1.0 Bursaries to Secondary and Tertiary Institution

The statement of receipts and payments reflects other grants and transfers totalling Kshs.46,814,044 which, as disclosed in Note 7 to the financial statements which Includes bursaries to secondary schools and tertiary institutions amounting to Kshs.33,632,340. However, the following unsatisfactory matters were noted:

1.1 Unconfirmed Bursaries

The bursaries of Kshs.33,632,340 includes an amount of Kshs.13,726,140 for which, acknowledgement letters from the receiving secondary schools and tertiary institutions were not provided for audit.

1.2 Anomalies in Boda Boda Riders Training

The bursaries Kshs.33,632,340 also includes an amount of Kshs.2,760,000 disbursed to a driving school. Out of this amount, Kshs.2,000,000 was for training two hundred (200) boda boda riders and Kshs.760,000 was for processing digital smart cards for the riders. However, review of documents provided for audit revealed that the contract agreement did not include the contract period and it was therefore not possible to ascertain if the training was conducted within the intended timelines. In addition, out of the 200 beneficiaries, seventy-nine (79) were not issued with driving licenses.

Further, the boda boda riders attendance register provided for audit only supported a one-week training from 12 April -16 April, 2020, casting doubt on the competency of the 200 riders trained. In addition, the contract agreement between the Fund and the driving school was entered into on 29 March, 2021, two (2) months after payments were made on 25 January, 2021.

In the circumstances, the accuracy, and completeness of the expenditure of Kshs.33,632,340 on bursaries 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 - Konoin 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 opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The summary statement of appropriation reflects total budgeted receipts of Kshs.236,091,111 and total actual receipts of Kshs.188,302,732, resulting to an under-funding of Kshs.47,788,379 or 20% of the budget. Similarly, the statement reflects total expenditure budget of Kshs.236,091,111 and total actual expenditure of Kshs.164,064,840, resulting to an under-expenditure of Kshs.72,026,271 or 31% of budget.

The under-funding and under-expenditure constrained execution of planned activities and delivery of services to the public.

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. 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.

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

Basis for Conclusion

1.0 Anomalies in Construction in Schools

The statement of receipts and payments reflects transfers to other government units totalling Kshs.104,865,315 which, as disclosed in Note 6 to the financial statements, includes transfers to primary schools of Kshs.62,465,315 and transfers to secondary schools of Kshs.42,400,000. However, the following unsatisfactory matters were noted:

1.1 Construction of Classrooms at Chenacho Primary School

The transfers to primary schools of Kshs.62,465,315 includes an amount of Kshs.1,200,000 disbursed in respect of a contract for completion of floors, plastering, windows, doors, verandah grills fixing and general painting of the four (4) classrooms storey building at Chenacho Primary school at a contract sum of Kshs.2,724,357. Included in the amount of Kshs.1,200,000 is Kshs.599,715 paid to a different contractor for construction works. However, no explanation was provided on why payments were made to a contractor other than the original contractor engaged. Further, physical inspection of the project in the month of April, 2022 revealed that the project had structural defects on the walls; plastering was uneven; floor slabs and the verandahs had visible cracks; columns and walling appeared unstable; and the project was not in use. In addition, tender documents were not provided for audit. Further, the delay in putting the project to use may adversely affect learning in the school.

In the circumstances, value for money of the expenditure of Kshs.1,200,000 could not be confirmed.

1.2 Construction of Storey Classrooms at Mutereriet Primary School

The transfers to primary schools of Kshs.62,465,315 also includes an amount of Kshs.3,611,893 in respect of the construction of a four (4) classrooms, one-storey building at Mutereriet Primary School. Review of the Project Management Committee (PMC) bank account statements and the project file revealed that payments amounting to Kshs.3,020,933 were made to a contractor while another Kshs.590,960 was paid to a different contractor. However, tender documents, certificates of completion from a competent works officer were not provided for audit. Further, physical inspection in the month of April, 2022 revealed that the floors had worn out, walls had visible cracks and the window panes were broken.

In the circumstances, value for money of the expenditure of Kshs.3,611,893 could not be confirmed.

1.3 Renovation of Classrooms at Boito Primary School

The transfers to primary schools of Kshs.62,465,315 further includes an amount of Kshs.1,900,000 disbursed to Boito Primary School's PMC for the renovation of eight (8) classrooms, with the scope of works being classroom windows, floor works (tiling the surface of the deteriorated floors), replacement of deteriorated roofs, tiling and general painting to completion. However, physical inspection in the month of April, 2022 revealed

that floor tiling was not done, floor surfaces were uneven and deteriorated roofs were painted instead of being replaced.

In the circumstances, value for money of the Kshs.1,900,000 expenditure could not be confirmed.

1.4 Renovation of Classrooms at Chemalal Primary School

The transfers to primary schools of Kshs.62,465,315, includes an amount of Kshs.2,000,000 disbursed to the Chemalal Primary School's PMC for renovation of eight (8) classrooms, with the scope of work being repair of doors, window panes, floor works, replacement of deteriorated roofs, floor tiling and general painting to completion. Concrete floor slabs were to be done in four (4) classrooms before tiling works in all the eight (8) classrooms could start. However, physical inspection in the month of April, 2022 revealed that the floors were uneven and worn out, deteriorated roofs were painted instead of being replaced and tiling was not done in all the eight (8) classrooms.

In the circumstances, value for money of the Kshs.2,000,000 expenditure could not be confirmed.

1.5 Renovation of Classrooms at Chepchas Primary School

The transfers to primary schools of Kshs.62,465,315 also includes an amount of Kshs.1,900,000 disbursed to Chepchas Primary School's PMC for the renovation of eight (8) classrooms, with the scope of work being windows, floor works, replacement of deteriorated roofs, floor tiling and general painting to completion. However, physical inspection in the month of April, 2022 revealed that the floors were not tiled and the deteriorated iron sheets were painted instead of being replaced.

In the circumstances, value for money of the Kshs.1,900,000 expenditure could not be confirmed.

1.6 Construction of Classrooms at Chepnyoibek Primary School

The transfers to primary schools of Kshs.62,465,315, includes an amount of Kshs.4,200,000 disbursed to the Chepnyoibek Primary School' PMC for the construction of first floor and two (2) classrooms, with scope of work being roofing, floor works, plastering, windows, window panes, doors, ceiling, electrical works, verandah grills, fixing and general painting to completion. However, physical inspection in the month of April, 2022 revealed that the stairs were worn out and window panes were broken.

In the circumstances, value for money of the Kshs.4,200,000 expenditure could not be confirmed.

1.7 Construction of Classrooms at Chepwongo Primary School

The transfers to primary schools of Kshs.62,465,315 similarly includes an amount of Kshs.1,200,000 disbursed to the Chepwongo Primary School's PMC for the construction of four (4) classrooms storey building, with scope of work being floor plastering, window panes, doors, verandah grills fixing and general painting. However, physical inspection in the month of April, 2022 revealed that stairs, verandah and floors were worn out. Further, the certificate of completion was not provided for audit.

In the circumstances, value for money of the Kshs.1,200,000 expenditure could not be confirmed.

1.8 Construction of Classrooms at Kapkinara Primary School

The transfers to primary schools of Kshs.62,465,315, in addition, includes an amount of Kshs.2,200,000 disbursed to Kapkinara Primary School's PMC for the completion of a four (4) classrooms storey building, with the scope of work being roofing, floor works, plastering, windows, windows panes, ceiling, door, electrical works, verandah grills fixing and general painting works. However, physical inspection in the month of April, 2022 revealed that stairs, verandah and floors were worn out and window panes were broken.

In the circumstances, value for money of the Kshs.2,200,000 expenditure could not be confirmed.

1.9 Renovation of Classrooms at Kapsebetet Primary School

The transfers to primary schools of Kshs.62,465,315 also includes an amount of Kshs.1,000,000 disbursed to the Kapsebetet Primary School's PMC for the renovation of eight (8) classrooms, with scope of work being repair of doors, windows panes, floor works, replacing deteriorated roofs and general painting to completion. However, physical inspection in the month of April, 2022 revealed that the floors were worn out and the deteriorated roof sheets were painted instead of being replaced.

In the circumstances, value for money of the Kshs.1,000,000 expenditure could not be confirmed.

1.10 Renovation of Classrooms at Kapset Primary School

The transfers to primary schools of Kshs.62,465,315, further, includes an amount of Kshs.1,900,000 disbursed to the Kapset Primary School's PMC for the renovation of eight (8) classrooms, with the scope of work being window panes, floor works, replacement of deteriorated roofs, tiling and general painting. However, physical inspection in the month of April, 2022 revealed that the floors and verandahs were worn out, the roofs were leaking and were painted instead of being replaced and tiling works had not been done.

In the circumstances, value for money of Kshs.1,900,000 expenditure could not be confirmed.

1.11 Renovation of Classrooms at Kipkelok Primary School

The transfers to primary schools of Kshs.62,465,315 similarly includes an amount of Kshs.1,200,000 disbursed to the Kipkelok Primary School's PMC for the renovation of a four (4) classrooms storey building, with the scope of works being floor, plastering, windows, doors, verandah grills fixing and general painting. However, physical inspection in the month of April, 2022 revealed that the floors and verandahs were worn out and structural cracks were evident on the walls along the columns.

In the circumstances, value for money of the Kshs.1,200,000 expenditure could not be confirmed.

1.12 Renovation of Classrooms at Kipketii Primary School

The transfers to primary schools of Kshs.62,465,315 includes an amount of Kshs.1,200,000 disbursed to Kipketii Primary School's PMC for the renovation of a four (4) classrooms storey building, with the scope of works being floor, plastering, windows, doors, verandah grills fixing and general painting. However, physical inspection in the month of April, 2022 revealed that the floors and verandahs were worn out, visible cracks had developed beneath the doors and the plastering was unevenly done.

In the circumstances, value for money of the Kshs.1,200,000 expenditure could not be confirmed.

1.13 Construction of a Dining Hall at Embomos Secondary School

The transfers to secondary schools of Kshs.42,400,000 includes an amount of Kshs.4,000,000 for construction of a dining hall with a capacity of four hundred (400) students at Embomos Secondary School. However, physical inspection in April, 2022 revealed that plastering, flooring, painting and window panes which were part of the works to be done as per the approved code list (budget) were yet to be completed and the project appeared stalled as the contractor was not on site.

In the circumstances, value for money of the Kshs.4,000,000 expenditure could not be confirmed. Further, the delay in completing the project may adversely affect learning in the school.

1.14 Construction of Laboratory at Boito Day Secondary School

The transfers to secondary schools of Kshs.42,400,000 includes an amount of Kshs.1,500,000 disbursed to the Boito Day Secondary School's PMC for the construction of a laboratory, with the scope of works being foundation, floor works, plastering works, windows, window panes and fixing of doors. However, physical inspection in the month of April, 2022 revealed that plastering and window panes were not done and the project was not in use. Further, the delay in putting the project in use may adversely affect learning in the school.

In the circumstances, value for money of the Kshs.1,500,000 expenditure could not be confirmed.

1.15 Construction of Storey Building at Kipkorir Salat Boys Secondary School

The transfers to secondary schools of Kshs.42,400,000, further, includes an amount of Kshs.6,000,000 disbursed to the Kipkorir Salat Boys Secondary School's PMC for the completion of a three (3) storey building (ground floor administration block - five (5) offices, second floor library), with the scope of works being plastering, installation of doors, windows, window panes, ceilings, electrical works, and general painting to completion. The project was co-funded with Africa Development Bank. However, the Management did not provide the project file and bank statements to ascertain the scope of work for each party and the level of actual funding by the donor. Further, physical inspection in the month of April, 2022 revealed that the project was incomplete, as the ground floor was yet to be completed, and the contractor had abandoned the site.

In the circumstances, value for money of the Kshs.6,000,000 expenditure could not be confirmed. Further, the delay in completing the project may adversely affect learning in the school.

1.16 Construction of Laboratory at Kipraisi Day Secondary School

The transfers to secondary schools of Kshs.42,400,000, includes an amount of Kshs.3,400,000 disbursed to the Kipraisi Day Secondary School's PMC for the completion of laboratory, with the scope of works being plastering, floor works, work tops, installation of laboratory sinks, fume chambers, gas piping and general painting to completion. However, physical inspection in the month of April, 2022 revealed that the project was complete but not in use. Further, the delay in putting the laboratory to use may adversely affect learning in the school.

In the circumstances, value for money of the Kshs.3,400,000 expenditure could not be confirmed.

1.17 Construction of Laboratory at Ngererit Secondary School

The transfers to secondary schools of Kshs.42,400,000 finally includes an amount of Kshs.1,500,000 for the construction of a laboratory with the scope of work being foundation, floor, wall plastering, windows and roofing. However, physical inspection in the month of April, 2022 revealed visible cracks on the walls an indication that substandard work was done.

In the circumstance, value for money of the Kshs.1,500,000 expenditure could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and 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 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2022