

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

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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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and overall 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 - Bomet Central Constituency set out on pages 1 to 54, which comprise of the statement of assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 National Government Constituencies Development Fund - Bomet Central Constituency as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Comparative Balances**

Review of the financial statements availed for audit review revealed variances between the comparative balances and prior year audited financial statements as detailed below;

| <b>Item</b>                         | <b>Statement or Note</b> | <b>Financial Statements Amount (Kshs.)</b> | <b>Audited Prior Financial Statements Amount (Kshs.)</b> | <b>Variance (Kshs.)</b> |
|-------------------------------------|--------------------------|--|--|-------------------------|
| Compensation of Employees           | Receipts and payments    | 2,641,472                                  | 2,941,473  | (300,001)               |
| Transfers to other Government Units | Receipts and payments    | 70,448,085                                 | 70,148,085   | 300,000                 |
| Transfers to other Government Units | Cash Flow                | 70,448,085                                 | 70,148,085   | 300,000                 |
| Intangible Assets                   | Annex 4                  | 4,974,381                                  | 0  | 4,974,381               |

In the circumstances, the accuracy, completeness, presentation and disclosure of the comparative balances for the year ended 30 June, 2022 could not be confirmed.

### **2. Unsupported Training Expenses**

The statement of receipts and payments reflects use of goods and services amount of Kshs.11,395,030 as disclosed in Note 5 to the financial statements which includes training expenses of Kshs.911,000. However, the training expenses were not supported with training need assessment, signed attendance list and training needs assessment report.

In the circumstances, the accuracy and completeness of training expenses of Kshs.911,000 could not be confirmed.

### **3. Unsupported Transfer to Primary Schools**

The statement of receipts and payments reflects transfer to other government units amount of Kshs.100,611,687 as disclosed in Note 6 to the financial statements which includes transfers to primary schools amount of Kshs.56,993,592 for construction and renovation of classrooms. However, the construction and renovation works were not supported with procurement records such as bills of quantities, tender advertisements, tender evaluation minutes, signed contract, inspection and acceptance committee

reports, interim/completion certificates, Project Management Committee (PMC) accounting records such as cashbooks, bank balance confirmation certificates and expenditure returns as well as evidence that the projects were implemented in consultation with relevant Government Departments. Further, the supporting schedule includes transfers totalling to Kshs.10,810,000 which had no description of the purpose or activity being funded.

Further, the supporting schedule reflected transfer amounting to Kshs.1,496,055 to Chepngaina Primary School which differed with the payment voucher amount of Kshs.496,055 resulting to an unexplained variance of Kshs.1,000,000 which was not explained or reconciled.

In the circumstances, the validity, accuracy and completeness of the transfers to primary schools amount of Kshs.56,993,592 could not be confirmed.

#### **4. Unsupported Transfer to Secondary Schools**

The statement of receipts and payments reflects transfer to other government units amount of Kshs.100,611,687 as disclosed in Note 6 to the financial statements. The amount includes transfers to secondary schools amount of Kshs.42,618,095 for construction and renovation works of classrooms and purchase of school buses of Kshs.28,618,095 and Kshs.14,000,000, respectively. However, the expenditure was not supported with procurement records such as bill of quantities from qualified quantity surveyors, tender advertisements, tender evaluation minutes, signed contract, inspection and acceptance committee reports, interim/completion certificates, Project Management Committee (PMC) accounting records such as cashbooks, bank balance confirmation certificates and expenditure returns as well as evidence that the projects were implemented in consultation with relevant Government Departments.

Further, the transfers for the purchase of buses were not supported with valuation reports and bus logbooks.

In the circumstances, the validity, accuracy and completeness of the transfers to secondary schools amount of Kshs.42,618,095 could not be confirmed.

#### **5. Unsupported Security Projects Expenditure**

The statement of receipts and expenditure reflects other grants and transfers amounting to Kshs.49,518,509 as disclosed in Note 7 to the financial statements which includes security projects expenditure of Kshs.8,045,752 for construction works. However, the expenditure was not supported with procurement records such as bill of quantities, prequalified suppliers, tender evaluation minutes, signed contract, inspection and acceptance committee reports, interim/completion certificates, Project Management Committee (PMC) expenditure returns, cashbooks, bank balance confirmation and evidence that the projects were implemented in consultation with relevant Government Departments.

In the circumstances, the validity, accuracy and completeness of security projects expenditure of Kshs.8,045,752 could not be confirmed.

## **6. Unsupported Sports Projects Expenditure**

The statement of receipts and expenditure reflects other grants and transfers amount of Kshs.49,518,509 as disclosed in Note 7 to the financial statements which includes sports projects expenditure of Kshs.980,000. The expenditure was incurred for the purchase of sports materials. However, the sports project expenditure was not supported with payment vouchers, procurement records such as user requisitions, request for quotations forms, tender evaluation minutes, signed contract, inspection and acceptance committee reports, delivery notes and store records, Project Management Committee (PMC) expenditure returns and evidence that the projects were implemented in consultation with relevant Government Departments.

In the circumstances, the validity, accuracy and completeness of sports projects expenditure amount of Kshs.980,000 could not be confirmed.

## **7. Unreversed Stale Cheques**

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.8,066,209 as disclosed in Note 10A to the financial statements. Review of the bank reconciliation statement for the month of June, 2022 reflects unrepresented cheques totaling to Kshs.20,563,045 which include stale cheques amounting to Kshs.2,095,141 which had not been reversed in the cashbook.

In the circumstances, the validity, accuracy and existence of cash and cash equivalents balance of Kshs.8,066,209 could not be confirmed.

## **8. Unconfirmed Project Management Committee Balances**

Annex 5 to the financial statements reflects a balance of Kshs.16,476,121 in respect of one hundred and forty-five (145) Project Management Committee (PMC) bank balances which were not supported by certificates of bank balance, cashbooks, bank statements and bank reconciliations statements. Further, the Project Implementation Status report indicated that the Fund implemented one hundred eighty-seven (187) projects but only disclosed one hundred forty-five (145) projects' bank balances.

In addition, the Project Management Committee (PMC) bank account balances for projects since inception of the Fund have not been verified. Further, it was not possible to confirm when the bank accounts for completed projects were closed and bank balances surrendered to the main Constituency Fund bank account in compliance with Section 12(8) of the National Government Constituencies Development Fund Act, 2015 which requires all unutilized funds of the Project Management Committee to be returned to the Constituency account.

In the circumstances, the validity, accuracy and existence of the Project Management Committee (PMC) bank balances of Kshs.16,476,121 as at 30 June, 2022 could not be confirmed. In addition, Management was in breach of the law.

## **9. Unsupported Bursary**

The statement of receipts and expenditure reflects other grants and transfers amount of Kshs.49,518,509 as disclosed in Note 7 to the financial statements which includes bursary to secondary schools and tertiary institutions amount of Kshs.13,561,661 and Kshs.20,581,096, respectively all totaling to Kshs.34,142,757. However, financial returns acknowledging receipts of the funds and confirming that the amounts have been credited to the beneficiaries' fees account were not provided for audit verification. Further, the criteria for vetting the bursary application, vetting committee minutes and names of beneficiaries were not provided. It was therefore not confirmed how the beneficiaries vetted and recommended for award of bursary.

In addition, no documentary evidence was provided to confirm that the beneficiaries were residents of the constituency. The payments were also not supported with a list of successful candidates indicating the student name, course name, admission number and the amount awarded to each student.

In the circumstances, the validity, accuracy and completeness of the secondary schools and tertiary institutions amount of Kshs.13,561,661 and Kshs.20,581,096, respectively could not be confirmed.

## **10. Inaccuracy in the Unutilized Funds**

The financial statements reflects Kshs.30,733,205 in respect of unutilized fund balance as disclosed in Note 17 in other important disclosures of which differs with the budget utilization difference of Kshs.45,079,084 reflected in the summary statements of appropriation. The resulting variance of Kshs.14,345,879 has not been reconciled or explained.

In the circumstance, the accuracy and existence of the unutilized fund balance of Kshs.30,733,205 could not be confirmed.

## **11. Unconfirmed Fixed Assets**

Annex 4 to the financial statements reflects summary of fixed asset register balance of Kshs.9,948,762 which include transport equipment balance of Kshs.3,500,000. However, the vehicle registration logbooks were not provided. Further, the assets includes intangible assets balance of Kshs.4,974,381 that was not supported with procurement records such as user requisitions, tender advertisement, tender evaluation minutes, tender award, inspection and acceptance report, and signed contract.

In addition, the fixed assets opening balance of Kshs.9,948,762 differed with the prior year audited balance of Kshs.4,974,381 resulting to an unexplained and unreconciled variance of Kshs.4,974,381. An updated assets register was also not provided for audit verification.

In the circumstances, the accuracy, regularity, ownership and existence of the fixed assets balance of Kshs.9,948,762 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 - Bomet Central 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

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

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 controls, 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 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 controls would not necessarily disclose all matters in the internal controls 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 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 as a going concern or 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**

**29 June, 2023**