

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KAJIADO NORTH 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 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 1 to 41, 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 the National Government Constituencies Development Fund - Kajiado North 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. Unreconciled Records for Funds Transfer from the Board**

The statement of receipts and payments reflects transfers from the National Government Constituencies Development Fund Board of Kshs.174,093,879. However, the Board website indicates that an amount of Kshs.152,093,879 was disbursed to the Constituency. The difference of Kshs.22,000,000, relates to AIE No. B 105785 not reported in the Board website which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the transfers from the National Government Constituencies Development Fund Board of Kshs.174,093,879 could not be confirmed.

### **2. Unsupported Use of Goods and Services Expenditure**

The statement of receipts and payments reflects use of goods and services amount of Kshs.13,754,821 as disclosed in Note 5 to the financial statements. Review of a sample of transactions totalling to Kshs.7,115,856, drawn from the ledger revealed that expenditure of Kshs.2,133,550 was not supported by payment vouchers.

In the circumstances, the accuracy and regularity of expenditure of Kshs.2,133,550 could not be confirmed.

### **3. Inaccuracy and Lack of Valuation for Fixed Assets**

Annex 4 on summary of fixed asset register reflects total assets of Kshs.19,311,749 as at 30 June, 2022 which differs with the asset register balance of Kshs.20,184,168 resulting to an unreconciled variance of Kshs.872,419. Included in the asset register are balances of Kshs.11,351,623 and Kshs.4,494,676 for building and motor vehicle, respectively whose valuation reports were not provided for audit.

In circumstances, the accuracy and completeness of the fixed assets balance of Kshs.19,311,749 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**

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

The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs.264,855,444 and Kshs.239,171,565 respectively, resulting to an underfunding of Kshs.25,683,879 or 10% of the budget. Similarly, the Fund spent Kshs.225,777,249 against an approved budget of Kshs.264,855,444 resulting to an underperformance of Kshs.39,078,195 or 15% of the budget.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters 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**

#### **1. Failure to Implement Projects**

The statement of receipts and payments reflects other payments of Kshs.3,000,000 as disclosed in Note 9 to the financial statements for the year under review and comparative. The expenditure relates to partitioning and installation of ICT hubs at Embulbul Chief's Office, Ngong and Ongata Rongai for which the funds were transferred from constituency fund to project management committee account. However, the projects were not implemented and the funds were not returned to the Constituency Fund Account. Further, procurement for the projects had also not been done as at the time of audit in the month of March, 2023.

In the circumstances, the public did not get value for money allocated for the projects.

## **2. Unsupported Procurement Process for Projects**

The statement of receipts and payments reflects transfers to other Government units of Kshs.58,720,338 as disclosed in Note 6 to the financial statements. Review of procurement documents for the projects implemented revealed the following irregularities:

### **2.1. Ngong Technical and Vocational College Project**

The project was awarded to a contractor at a contract sum of Kshs.5,600,000 for construction of three (3) classrooms with terrazzo floor. Review of the procurement documents revealed that advertisement was not done in National media though it met the threshold of the National tender.

### **2.2. Empakase Secondary School Project**

The project was awarded to a contractor at a contract sum of Kshs.5,600,000 for construction of the three (3) classrooms on top of suspended floor slab and staircase to completion. Review of procurement documents revealed that advertisement was not done in National media though it met the threshold for the National tender. Further, notification was done on 9 November, 2021 however, the contract signed after forty-eight (48) days, on 27 January, 2022, instead of within 30 days. The statement of account indicated payment for extra works of Kshs.461,970, which was not approved by the Fund Board.

### **2.3. Enoomatasiani Girls Secondary School Project**

The project was awarded to a contractor at a contract sum of Kshs.5,587,840 for the construction of three (3) classrooms with terrazzo floor. However, it is not clear on why the lowest evaluated bidder at Kshs.4,715,644 was not awarded the contract. Further, review of the procurement documents revealed that advertisement was not done in National media though it met the threshold for the National tender.

In the circumstances, the regularity of the procurement process that includes competitiveness could not be confirmed.

## **3. Un-approved Emergency Projects**

The statement of receipts and payments reflects other grants and transfers of Kshs.147,347,583 as disclosed in Note 7 to the financial statements. Included is expenditure on emergency projects of Kshs.9,716,902. However, Management did not prepare returns and reports of the emergency projects and presented to the National Government Constituencies Development Fund Board for approval within thirty (30) days as required by Regulation 20(2) of the National Government Constituencies Development Fund Regulations, 2016.

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

#### **4. Irregular Expenditure on Emergency Fund**

The statement of receipts and payments reflects other grants and transfers amount of Kshs.147,347,583 which includes payments for emergency projects of Kshs.9,716,902 as disclosed in Note 7 to the financial statements. The expenditure includes three (3) payments, which are not of emergency nature, as prescribed by the Act and as detailed below:

- i. Payment of Kshs.595,000 for repairs of Fund motor vehicle.
- ii. Payment of Kshs.660,000 which was not supported by payment voucher and pertinent documents.
- iii. Transfers of Kshs.1,000,000 to Kajiado North NGCDF Social Hall PMC account for the construction of social hall.

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

#### **5. Unconfirmed Appointment of the Committee**

The statement of receipts and payments reflects use of goods and services amount of Kshs.13,754,821 as disclosed in Note 5 to the financial statements. This amount includes other committee expenses and committee allowances of Kshs.3,445,350 and Kshs.3,772,000 respectively. However, the appointment letters for the committee members were not provided for audit.

In the circumstances, the regularity of the appointment of the committee members could not be confirmed.

#### **6. Unsatisfactory Project Implementation**

The statement of receipts and payments reflects transfers to other government units and other grants and transfers of Kshs.58,720,338 and Kshs.147,347,583 respectively which includes expenditure on projects. Field visits conducted in the month of March, 2023 revealed the following anomalies:

##### **6.1. Poor Workmanship at Ngong Chief's Office Project**

The construction of Ngong Chiefs office was allocated Kshs.1,250,000. However, site visit revealed that the office walls had cracks.

##### **6.2. Kiserian Primary School Project**

The project for construction of two (2) classrooms to completion cost Kshs.2,000,000. The project was complete and in use. However, the veranda along the classes was chipped.

### **6.3. Kiserian Mixed Day Secondary School Project**

The project for the construction of three (3) classrooms to completion cost Kshs.3,000,000. The project was complete and in use. The classroom floors, however, were chipped. Further, there were cracks on the walls and six (6) fluorescent bulbs out of the twenty-one (21) in the contract were not fitted.

### **6.4. Ongata Rongai Chief's Office Project**

The project was allocated Kshs.7,000,000 for purchase of land and renovation of a chief's office. The project was complete and branded and not in use. This was attributed to lack of sanitation facilities.

In the circumstances, value for money for the projects implemented was not obtained.

## **7. Project Implementation Status**

Review of project implementation status as at 30 June, 2022 revealed that the management proposed to implement sixty-nine (69) projects with a total allocation of Kshs.136,146,672, out of which, fifty (50) projects valued Kshs.47,598,034 were complete while nineteen (19) projects valued Kshs.88,548,638 were on-going.

Review of the approved code list revealed that eighty-one (81) projects, valued at Kshs.137,088,879 had been approved for implementation resulting to a variance of twelve (12) projects.

In the circumstances, the constituents did not get value for money for the projects not completed and the number of projects planned for implementation 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 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 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 controls, risk management and overall governance.

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

**19 June, 2023**