

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KAJIADO SOUTH FOR THE YEAR ENDED 30 JUNE, 2022

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 South Constituency set out on pages 1 to 44, 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 - Kajiado South 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 Financial Statements

Review of the financial statements provided for audit revealed the following inaccuracies;

- i. The statement of receipts and payments reflects expenditure on use of goods and services of Kshs.10,964,187 as disclosed in Note 5 to the financial statements. The amount includes expenditure on utilities, supplies and services of Kshs.181,678 with comparative amount of Kshs.237,420. However, the audited financial statements for 2020/2021 reflects nil balance resulting in unreconciled variance of Kshs.237,420.
- ii. Note 17.4 to the financial statements reflects comparative total PMC bank balance of Kshs.2,757,090 while Annex 5 on PMC bank balances has no comparative balance.
- iii. The statement of cash flows reflects use of goods and services and transfers to other government units amounts of Kshs.11,414,187 and Kshs.92,020,000, respectively while the statement of receipts and payments reflects amounts of Kshs.10,964,187 and Kshs.92,470,000, respectively resulting to an unexplained variances of Kshs.450,000 and Kshs.450,000.
- iv. The summary statement of appropriation reflects budget utilisation difference of Kshs.197,954,925 instead of Nil amount for the transfers from the NGCDF Board.

In the circumstances the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.

2. Variances in the Funds Transferred from the Board

The statement of receipts and payments and Note 1 to the financial statements reflects transfers from the National Government Constituencies Development Fund Board amount of Kshs.181,477,758 while the NG-CDF Board website shows total transfers of Kshs.146,088,878 resulting to an unexplained difference of Kshs.35,388,880. Further, review of the records disclosed that AIEs No. B105786 of Kshs.24,000,000 and No. B155951 of Kshs.11,388,879 were omitted in the NG-CDF Board website records. In the circumstance, the accuracy and completeness of the transfers from the National Government Constituencies Development Fund Board balance could not be confirmed.

3. Misclassification of Emergency Expenditure

The statement of receipts and payments reflects other grants and transfers amount of Kshs.62,836,763 as disclosed in the Note 7 to the financial statements. The amount, includes emergency projects expenditure of Kshs.10,442,206. Review of the ledger and the payment vouchers provided revealed that transfer payment to Nasipa Primary School

for construction and renovation of two (2) classrooms at a cost Kshs.1,300,000 was classified as emergency project instead of transfers to other Government entities projects.

In the circumstances, the accuracy and classification of expenditure on emergency projects could not confirmed.

4. Unsupported Expenditure on Acquisition of Assets

The statement of receipts and payments and Note 8 to the financial statements reflects acquisition of assets amount of Kshs.2,097,566. However, review of the ledger amount revealed transactions totalling to Kshs.903,798 which were not supported by payment vouchers, invoices and interim certificate of payments.

In the circumstances, the regularity of expenditure on acquisition of assets could not be confirmed.

5. Misstatement in the Cash and Cash Equivalents Balance

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.26,063,209 as disclosed in Note 10A to the financial statements, while bank reconciliation statement and the cashbook reflects a balance of Kshs.26,150,608, resulting to an unexplained difference of Kshs.87,399, The difference relate to retention money recorded in the cashbook but not banked. The Management has not explained where the money is held.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.26,063,209 could not be confirmed

7. Fixed Assets Balance

The statement of receipts and payments reflects expenditure on acquisition of assets of Kshs.2,097,566 (2021-Kshs.3,275,902) as disclosed in Note 8 to the financial statements. The amount is in relation to refurbishment of buildings. However, annex 4 on summary of fixed assets register reflects comparative balance for buildings and structures of Kshs.500,000. Further, annex 4 reflects total fixed assets balance of Kshs.10,648,259 while the fixed asset register provided for audit reflects balance of Kshs.19,303,724.

In the circumstances, the accuracy, valuation, of the fixed assets balance could not be confirmed.

8. Unsupported Accounts Payable Balance

The statement of assets and liabilities reflects accounts payable balance of Kshs.87,399 as disclosed in Note 12A to the financial statements, being the retention money balance. However, the retention money register and schedule detailing the movement of the fund, the contractors and contracts were not provided for audit review.

In the circumstances, the existence and regularity of account payables balance could not be confirmed.

9. Unsupported Expenditure on Other Grants and Transfers.

The statement of receipts and payments reflects expenditure on other grants and transfers amount of Kshs.62,836,763 as disclosed in Note 7 to the financial statements. The amount includes bursary to tertiary institutions of Kshs.36,199,100 which further include. payment to a Technical Training Institution of Kshs.19,419,100, for training motor bike riders and PSV motor vehicle drivers. The applications and admission to the training institution for the beneficiaries, and vetting reports from the bursary committee were not provided for audit. Further, the training services were procured through request for quotations to four institutions which were not in the prequalified list of suppliers provided.

In the circumstances, the completeness, regularity and occurrence of the expenditure on other grants and transfers 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 South 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 audit.

Other Matter

Budgetary Control and Performance

The summary statement of appropriation reflects final expenditure budget and actual on comparable basis of Kshs.197,954,925 and Kshs.171,891,716, respectively, resulting to under expenditure of Kshs.26,063,209 or 13% of the budget.

The under-expenditure affected implementation of the planned activities and programs and 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. Implementation of Projects by the Fund

The statement of receipts and payments reflects expenditures on transfer to other Government units and Other grants and transfers of Kshs.92,470,000 and Kshs.62,836,763 respectively as disclosed in Notes 6 and 7 to the financial statements.. Field verification conducted in the month of March, 2023 revealed anomalies in the projects implementation as noted below;

1.1. Olkaria Primary School

The project was funded through emergency allocation of Kshs.2,400,000, for renovation of four (4) classrooms. The project was completed, branded and in use. The completion certificate was issued on 10 May, 2022. However, the classrooms floor and the veranda had chipped, electrical repairs to hanging cables, sockets, switch plates and replacement of broken fittings valued at Kshs.40,000 as per the bill of quantities were not done. Further, three (3) access ramps into the classrooms out of the four (4) required, each valued at Kshs.7,000 and totalling to Kshs.21,000 were not done.

1.2. Nkariak - Ronkena Chief's Office

The project was allocated an amount of Kshs.3,200,000 for construction of a Chief's Office, Assistant Chief's Office, registry, secretary's office, (2) offices for administration police, armoury, waiting bay, and (3) door pit latrine. The project was completed, branded and completion certificate issued on 19 July, 2022. Field verification however, revealed that, curtain rods provided for in the bill of quantities at Kshs.19,800 were not installed and the final coat of paint was not applied in the Sub-chief's office. The project was not yet in use.

1.3. Kimana Primary School

The project was for the supply of two (2) PVC water tanks, water harvesting infrastructure and hygiene points all at a cost of Kshs.450,000. The two (2) PVC water tanks were installed but water harvesting infrastructure to enable collection of water into the tanks and hygiene points were not done.

1.4. Kimana Assistant County Commissioner's Office

The project was for the construction of an Assistant County Commissioner's Office, area Chief's Office, Assistant Chief's Office, registry, secretary's office, two (2) offices for administration police, armoury, waiting bay and three (3) offices for divisional service providers at contract price of Kshs.6,000,000. The project was complete and branded but not yet in use.

In the circumstances, value for money for the projects implemented above could not be confirmed.

2. Implementation of Emergency Projects

The statement of receipts and payments reflects other grants and transfers amount of Kshs.62,836,763, which includes expenditure on emergency projects of Kshs.10,442,206 as disclosed in Note 7 to the financial statements. The expenditure on emergency projects was however, not supported by a report to the Board which ought to have been submitted within thirty (30) days of the occurrence of the expenditure. This is contrary to Regulation 20(2) of the National Government Constituencies Development Fund Regulations, 2016 which provides that the utilization of the emergency reserve shall be reported to the Board within thirty (30) days of the occurrence of the emergency, in the format prescribed by the Board.

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

3. Procurement of Primary and Secondary Schools Projects

The statement of receipts and payments and Note 6 to the financial statements reflects transfers to other Government units amount of Kshs.92,470,000, being expenditure on implementation of Primary and Secondary schools' projects. Review of four (4) sampled projects' procurement files revealed the following irregularities contrary to Regulation 27(1) of the National Government Constituencies Development Fund Regulation, 2016 which requires that the Public Procurement and Disposal laws to be applied with respect to any procurement by a Constituency Committee or project management committee;

3.1. Kimana Primary School Project

The project was awarded at a contract price of Kshs.4,148,000, for the supply 1,000 conference chairs and 5 steel frame conference tables for multi-purpose hall. Review of procurement records revealed that there was no professional opinion submitted for approval to Accounting Officer. Further, the inspection and acceptance report was not signed by the committee members.

3.2. Korinko Secondary School Project

The project was awarded at a contract sum of Kshs.5,499,304.80 to carry out renovation of office block, three classrooms and toilet blocks. Review of the procurement records revealed that the contract was however, not advertised in the media though it met the threshold of the National tender of amount above 5 million. Further, professional opinion was not prepared for approval by Accounting Officer and inspection report was not signed by the committee members.

3.3. Olmapitet Manhae Secondary School Project

The project was awarded through at a contract sum of Kshs.4,798,450 to erect chain-link fence and construction of a gate. Review of the procurement records revealed that the

inspection and acceptance committee report was not signed by the committee members and professional opinion was not prepared.

3.4. Enkii Boys Secondary School Project

The project was awarded at a contract sum of Kshs.4,299,134 to construct a solar electric fence. Review of the procurement documents revealed that professional opinion was not prepared and approved by the Accounting Officer. The inspection and acceptance committee members were not appointed.

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

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 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 applicable basis of accounting unless Management is aware of 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 manner.

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 controls 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 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 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 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

13 July, 2023