

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - BOMACHOGE CHACHE CONSTITUENCY 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 - Bomachoge Chache Constituency set out on pages 1 to 38, 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 the 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 - Bomachoge Chache 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

Report of the Auditor-General on National Government Constituencies Development Fund - Bomachoge Chache Constituency for the year ended 30 June, 2022

Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

Basis for Opinion

1. Unsupported Transfers to Other Government Units

The statement of receipts and payments reflects transfers to other Government units balance of Kshs.83,309,433 as disclosed in Note 6 to the financial statements. The amount includes transfers to primary schools and tertiary institutions amounts of Kshs.35,012,193 and Kshs.20,397,240 respectively . However, the latter two amounts include disbursements totalling to Kshs.3,800,000 whose supporting documents, such as Project Management Committee project files, interim payment certificates and bank statements indicating how the funds were utilised, were not provided for audit.

The details are as shown in the table below: -

Institution	Project Details	Amount (Kshs.)
Getare Primary School	Construction of 2 classrooms on 1 st floor (phase 2)	2,000,000
Nyataro Primary School	Renovation of classrooms, fixing of steel doors, windows, plastering and painting	800,000
Riamo Technical and Vocational College	Construction of 8-door pit latrine for ladies and gents and urinal pit and 2-door pit latrine and urinal for staff	1,000,000
	Total	3,800,000

In the circumstances, the accuracy, completeness and validity of transfers to other Government units amount of Kshs.3,800,000 could not be confirmed.

2. Unsupported Projects Expenditure

The statement of receipts and payments reflects other grants and transfers amount of Kshs.71,797,484 as disclosed in Note 7 to the financial statements. However, review of records revealed the following unsatisfactory matters:

- (i). The amount of Kshs.71,797,484 includes security projects expenditure of Kshs.13,200,000 which further includes an amount Kshs.5,500,000 whose supporting documents, such as Project Management Committee project files, interim payment certificates indicating the extent of work done and bank statements to indicate how the funds were utilised, were not provided for audit.
- (ii). Further, the amount of Kshs.71,797,484 includes sports projects expenditure of Kshs.2,720,000 out of which, Kshs.1,120,000 was paid to a local supplier for the supply and delivery of sports items or kits. However, Management did not provide the stores receipt and issue vouchers and a signed distribution list to the beneficiaries for audit review, to support the latter amount.
- (iii). In addition, the other grants and transfers amount includes emergency projects expenditure of Kshs.7,938,154. However, the emergency projects schedule, bills of quantities for the implemented projects, project management committee bank account statements and project files, in support of the latter amount, were not provided for audit.

In the circumstances, the accuracy, completeness and validity of the other grants and transfers expenditure of Kshs.14,558,154 could not be confirmed.

3. Unsupported Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets balance of Kshs.8,500,000 as disclosed in Note 8 to financial statements. The amount includes an expenditure of Kshs.1,274,708 whose supporting delivery notes or inspection and acceptance committee reports were not provided for audit.

In the circumstances, the accuracy, completeness and validity of the acquisition of assets expenditure of Kshs.1,294,708 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 - Bomachoge Chache 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

1. Budgetary Control and Performance

The summary statement of appropriation for the year under review reflects total budgeted receipts of Kshs.192,333,542 and actual receipts on comparable basis of Kshs.183,833,542, resulting to an underfunding of Kshs.8,500,000 or 4% of the budget. Similarly, the summary statement reflects approved final expenditure budget of Kshs.192,333,542 and actual expenditure of Kshs.176,408,360, resulting to an under expenditure of Kshs.15,925,182 or 8% of the budget.

The underfunding and under expenditure affected the planned activities of the Fund and may have impacted negatively on service delivery to the residents of Bomachoge Chache Constituency.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed in the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

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 sections 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. Transfers to Other Government Units

The statement of receipts and payments reflects transfers to other Government units balance of Kshs.83,309,433 as disclosed in Note 6 to the financial statements. However, audit of the expenditure revealed the following anomalies: -

1.1. Unbranded Primary Schools Projects

The balance of Kshs.83,309,433 includes transfers to primary schools amount of Kshs.35,012,193 out which, Kshs.5,400,193 was spent on three (3) primary schools projects. However, audit inspection carried out in the month of March,2023 revealed that the three (3) projects had been completed and in use, but had not been branded or labelled as required by Regulation 11(1)(cc) of the National Government Constituencies Development Fund Regulations, 2016.

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

1.2. Delayed Implementation of Projects

Further, the balance of Kshs.83,309,433 includes an amount of Kshs.6,100,000 disbursed to three (3) primary schools, one (1) secondary school and one (1) tertiary institution. However, audit inspection of the projects carried out in the month of March, 2023 revealed several unsatisfactory matters as tabulated below:

Institution	Project Details	Amount (Kshs.)	Observations
Getare Primary School	Construction of 2 classrooms on 1 st floor (phase 2)	2,000,000	The project was incomplete and had been done up to the lintel stage.
Machongo Primary School	Construction of 4 roomed administration block inclusive of staff room to completion	1,500,000	The project was incomplete as doors and window had not been fixed, while plastering and painting had not been done.
Nyataro Primary School	Renovation of classrooms, fixing of steel doors, windows, plastering and painting to completion	800,000	The project was incomplete as doors and windows had not been fixed, while plastering and painting had not been done.
Riamo Technical and Vocational College	Construction of 8-door pit latrine for ladies and gents and urinal pit to completion and 2-door pit latrine and urinal for staff	1,000,000	The project was incomplete and the contractor was not on site.
Nyamiobo Secondary School	Completion of science laboratory (Finishes)	800,000	The project was incomplete and the contractor was not on site.
	Total	6,100,000	

In the circumstances, value for money was not achieved in the expenditure of Kshs.6,100,000 on the incomplete projects.

2. Other Grants and Transfers

The statement of receipts and payments reflects other grants and transfers amount of Kshs.71,797,484 as disclosed in Note 7 to the financial statements. However, audit of the expenditure revealed the following unsatisfactory matters:

2.1. Unbranded Security Projects

The balance of Kshs.71,797,484 includes security projects expenditure of Kshs.13,200,000 out of which, an amount of Kshs.1,500,000 was spent on three (3) security projects. However, audit inspection carried in the month of March, 2023 revealed that the three (3) projects had been completed and in use, but had not been branded or labelled as required by Regulation 11(1)(cc) of the National Government Constituencies Development Fund Regulations, 2016.

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

2.2. Poor Workmanship of Projects at Egetonto Administration Police Camp

The security projects expenditure of Kshs.13,200,000 also includes an amount of Kshs.5,000,000 disbursed for the construction of six (6) roomed offices, 6 residential units (double rooms), a pit latrine with a urinal and provision for people with disability access, 2 bathrooms and a urinal to completion at Egetonto Administration Police Camp. An audit inspection carried out in the month of March, 2023 revealed that project had been completed and put to the intended use. However, there were deep structural cracks on the walls, an indication of poor workmanship and poor quality of materials used.

In the circumstances, value for money of the expenditure on security projects of Kshs.5,000,000 could not be confirmed.

2.3. Lack of a Properly Constituted Bursary Sub-Committee

The amount of Kshs.71,797,484 includes bursaries disbursement to secondary schools and tertiary institutions totalling to Kshs.45,239,330. However, the bursary sub-committee as constituted did not co-opt two members, one of whom must be the area Education Officer or representative of the of Ministry of Education. This is contrary to the Constituency Development Fund Board circular reference No. VOL1/111, dated 13 September, 2010, which requires formation of a Sub-Committee of Constituency Development Fund to manage the bursary scheme, including two co-opted members, one of whom must be an Education Officer or an Officer seconded from the Ministry of Education.

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

3. Lack of a Fixed Asset Register

Annex 4 to the financial statements - summary of fixed assets register reflects a value of fixed assets of Kshs.48,996,545 as at 30 June, 2022. However, Management did not maintain an assets register in support of the balance. This is contrary to Regulation 143 (1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstance, 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 processes and systems of internal control, risk management and 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 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 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 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 scepticism 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 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

27 June, 2023