

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KEIYO SOUTH 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 control, 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 the National Government Constituencies Development Fund - Keiyo South Constituency set out on pages 1 to 49, 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, 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 effects of the matter 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 - Keiyo 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

Summary of Fixed Assets Register

Annex 4 to the financial statements reflects historical cost of assets balance of Kshs.19,957,764. However, review of the assets register revealed the following anomalies;

- i. Included in the amount is Kshs.40,000 being the value of a LaserJet pro M40DN which was received from the NGCDF Board. However, the value was not supported by valuation report to confirm the correct value of the machine;
- ii. The assets register includes a Toyota Double GKB901J valued at Kshs.5,092,046 whose actual value could not be confirmed as no valuation report was provided;
- iii. Also included in the register is a Toyota Hilux Double Cabin valued at Kshs.3,205,650 that was not supported by a valuation report and logbook;
- iv. The building that was valued at Kshs.8,380,295 and land Kshs.520,000 were not supported by a valuation report.

In the circumstances, the accuracy, completeness and ownership of fixed assets balance of Kshs.19,957,764 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 - Keiyo 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 review.

Other Matter

1. Budgetary Control and Performance

The summary statement of appropriation reflects final receipts budget and actual on a comparable basis of Kshs.249,992,063 and Kshs.249,992,063 an indication that the Fund received 100% of the funding. Similarly, the Fund spent Kshs.231,561,487 against an approved budget of Kshs.249,992,063 resulting to an under-expenditure of Kshs.18,430,576 or 7.4% of the budget.

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

2. Project Implementation Status

Review of records revealed that 76 projects valued at Kshs.89,357,781 were allocated funds out of which one (1) project costing Kshs.300,000 was still at procurement stage, nine (9) projects of Kshs.10,100,000 were still ongoing and sixty-six (66) projects valued at Kshs.78,957,781 were complete and in use. The slow pace of project completion is an indication that the public may not benefit from the projects as soon as possible.

3. Unresolved Prior Year Audit Matters

The audit report for the year ended 30 June, 2021 raised several issues relating to presentation of financial statements and lawfulness and effectiveness in use of resources. Management has in the report on follow-up of auditor's recommendations appended to the financial statements for the year under review indicated that all the issues have been resolved. The actual status of the issues shall be confirmed after they are discussed by Parliament.

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 matter 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

Projects Verification

Thirty-one (31) projects costing Kshs.61,520,000 were physically verified. These projects included thirteen (13) primary school projects with a disbursements of Kshs.19,500,000, eleven (11) secondary schools projects with a disbursements of Kshs.29,270,000 and seven (7) security projects with a disbursement of Kshs.12,750,000. These projects are complete and in use. However, two (2) projects valued at Kshs.2,000,000 were poorly done and have leaking roofs.

In the circumstances, value for money may not be realized in the two (2) projects costing Kshs.2,000,000 that have been poorly done and have leaking roofs.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Cash and Cash Equivalents – Stale Cheque

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.18,658,764. Review of the bank reconciliation statement for June, 2022 revealed that an amount of Kshs.5,501,659 for 205 unpresented cheques included a cheque for Kshs.11,000 for St Raphael Chebiemit Boys dated 23 July, 2021 which was stale. It was not clear why payments were made, and the payees failed to cash their cheques. Further, the cheque dispatch register was not provided, and therefore it was not possible to confirm if or when the cheques were dispatched.

In the circumstances, lack of a cheque register results in loss of trail and therefore tracking movement of cheques once issued is hampered.

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 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 cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 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 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 May, 2023

Appendices

Appendix 1

Primary Schools

S/No	Date	Payee	Voucher No.	Amount (Kshs.)	Project Description	Status
1.	19/8/2021	Chebirei Primary School	078	2,300,000	Renovation of 10 classrooms	Complete and in use
2.	16/8/2021	Kewane Primary School	058	2,600,000	Construction of two classrooms	Complete and in use
3.	8/12/2021	Kipchiloi Primary School	06	1,000,000	Completion of admin block with 4 offices	Complete and in use. -Ceiling leaking -Only 3 offices constructed and completed
4.	31/5/2022	Chemwabul Primary School	374	1,150,000	Construction of 1 classroom to completion and purchase of 40 desks	Complete and in use
5.	19/8/2021	Matugen Primary School	81	1,500,000	Renovation of 10 classrooms	Complete and in use
6.	19/8/2021	Matugen Primary School	473	1,200,000	Renovation of 5 Classrooms to completion	Complete and in use
7.	31/5/2022	Sabor Primary School	375	1,150,000	Construction of 1 classroom and purchase of 40 desks	Complete and in use
8.	31/5/2022	Kowochii Primary School	370	1,150,000	Construction of 1 classroom and purchase of 40 desks	Complete and in use
9.	8/12/2021	Molol Primary School	045	1,100,000	Construction of 1 classroom and purchase of 40 desks	Complete and in use
10.	8/12/2021	Kiptabach Primary School	050	2,000,000	Construction of dormitory	-Complete and in use
11.	16/8/2021	Kocholwo Primary School	072	1,100,000	Construction of 1 classroom and purchase of 40 desks	-Complete and in use
12.	31/8/2021	Chemurgui Primary School	95	2,100,000	Construction of admin block	Complete and in use

S/No	Date	Payee	Voucher No.	Amount (Kshs.)	Project Description	Status
13.	24/1/2022	Ngobisi Primary School	239	1,150,000	Construction of 1 classroom and purchase of 40 desks	-Complete and in use
			Total	19,500,000		

Secondary Schools

No	Project Name	Project Activity	Amount (Kshs.)	Remarks
1	Kapletingi Secondary School	Construction of 6 door toilet and Bio digester, soak pit and plumbing works.	1,700,000	Project completed in use and labelled
2	St. Joseph Kipsaina Secondary School	Construction of a dormitory with capacity of 80 students to completion	3,800,000	Roof done complete with roofing sheet, interior wall plaster done, flooring done but, wiring done, labelling, doors and windows fitted not yet complete-On going
3	Kapkenda Secondary School	Construction of 2 no. classrooms	2,000,000	Completed, in use and labelled
4	Kiptulos Secondary School	Construction of 1. No classroom to completion and purchase of 40 lockers and chairs and equipping administration block with furnitures	1,500,000	Project Completed, in use and labelled.
5	St. Mary's Kitany Secondary School	Construction of 1. no classroom and Purchase of 40 lockers and chairs.	1,200,000	Project Completed, in use and labelled.
6	Biwott Mixed Secondary School	Construction of 1. no classroom and Purchase of 40 lockers and chairs.	1,200,000	Project Completed, in use and labelled
7	Kaptagat Girls Secondary School	Construction of 2. no classrooms and Purchase of 80 lockers and chairs	2,400,000	Project Completed, in use and labelled
8	Koimur Mixed Day Secondary School	Construction of 2. no classrooms and Purchase of 80 lockers and chairs	2,750,000	Project Completed, in use and labelled

No	Project Name	Project Activity	Amount (Kshs.)	Remarks
		and Construction of 3 doors pit latrine.		
9	Kasar Mixed Day Secondary School	Construction of 2. no classrooms and Purchase of 80 lockers and chairs	2,400,000	Project Completed, in use and labelled
10	Daniel Adventist Secondary School- Kaptubei	Construction of library to completion with a capacity of 50 students	2,800,000	Roof done complete with roofing sheet, interior wall plaster done, flooring done but, wiring done, labelling, doors and windows fitted not yet complete-On going
11	Chepsigot Secondary School	Purchase of 45–52-seater school bus.	7,520,000	School bus delivered. Logbook for the bus delivered.
	Total		29,270,000	
	Grand Total		48,770,000	