

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MBEERE 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

### **Adverse Opinion**

I have audited the accompanying financial statements of the National Government Constituencies Development Fund - Mbeere North Constituency set out on pages 1 to 51, which comprise 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of National Government Constituencies Development Fund - Mbeere 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 do not comply with the National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Inaccuracy of the Financial Statements**

The summary statement of appropriation reflects unutilized fund opening balance of Kshs.25,402,324 while Note 17.3 to the financial statements reflects unutilized fund balance of Kshs.29,106,691 resulting to unexplained variance of Kshs.3,704,367.

Further, Annex 3 reflects unutilized fund balance of Kshs.21,684,765 which differs with Note 17.3 balance of Kshs.29,106,691 resulting to unreconciled variance of Kshs.7,421,926.

In the circumstances, the accuracy of the summary statement of appropriation for the year could not be confirmed.

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

#### **2.1 Unaccounted for Other Committee Expenses**

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects an amount of Kshs.13,916,752 in respect to use of goods and services which includes Kshs.3,442,000 in respect to other Committee expenses. Included in the Kshs.3,442,000 was Kshs.1,535,000 on monitoring and evaluation exercises. However, the payment vouchers, signed daily attendance registers and daily programme of events for the monitoring activities were not provided for audit.

In the circumstances, the accuracy and propriety of the expenditure of Kshs.1,535,000 could not be confirmed.

#### **2.2 Unsupported Committee Allowances**

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects an amount of Kshs.13,916,752 in respect to use of goods and services which includes Kshs.1,940,000 relating to Committee allowances. However, the payment vouchers, Fund Committee agenda for the meetings and signed attendance registers for the meetings were not provided for audit.

In the circumstances, the accuracy and propriety of the Committee allowances expenditure of Kshs.1,940,000 could not be confirmed.

#### **2.3 Unsupported Routine Maintenance - Other Assets**

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects an amount of Kshs.13,916,752 in respect to use of goods and services which further includes Kshs.800,000 in respect to routine maintenance of other

assets. However, the expenditures were not adequately supported with payment vouchers, request for quotations, Committee opening and evaluation minutes, letters of offer and acceptance, delivery notes, inspection and acceptance certificate and invoices.

In the circumstances, the accuracy and propriety of the expenditure of Kshs.800,000 could not be confirmed.

#### **2.4 Unsupported Hospitality Supplies and Services**

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects an amount of Kshs.13,916,752 in respect to use of goods and services which further includes Kshs.760,000 in respect to hospitality supplies and services. However, the expenditures were not adequately supported with payment vouchers, request for quotations, opening and evaluation minutes, letters of offer and acceptance, delivery notes, inspection and acceptance certificates and invoices.

In the circumstances, the accuracy and propriety of the expenditure of Kshs.760,000 could not be confirmed.

#### **2.5 Unsupported Training Expenses**

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects an amount of Kshs.13,916,752 in respect to use of goods and services which further includes Kshs.2,522,000 in respect to training expenses. However, the payment vouchers, training programmes, back to office reports, invitation letters and list of participants and evidence of travelling to and from the venue were not provided for audit.

In the circumstances, the accuracy of the training expenditure of Kshs.2,522,000 could not be confirmed.

#### **2.6 Unsupported Expenditure on Domestic Travel**

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects an amount of Kshs.13,916,752 which further includes Kshs.560,000 in respect to domestic travel and subsistence. However, the payment vouchers, work tickets or bus tickets, back to office reports were not provided for audit review.

In the circumstances, the accuracy of the domestic travel expenditure of Kshs.560,000 could not be confirmed.

### **3. Unaccounted for Bursary Funds**

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.43,135,893 in respect to other grants and transfers which further includes Kshs.25,856,200 in respect to bursary-secondary, tertiary and special schools. However, the Vetting Committee appointment letters and Bursary Committee minutes were not provided for audit review.

In the circumstances, the accuracy of the expenditure amount of Kshs.25,856,200 could not be confirmed. Further, it was not possible to ascertain whether the bursaries benefited the intended beneficiaries and was expended appropriately.

#### **4. Unprocessed Stale Cheques**

The statement of assets and liabilities and as disclosed in Note 10A to the financial statements reflects an amount of Kshs.12,766,154 in respect to cash and cash equivalents. However, the bank reconciliation statement includes Kshs.12,941,744 relating to unpresented cheques which further includes eighteen (18) stale cheques totalling to Kshs.115,984 that have not been reversed or written back to the cash book.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.12,766,154 could not be confirmed.

#### **5. Unsupported Project Management Committee (PMC) Bank Balances**

Note 17.4 to the financial statements reflects Kshs.21,684,765 in respect to Project Management Committee (PMC) bank balances. However, the cashbooks and bank reconciliation statements as at 30 June, 2022 were not provided for audit. Further, one hundred and twelve (112) bank balances amounting to Kshs.17,614,133 were not supported with bank statements.

In the circumstances, the accuracy of PMC bank balances of Kshs.21,684,765 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 - Mbeere 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 adverse opinion.

#### **Other Matter**

##### **1. Budgetary Control and Performance**

The Fund's summary statement of appropriation reflects approved receipts budget of Kshs.211,227,082 and actual receipts of Kshs.195,227,082 resulting to a budget shortfall of Kshs.16,000,000 or 8% of the budget. Similarly, the statement reflects an approved expenditure budget of Kshs.211,227,082 and actual payments of Kshs.182,988,949 resulting to an under expenditure of Kshs.28,238,133 or 13% of the budget.

In addition, the statement reflects funds pending approval of Kshs.3,094,448 which was not approved by the NGCDF Board contrary to Section 5(1)(2) and Section 6(1)(2) of National Government Constituencies Development Fund Act, 2015.

In the circumstances, the receipts shortfall and the under expenditure affected the planned activities and may have impacted negatively on service delivery to the citizens of Mbeere North Constituency. In addition, the Fund was in breach of the law.

##### **2. Unresolved Prior Year Matters**

Review of the progress on follow up of auditor recommendations revealed that Management has not resolved or given explanation on several issues raised in previous

years' audit reports contrary to the requirement of Section 31(1) of Public Audit Act, 2015 which states that within three months after Parliament or the County Assembly has debated and considered the final report of the Auditor-General and made recommendations, a state organ or a public entity that had been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Transfers to Other Government Entities**

##### **1.1. Poor Workmanship and Incomplete Works at Kambaru Primary School**

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.123,500,000 in respect to transfers to other Government units which includes Kshs.36,150,000 in respect to transfers to primary schools which further includes Kshs.1,000,000 transferred to Kambaru Primary School for the construction of an administration block from foundation to roofing vide voucher No.41 dated 9 March, 2022.

However, physical verification carried out in March, 2023 revealed that the building is being used as a makeshift store. The building materials were left on site, the floor had cracks due to poor workmanship, windows and doors were not installed and painting and plastering were not done.

In the circumstances, the value for money for the expenditure of Kshs.1,000,000 could not be confirmed.

##### **1.2 Poor Workmanship at Rwanjeru Primary School**

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.123,500,000 in respect to transfer to other Government units which includes Kshs.36,150,000 in respect to transfers to primary schools which further includes Kshs.900,000 transferred to Rwanjeru Primary School for the renovation of four (4) classrooms vide voucher number 23 dated 14 January, 2022. However, physical verification carried out in March, 2023 revealed that the renovation was done on three (3) classrooms and the flooring was poorly done as there were cracks on the floor in two (2) classrooms, the corridor and on the wall in one of the classrooms. In addition, the tendering process was done by the NGCDF therefore the role of the PMC was not exercised and no explanation was provided.

In the circumstances, the value for money for Kshs.900,000 could not be confirmed.

### **1.3 Unsupported and Incomplete Classroom Works at Kathigagaceru Primary School**

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.123,500,000 in respect to transfer to other Government units which includes Kshs.36,150,000 in respect to transfers to primary schools which further includes Kshs.850,000 transferred to Kathigagaceru Primary School for the renovation and face lifting of four (4) classrooms, plastering, flooring, painting and reroofing vide payment voucher number 183 dated 13 May, 2022.

However, physical verification carried out in March, 2023 revealed that the flooring and plastering were not done. Further, the project file containing the request for quotations, opening and evaluation minutes, letter of offer, letter of acceptance, form of tender, conditions of contract, specifications, drawings, priced bill of quantities, payment certificate and bank statements were not provided for audit review.

In the circumstances, the value for money for the expenditure of Kshs.850,000 could not be confirmed.

### **1.4 Incomplete and Unlabeled Classroom Works at Gitii Primary School**

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.123,500,000 in respect to transfers to other Government units which includes Kshs.36,150,000 in respect to transfers to primary schools which further includes Kshs.850,000 transferred to Gitii Primary School for the renovation and face lifting of four (4) classrooms, plastering, flooring, painting and reroofing vide payment voucher number 169 dated 13 May, 2022.

However, physical verification carried out in March, 2023 revealed that the window panes were not installed and the labelling was not done contrary to a circular reference number NG-CDFB/CEO/BOARD Vol.II(014) dated 24 September, 2019 which stipulates that Constituency Committees ensure that cost of project labelling/branding is incorporated in bill of quantities for each project and that they should adhere to Board's guidelines on labelling of projects and Section 11 (1) (cc) and 15(1) (f) of the National Government Constituencies Development Fund Regulations, 2016 which state that the Constituency Committee or respective Project Management Committee shall ensure projects are labelled.

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

### **1.5 Incomplete Works and Poor Workmanship on Twelve Secondary Schools Projects**

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.123,500,000 in respect to transfers to other Government units which includes Kshs.57,300,000 in respect to transfers to secondary schools which further includes Kshs.16,400,000 disbursed to twelve (12) projects.

However, physical verification carried out in March, 2023 revealed unsatisfactory implementation of the twelve projects as detailed below:

- i. An amount of Kshs.1,000,000 was transferred to Siakago Boys High School for completion of a storied dormitory currently at first floor slab, do first floor walling, roofing, painting, flooring and electrical installation plus ablution block vide payment voucher 53 dated 09 March, 2021. However, the roofing, painting, flooring, electrical installation and ablution block were not done.
- ii. St. Mary Magdalene High School for the deaf was allocated Kshs.1,000,000 for completion of a 40-student capacity science laboratory; flooring, plastering, shuttering, painting, gas installation and working benches vide voucher number 123 dated 14 January, 2022. However, the project proposal by the intended user was not provided for audit review. Further, the contractor was not on the site and some building materials (sand and bricks) were left on site. The flooring, plastering, shuttering, painting, gas installation was not done and work benches not installed.
- iii. An amount of Kshs.2,000,000 was transferred to Riandu Secondary School for completion of a storied dormitory currently at first floor slab, do first floor walling, roofing, painting, flooring and electrical installation plus ablution block vide payment voucher number 52 dated 09 March, 2021. First floor slab has been completed. However, first floor walling, roofing, painting, flooring, electrical installation and ablution were not done.
- iv. Kambaru Secondary School was allocated Kshs.2,000,000 for completion of administration block vide payment voucher number 119 of 14 January, 2022. However, the building materials were left on site and the project was not complete. Further, there were cracks on the floor, doors were not installed and painting was not done.
- v. An amount of Kshs.1,500,000 was transferred to Gitiburi Secondary School for completion of administration block from foundation to roofing vide payment voucher number 118 dated 14 January, 2022. However, the building materials were left on site and the building was being used as a makeshift store. Further, there were cracks on the floor, window panes and doors were not installed while painting and electrical installations was not done.
- vi. An amount of Kshs.700,000 was disbursed to Gikuyari Secondary School for completion of a 40-student capacity science laboratory; installation of benches, working platform, plumbing and fixation of gas system vide payment voucher 176 dated 13 May, 2022. However, the building materials were left on site. Further, there were cracks on the floor, window panes and doors were not installed, while painting and electrical installations was not done.
- vii. Itiira Secondary School was allocated Kshs.700,000 for completion of a 300 students' capacity dining hall and kitchen; plastering, flooring and painting vide payment voucher number 176 of 13 May, 2022. However, the plastering, flooring and painting was not done.
- viii. An amount of Kshs.2,000,000 was made to Gangara Secondary School for construction of a 200-student capacity multipurpose hall to roofing level vide payment voucher number 48 dated 9 March, 2021. However, the activity allocated the money was a multipurpose hall yet the structure found during inspection was just a dining

hall. Further, plastering of floor and walls, painting and Installation of doors and windows were not done.

- ix. Karambari Secondary School was allocated Kshs.1,000,000 for completion of a 200-student capacity multipurpose hall plastering and keying, painting, flooring and electrical works vide payment voucher number 50 of 09 March, 2021. However, plastering and keying, painting, flooring and electrical works were not done.
- x. An amount of Kshs.500,000 was disbursed to Kanyuambora Secondary School for procurement of 80 beds vide payment voucher number 122 of 14 January, 2022. However, the funds were not disbursed to the Project Management Committee as required. The school Management explained that the procurement process was done by the NGCDF and the beds were only delivered to the school. The beds were not received using a goods receipt note.
- xi. An amount of Kshs.3,000,000 was made to Muthanthara Secondary School for construction of a laboratory vide payment voucher number 177 of 13 May, 2022. However, the project is ongoing but the contractor was not on site. Further, the flooring, plastering, painting, fixing of the work tables was not done and nine (9) windows installed without window glasses and panes.
- xii. An amount of Kshs.1,000,000 was disbursed to Ciangera Secondary School for construction of a multi-purpose hall vide payment voucher number 47 of 09 March, 2022. However, the project was ongoing but the contractor was not on site by time of audit in March, 2023. Further, the window panes were not installed on seven (7) windows. One of the partitions of the hall was being used as a boys' dormitory and 2 windows fixed were funded by the parents. Further, the flooring, plastering and painting was not done.

In the circumstances, the value for money for the expenditure amount of Kshs.16,400,000 transferred to secondary schools could not be confirmed.

## **1.6 Un-prioritized and Un-accounted for Funds to Ishiara Medical Training Centre**

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.123,500,000 in respect to transfers to other Government entities which includes Kshs.30,050,000 relating to transfers to tertiary institutions whose contract agreements with contractors and payment vouchers were not provided for audit including an expenditure of Kshs.8,000,000.

Further, physical verification carried out in March, 2023 revealed that the project was not operational and the contractor was not on site. Also, there were no sign post at the project site therefore, ownership of the projects could not be verified.

In addition, the project concept note, preliminary and detailed project designs and approvals from Kenya Medical Training College on this project were not provided for audit review. It was not clear whether the concept note was well conducted.

Further, there was no gazettelement of the medical training center contrary to Section 3(b) of the Kenya Medical Training College Act No 14 of 1990 which states that such other institutions as the Minister may, from time to time in consultation with the Board of Management, by notice in the Gazette, declare to be constituent training centers of the



college. Ishiara Sub District Hospital is 15 kilometers away from the proposed medical training center. No explanation was made on how the students will carry out their practicals.

In addition, there was no prioritization of the projects being undertaken namely; the staff houses, administration block and tuition block. No explanation was provided for delay in implementation of the projects since substantial funding had already been provided yet project implementation was far much behind schedule.

In the circumstances, the propriety and value for money for the expenditure of Kshs.30,050,000 could not be confirmed. In addition, the Fund's Management was in breach of the law.

## **2.0 Completed but Unutilized Project, Incomplete Works, Poor Workmanship on Two Security Projects**

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.43,135,893 in respect to other grants and other transfers which includes Kshs.2,500,000 in respect to security projects which further includes Kshs.1,400,000 transferred to two projects.

However, physical verification carried out in March, 2023 revealed the following:

- i. In Kanyuambora Chief's Camp, a disbursement of Kshs.400,000 was made for construction of 3 roomed Chief's Office vide payment voucher number 111 dated 14 January, 2022. However, the office was not in use and the contractor was not on site. Further, there were cracks on the floor which was evidence of poor workmanship and painting was not done.
- ii. An amount of Kshs.1,000,000 was disbursed to Kabubua Ka Nyama Police Post for construction of a police post. However, the construction was complete but not in use hence raising doubt whether there was need for construction of the police post. Further, there were cracks on the floor and the wall due to poor workmanship. Also, labelling was not done.

In the circumstances, the value for money for the expenditure amount of Kshs.1,400,000 could not be confirmed.

## **3.0 Unsupported Expenditure on Sports Projects**

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.43,135,893 in respect to other grants and other transfers which further includes Kshs.2,741,000 in respect to sports projects. However, the expenditure was not supported with the names of officials, appointment letters, signed attendance registers, rates used, number of days they officiated and criteria for identifying officials. Also, specifications of the sports kits in terms of colour, texture and size, stores records showing how the sport kits were taken on charge and the distribution list were not provided for audit review.

In the circumstances, it was not possible to ascertain whether the Kshs.2,741,000 expenditures were a proper charge to public funds and whether value for money was obtained.

## **4.0 Environment Project**

### **4.1 Unsupported Expenditure on Environment Project**

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.43,135,893 in respect to other grants and transfers which further includes Kshs.1,358,673 for environment projects. Review of the documents revealed that Kshs.1,008,673 was paid to Mbeere North Project Management Committee vide payment voucher number 126 dated 27January, 2022. However, the activity paid for was not indicated and the support documents including quotations, opening and evaluations minutes, professional opinion, invoices and goods delivery notes were not provided for audit review.

In the circumstances, the propriety and value for money for the expenditure of Kshs.1,008,673 could not be confirmed.

### **4.2 Wasteful Expenditure on Purchase and Planting K-Apple Seedlings**

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.43,135,893 in respect to other grants and transfers which includes Kshs.1,358,673 for environment projects which further includes Kshs.350,000 transferred to Ishiara Medical Training Centre for planting K-Apple fence.

However, physical verification carried out in March, 2023 revealed that the K-Apple fence was planted but dried up within a short period raising concerns whether the Committee in charge conducted tests to ascertain quality and viability of the seedlings' suitability for the soils before procurement was done. Further, the supporting documents including payment receipts for the seedlings, delivery notes, goods received notes and the payments made for planting were not provided.

In the circumstances, the value for money for the expenditure amount of Kshs.350,000 could not be confirmed.

## **5.0 Emergency Projects**

### **5.1 Doubtful Expenditure on Emergency Projects**

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.43,135,893 in respect to other grants and transfers which includes Kshs.10,680,000 for emergency projects which further includes Kshs.1,000,000 paid as an emergency grant for planting of trees during the rainy season. Review of the documents provided revealed that the money was transferred to Mbeere North Environment Project Management Committee. The minutes supporting the expenditure revealed that it was an internal vote borrowing. However, there was no approval for reallocation from the Board contrary to Section 6(2) of the National Government Constituencies Development Fund Act, 2015 which requires that once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board.

In addition, the distribution lists, the criteria used to identify areas where the trees were planted, acknowledgements from the receiving institutions showing the number and type of trees distributed, stores records showing receipt and issuance of the tree seedlings were not provided for audit. Further, no report was presented showing whether the responsible department conducted tests to ascertain quality and viability of the seedling's suitability for the soils before procurement was done.

In addition, there was no evidence of an environmental impact assessment report giving guidelines on mechanisms for monitoring and evaluating the compliance and environmental performance of the project contrary to Section 58 (1) and (7) of the Environmental Management and Coordination Act, 1999 which states that notwithstanding any approval, permit or license granted under this Act or any other law in force in Kenya, any person, being a proponent of a project, shall, before financing, commencing, proceeding with, carried out, executing or conducting or causing to be financed, commenced, proceeded with, carried out, executed or conducted by another person any undertaking specified in the Second Schedule to this Act. Further, environmental impact assessment shall be conducted in accordance with the environmental impact assessment regulations, guidelines and procedures issued under this Act.

In the circumstances, the Fund may not have realized value from the expenditure and Management was also in breach of the law.

## **5.2 Failure to Provide Expenditure Returns and Incomplete Works on Emergency Projects**

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.43,135,893 in respect to other grants and other transfers which includes Kshs.10,680,000 in respect to emergency projects which further includes Kshs.1,000,000 for two emergency projects.

Physical verification carried out in March, 2023 revealed the following;

- i. In Siakago Boys High School, the project had an allocation of Kshs.500,000 for intervention of a burnt dormitory. However, the project file to confirm the NGCDFC intervention was not provided and the only activity seemed to have been undertaken was roofing. Further, the expenditure returns containing the request for quotations, opening and evaluation minutes, letter of offer, letter of acceptance, form of tender, conditions of contract, specifications, drawings, priced bill of quantities and payment certificate and bank statements was not provided.
- ii. An amount of Kshs.500,000 was disbursed to Gitiburi Secondary School for intervention of burnt dormitory vide payment voucher number 113 dated 14 January, 2022. However, the project file containing the request for quotations, opening and evaluation minutes, letter of offer, letter of acceptance, form of tender, conditions of contract, specifications, drawings, priced bill of quantities and payment certificate and bank statements were not provided. Also, the plastering of floor and wall, roofing and painting were not done. Further, the windows and doors were not installed.

In the circumstances, the propriety and value for money for the expenditure of Kshs.1,000,000 could not be confirmed.

### **6.0 Incomplete Projects Outstanding for More Than Three Years**

The statement of receipts and payments and as disclosed in Notes 6 and 7 to the financial statements reflects Kshs.123,500,000 and Kshs.43,135,893 in respect to transfers to other Government units and other grants and other transfers respectively both totalling to Kshs.166,635,893 which was earmarked for project implementation during the year.

However, the project implementation status provided revealed projects costing Kshs.40,100,000 have been ongoing for the last three years. No explanation was provided why the projects were still ongoing hence raising doubts on the criteria used to prioritize the projects.

In the circumstances, the value for money of these projects could not be confirmed.

### **7.0 Incomplete Project Implementation Status Report (PIS)**

The statement of receipts and payments and as disclosed in Notes 6 and 7 to the financial statements reflects Kshs.123,500,000 and Kshs.43,135,893 in respect to transfers to other Government units and other grants and other transfers respectively both totalling to Kshs.166,635,893 which was earmarked for project implementation during the year. However, the project implementation status provided was incomplete and did not include all the projects carried out in the financial year under review.

In the circumstances, the status of the undertaken projects worth Kshs.166,635,893 as budgeted 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, because of the significance of the the matter discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **Lack of an Approved ICT Policy**

Review of the Fund's ICT environment revealed that there was no approved ICT Policy, Security Policy, Environmental Policy, IT Continuity Plan and Disaster Recovery Plan in place.

In the circumstances, the security and reliability of the Fund's data including management information system could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. 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 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**

**23 May, 2023**