

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - NORTH MUGIRANGO CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2022**

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## **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in use of public resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - North Mugirango 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 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 - North Mugirango 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. Unsupported Procurement of Access Roads Works**

The statement of receipts and payments reflects transfers to other Government units amount of Kshs.83,411,200 which includes transfers to primary schools and secondary schools amounts of Kshs.36,060,000 and Kshs.40,176,200 respectively, as disclosed in Note 6 to the financial statements.

Review of records revealed that an amount of Kshs.26,500,000 was utilised towards bush clearing, ditch cleaning, boulder removing, cross culvert installation, grading and gravelling to stands in respect of different roads within the constituency. However, a list of the roads on which the works were carried out, requisition letters from the benefitting schools, evidence of the procurement procedures followed in identifying the contractor and awarding the contract, inspection and acceptance committee reports for completed works and payment vouchers were not provided for audit review.

Further, the National Constituency Development Fund Board had approved only Kshs.8,698,000 towards access roads, resulting in an unauthorized expenditure of Kshs.17,802,000. This is contrary to Section 6(1) of the National Government Constituency Development Fund Act 2015 which provides 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 the circumstances, the validity, accuracy and completeness of the expenditure of Kshs.26,500,000 on access roads could not be confirmed.

### **2. Unsupported Construction of Dormitory at Maangonga Secondary School**

The transfers to other Government units balance of Kshs.83,411,200 includes an amount of transfers to secondary schools of Kshs.40,176,200 as disclosed in Note 6 to the financial statements. Included in the balance of Kshs.40,176,200 is an amount of Kshs.1,000,000 which was disbursed to Maangonga Secondary School, being part of cumulative payments of Kshs.3,000,000 as at 30 June, 2022, which was for the construction of a 50-bed capacity dormitory. However, the project proposals, approved drawings and structural designs by the relevant Authorities, expenditure returns, and contract agreement with the contractor and procurement records were all not provided for the audit.

In the circumstances, the validity, accuracy and completeness of the transfers to secondary schools expenditure of Kshs.1,000,000 could not be confirmed.

### **3. Unsupported Purchase of School Bus for Ekerubo Gietai Technical Training Institute**

The transfers to other Government units balance of Kshs.83,411,200 includes an amount of transfers to tertiary institutions of Kshs.7,175,000 as disclosed in Note 6 to the financial statements. The amount was in respect of the purchase of 51-seater college bus for Ekerubo Gietai Technical Training Institute at a purchase price of Kshs.9,700,000. However, management did not provide the procurement documents and the inspection and acceptance committee report for audit review.

In the circumstances, the validity, accuracy and completeness of the expenditure of Kshs.7,175,000 for the year ended 30 June, 2022 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 - North Mugirango 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 a final budget and actual receipts on comparable basis amounts of Kshs.182,472,771 and Kshs.160,688,879 respectively, resulting to underfunding of Kshs.21,783,892 or 12% of the budget. Similarly, the Fund spent a total amount of Kshs.140,852,964 against an approved budget of Kshs.182,767,784, resulting to an under-expenditure of Kshs.41,914,820 or 23% of the budget.

The underfunding and under-expenditure affected the Fund's planned activities and may have adversely affected service delivery to the residents of North Mugirango Constituency.

#### **2. Projects Approved but not Implemented**

An audit inspection and review of the projects implementation status report revealed that out of forty-five (45) approved projects in the Constituency code list for the year under review, fifteen (15) projects with a total budgetary allocation of Kshs.30,498,000 had not been started as analyzed in the table below.

S/No.	Name of the Project	Approved Activity	Amount allocated (Kshs.)
1.	Chisaria Primary School	Construction of two classrooms	2,000,000
2.	Ekerubo Day Primary School	Renovation of four classrooms	2,000,000
3.	Riosoya Primary School	Renovation of four classrooms	1,000,000
4.	Chisaria Primary School	Construction of two classrooms	2,000,000
5.	Riomego SDA Boarding Primary School	Renovation of one classroom to completion	500,000
6.	Gitwebe Primary School	Renovation of four classrooms	1,000,000
7.	Matongo Dip Junction Primary School Link Road	Road opening, grading, culvert installation, gravelling and compaction of 0.6km access road	2,300,000
8.	Magwa Junction - Ikamu Secondary School Link	Installation of Culverts and 50 score Checks, Heavy Grading and Gravelling 0.1 KM access Road	1,798,000
9.	Chisaria Junction - Chisaria Primary School Link Road	Grading, culvert cleaning, gravelling and compaction of 0.4km access road	1,500,000
10.	Monga Primary School	Renovation of one classroom to completion; flooring, fixing doors and windows, plastering and painting	500,000
11.	Kiabira Primary School	Renovation of one classroom to completion; flooring, fixing doors and windows, plastering and painting	500,000
12.	Omokirondo Primary School	Construction of one classroom	1,000,000
13.	Tombe Secondary School	Construction of two classrooms	1,700,000
14.	St Clare Gekendo Girls Secondary School	Purchase of 51-seater school bus	9,700,000
15.	Ekerubo Police Post	Construction of a 3 roomed Chief's Office in an existing police post.	3,000,000
	<b>Total</b>		<b>30,498,000</b>

No reason was provided for the delay in implementing the projects and it was observed that commencement dates for the projects were not indicated in the projects implementation status report. It was therefore not possible to determine whether or not project timelines were adhered to.

In the circumstances, residents of the Constituency were denied expected benefits of the planned projects.

## 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 the 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. Transfers to Other Government Units**

The statement of receipts and payments reflects transfers to other government units balance of Kshs.83,411,200 as disclosed in Note 6 to the financial statements. However, the following anomalies were observed:

#### **1.1 Unbranded Primary Schools Projects**

The transfers to other government units balance of Kshs.83,411,200 includes an amount of transfers to primary schools Kshs.36,060,000 which further includes Kshs.3,000,000 which was transferred to Nyamusi and Nyaututu Primary Schools. The amount was for the renovation of nine (9) classrooms at a cost of Kshs.1,000,000 and renovation of five (5) classrooms at a cost of Kshs.2,000,000 respectively. However, an audit inspection carried out on 13 March, 2023 revealed that even though the projects were undertaken, no branding was done with the Fund's logo and the year when the activity was budgeted for implementation, as required by Regulation 11(1)(cc) of the National Government Constituencies Development Fund Regulations, 2016. As a result, other Government agencies or donor organizations might take credit for projects funded by the Fund.

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

#### **1.2 Delayed Construction of Classrooms and Purchase of Desks at Kenyoro Primary School**

The transfers to primary schools amount of Kshs.36,060,000 further includes an amount of Kshs.2,000,000 transferred to Kenyoro Primary School for the construction of two classrooms and purchase of eighty (80) units of 3-seater wooden desks. However, an audit inspection carried out in March, 2023 revealed that the classrooms were incomplete, the desks had not been delivered and the contractor had not been on site since August, 2022.

In the circumstances, the delays may adversely affect learning in the school and value for money of the expenditure of Kshs.2,000,000 could not be confirmed.

#### **1.3 Unapproved Re-allocation and Implementation of Projects**

Further, included in the transfers to primary schools amount of Kshs.36,060,000 are disbursements totalling to Kshs.5,600,000 to four (4) primary schools which were not in the approved code list.

However, review of records and available information revealed various anomalies as detailed below:

- i. Included in the balance of Kshs.5,600,000 is an amount of Kshs.600,000 disbursed to Nyangina Primary School for construction of two (2) classrooms. However, the project could not be traced in the approved code list for the year under review.
- ii. Further, included in the balance is an amount of Kshs.1,000,000 disbursed to Nyamusi Primary School for renovation of six (6) classrooms. The scope of works entailed plastering of classrooms, replacement of windows and doors and painting. However, the project was not approved the National Government Constituencies Development Fund (NGCDF) Board.
- iii. In addition, included in the balance is an amount of Kshs.4,000,000 transferred to Iteresi and Nyaututu Primary Schools in equal amounts for constructions of two classrooms to completion and purchase of 80 units of 3-seater wooden desks for each school as per project activities contained in the code list. However, examination of records and documents provided for audit revealed that the amount of Kshs.2,000,000 for each school was not used for the intended purpose. Instead the amount was spent on renovation of classrooms re-roofing, plastering or carpeting of the floor, replacement of wooden doors with steel doors and painting of classrooms without approval from the NGCDF Board.

The implementation of the projects was therefore contrary to Section 6(2) of the National Government Constituency Development Fund Act, 2015, which states 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 the circumstances, Management was in breach of the law

#### **1.4 Stalled Construction of Dormitory at Maangonga Secondary School**

The transfers to other government units balance of Kshs.83,411,200 includes an amount of transfers to secondary schools of Kshs.40,176,200 which further includes a balance of Kshs.1,000,000 disbursed to Maangonga Secondary School. The disbursement was part of cumulative payments of Kshs.3,000,000 as at 30 June, 2022, for the construction of fifty (50) bed capacity dormitory. However, an audit inspection carried out in March, 2023 revealed that the project had stalled.

In the circumstances, the intended benefits of the project may not be realized as expected and value for money of the cumulative expenditure of Kshs.3,000,000 on the secondary school could not be confirmed.

## **2. Irregular Installation of Water Tank at Kenyoro Primary School**

The statement of receipts and payments reflects other grants and transfers balance of Kshs.46,534,350 which, as disclosed in Note 7 to the financial statement. The amount

includes expenditure on emergency projects of Kshs.6,965,000 out of which, an amount of Kshs.560,444 was transferred to Kenyoro Primary School for the purchase of a 10,000 litres plastic water tank and installation of accessories. However, an audit inspection revealed that a 5,000 litres plastic water tank was installed instead of the approved 10,000 litres tank.

In the circumstances, value for money of the emergency expenditure of Kshs.560,444 for the 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 Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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**

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

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

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

In preparing the financial statements, Management is responsible for assessing the ability of the Fund 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 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 control 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 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 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**

**21 July, 2023**