

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - NORTH MUGIRANGO CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2019**

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## **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 6 to 37, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement receipts and payments, statement of cash flows and the summary statement of appropriation - recurrent and development combined 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 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 - North Mugirango Constituency as at 30 June, 2019, 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. Lack of Ownership Documents for Motor Vehicle**

The statement of receipts and payments reflects an expenditure of Kshs.8,000,000 for acquisition of assets. As disclosed under Note 8 to the financial statements, the expenditure related to purchase of vehicles of which Kshs.7,758,127 was paid to a motor dealer for the purchase of a motor vehicle. However, the motor vehicle log book was not provided for the audit.

In the circumstances, the ownership of the motor vehicle could not be confirmed.

#### **2. Presentation of Financial Statements**

The statement of assets and liabilities reflects a net assets balance of Kshs.4,799,377 represented by a fund balance of an equivalent amount. However, the fund balance has been described as net liabilities.

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.

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

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Stalled Projects

Audit inspection undertaken in March, 2020 on six (6) projects with a combined budget of Kshs.8,500,000 revealed that the projects were incomplete and the contractors were not on site as shown below:

Institution	Activity	Amount (Kshs.)	Status
Getengereirie Primary School	Construction of two classrooms	1,900,000	-Incomplete (painting not done)
Nyagokiani Secondary School	Renovation of two classrooms	900,000	-Incomplete (five window panes, ceiling and tiles not fixed)
Tombe Secondary School	Construction of two classrooms	1,900,000	-Incomplete (walling, plastering, flooring and painting not done)
Esanige Technical Secondary School	-Completion of two classrooms (plastering, fitting of windows and painting). -Construction of a 4-doors pit latrine.	1,500,000	-Incomplete (painting not done)
Nyamauro Secondary School	-Completion of two classrooms (plastering, fitting of windows and painting). -Construction of a laboratory	1,500,000	-Incomplete (painting not done).
Ekerubo Gietai Boarding Primary	Construction of four pit latrines with eight doors	800,000	Incomplete (one pit latrine with two doors not constructed)
	<b>Total</b>	<b>8,500,000</b>	

The abandoned projects reflect poor supervision and monitoring of projects and casts doubt on the value for money from the projects.

#### 2. Unlabelled Projects

Regulation 11(cc) of the National Government Constituencies Development Regulations, 2016, provides that the functions of a Constituency Committee includes ensuring that projects are labelled. However, audit inspection revealed that ten (10) projects with a total cost of Kshs.9,778,000 were not labelled as shown below:

<b>Institution</b>	<b>Activity</b>	<b>Cost (Kshs.)</b>
Maagonga Primary School	Purchase of plastic water tank and installation of gutters, pipes, outlet taps and concrete base.	226,000
Omorare Secondary School	Renovation of spring water point, slabbing, piping and installation of water tanks.	1,500,000
Nyamauro Secondary School	Purchase of plastic water tank and installation of gutters, pipes, outlet taps and concrete base.	226,000
Nyamwachania Primary School	Renovation of two classrooms.	900,000
Tombe Secondary School	Construction of two classrooms.	1,900,000
Nyairanga Secondary School	Installation of steel water tank.	500,000
Nyaobe Primary School	Renovation of two classrooms.	900,000
Enchoro Primary School	Renovation of spring water point, slabbing, piping and installation of water tanks	1,500,000
Morembe Primary School	Construction of two classrooms.	1,900,000
Mesobwa Primary School	Purchase of plastic water tank and installation of gutters, pipes, outlet taps and concrete base.	226,000
	<b>Total</b>	<b>9,778,000</b>

### 3. Unimplemented Projects

The statement of receipts and payments reflects Kshs.68,840,000 under transfer to other government units. The transfers include Kshs.6,500,000 disbursed to the Project Management Committees (PMCs) of five (5) schools for construction and renovation of classrooms. However, audit inspection of the projects on 24 February, 2020 revealed that, works on the proposed projects had not commenced and the funds continued to lie idle in the bank accounts - more than eight (8) months after they were disbursed. The summary of the un-implemented projects is as shown below:

<b>Institution</b>	<b>Activity</b>	<b>Amount (Kshs.)</b>
Nyakenimo Secondary School	Renovation of two classrooms	900,000
Egentoto Secondary School	Renovation of two classrooms	900,000
Nyameko Primary School	Construction of two classrooms	1,900,000
St. Monica Mageri Secondary School	Renovation of two classrooms	900,000
Gesweswe Primary School	Construction of two classrooms	1,900,000
	<b>Total</b>	<b>6,500,000</b>

The un-implemented projects is an indication of lack of effectiveness in use of public resources and of the benefits the constituents of North Mugirango were deprived.

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 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 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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of National Government Constituencies Development Fund - North Mugirango Constituency to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of intention to either 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 financial reporting process, reviewing the effectiveness of how the Fund 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 control 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 control 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 policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern 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 ability of the Fund 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 sustaining 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 control 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.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**01 October, 2021**