

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SUNA WEST 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 - Suna West Constituency set out on pages 9 to 34, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of 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 the National Government Constituencies Development Fund - Suna West Constituency as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with the 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. Inconsistencies in the Financial Statements**

The statement of assets and liabilities reflects a fund balance brought forward of Kshs.9,050,168 which differs with the comparative fund balance of Kshs.8,380,168 as at 30 June, 2018 by an unexplained difference of Kshs.670,000.

The summary statement of appropriation - recurrent and development combined reflects Kshs.74,429,478 being the actual receipts from the National Government Constituencies Development Fund Board which differs with the amount of Kshs.73,948,913 - comprising transfers from the Board amounting to Kshs.65,379,310 as reflected in the statement of receipts and payments and bank balance of Kshs.8,569,603 as at 1 July, 2018 - by Kshs.480,565 which has not been explained.

In the circumstances, the accuracy of the financial statements could not be confirmed.

#### **2. Cash and Cash Equivalents**

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.6,367,996. However, the June, 2019 bank reconciliation statement reflected an amount of Kshs.45,735 in respect of bank charges/penalties appearing in the bank statement but not in the cashbook. Management did not provide reasons for failure to post the charges in the cash book and in the relevant expenditure ledger.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.6,367,996 and the reported total payments could not be confirmed.

### **3. Unsupported Bursary Disbursements**

The statement of receipts and payments reflects other grants and transfers of Kshs.29,098,992 which as disclosed at Note 7 to the financial statements, included Kshs.21,100,031 and Kshs.4,480,000 paid as bursary to secondary schools and tertiary institutions respectively. However, supporting documentation such as copies of the beneficiaries' identity cards, fee statement balances and admission letters were not provided. Further, evidence of vetting of the beneficiaries by the bursary sub-committee as required under Regulation 21(3) of National Government Constituencies Development Fund Regulations, 2016 was not provided.

Consequently, the accuracy and validity of the expenditure totalling Kshs.25,580,031 incurred on bursary disbursements could not be confirmed.

### **4. Project Management Committees' Bank Balances**

Disclosed under Note 15.4 to the financial statements, are Project Management Committees (PMC) bank balances totalling Kshs.2,737,830 as at 30 June, 2019. However, the bank reconciliation statements, bank confirmation certificates and cash books were not provided for audit.

Consequently, the accuracy, existence and completeness of the PMC bank balances of Kshs.2,737,830 as at 30 June, 2019, could not be confirmed.

### **5. Non-Maintenance of Proper Records by Project Management Committees**

Disbursements totalling to Kshs.13,050,000 made on diverse dates in the financial year to various Projects Management Committees (PMCs), were not adequately supported with complete expenditure returns including cash books, payment schedules for cash withdrawals, stores records, minutes of tender proceedings, certificates of practical completion for the projects undertaken and reports of inspection and acceptance committees approving the payments. The details of the projects in respect of which the unsupported disbursements were made are provided under **Appendix I**.

Consequently, the validity, completeness and accuracy of the expenditure of Kshs.13,050,000 relating to disbursements made to the PMCs 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 – Suna West 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**

#### **Budgetary Control and Performance**

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual receipts on comparable basis of Kshs.129,470,354 and Kshs.74,429,478 respectively resulting to an under-funding of Kshs.55,040,876 or 42% of the budget. Similarly, the Fund expended Kshs.67,754,917 against an approved budget of Kshs.129,470,354 resulting to an under-expenditure of Kshs.61,715,437 or 48% of the budget.

The underfunding and underutilization of the approved budget hindered the delivery of services to the constituents of Suna West.

## 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**

#### **Unequipped Laboratories and Projects not Labelled**

Audit inspection of projects relating to construction of science laboratories in various schools at a cost of Kshs.13,750,000 as shown in **Appendix 2** revealed that, although the buildings had been completed, the equipment had not been supplied and the laboratories had therefore not been put to use. Further, the projects for the construction of a dormitory and purchase and installation of a water tank at St. Celestino Nyangubo Girls Secondary at a cost of Kshs.1,300,000 and Kshs.200,000 respectively, had not been labelled as required under Regulation 11(cc) of the National Government Constituencies Development Regulations, 2016. In addition, the storey science laboratory built at a cost of Kshs.1,500,000 had already been converted into a dormitory.

Delayed equipping of the laboratories denied the students the benefits that would have been derived from use of the laboratories

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 the 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 the National Government Constituencies Development Fund – Suna West Constituency to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the 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 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**

**APPENDIX I - Non-Maintenance of Proper Records by Project Management Committees**

<b>Project Location</b>	<b>Project Description</b>	<b>Date</b>	<b>Cheque No.</b>	<b>Amount (Kshs.)</b>
Chief Baraza Primary School	Completion of a classroom -flooring, plastering, fittings & painting.	27/7/18	13809	700,000
Kasigra Primary School	Construction of one model one classroom.	27/7/18	13802	700,000
Kotuga Primary School	Construction of one classroom	27/7/18	13801	700,000
Kowiti Memorial School	Construction of two model classrooms.	27/7/18	13811	1,500,000
Machicha Mixed Secondary School	Construction of a single science laboratory with work station & drainage.	15/5/19	14479	800,000
Sibuoche Mixed Secondary	Additional funds for construction of a twin laboratory.	27/7/18	13804	1,250,000
God Kwer Primary School	Construction of two model classrooms.	15/5/19	14481	600,000
God Kwer Primary School	Construction of two model classrooms.	15/5/19	14482	600,000
Oruba Keyo Primary School	Construction of two model classrooms.	27/7/18	13808	1,400,000
Ramoya Secondary School	Construction of a twin laboratory.	27/7/18	13200	2,000,000
St. Celestino Nyangumbo Girls Secondary School	Additional funds for construction of a laboratory.	27/7/18	13803	1,300,000
St. Celestino Nyangumbo Girls Secondary School	Construction of a storey science laboratory with work stations and a drainage.	15/5/19	14485	500,000
St. Celestino Nyangumbo Girls Secondary School	Construction of a storey science laboratory with work stations and a drainage.	27/3/19	14440	600,000
St. Celestino Nyangumbo Girls Secondary School	Construction of a storey Science Laboratory with work stations and a drainage.	27/3/19	14442	400,000
St. Celestino Nyangumbo Girls Secondary School	Purchase and installation of a 20,000 litres water tank.	27/3/19	14446	200,000
<b>Total</b>				<b>13,250,000</b>

## Appendix 2 - Unequipped Laboratories and Projects not Labelled

No.	Name	Project	Total Amount (Kshs.)	% of Completion	Remarks
1.	Bishop Masaga Ogada Secondary School	Construction of a single science laboratory with work station & drainage.	1,500,000	95%	<ul style="list-style-type: none"> <li>• Roofing completed, walls painted, work station done, drainage completed.</li> <li>• Project yet to be officially handed over.</li> <li>• Equipment yet to be supplied.</li> </ul>
2.	Machicha Mixed Secondary	Construction of a single science laboratory with work station & drainage.	1,500,000	100%	<ul style="list-style-type: none"> <li>• Roofing completed, walls painted, work station done and drainage completed.</li> <li>• Project yet to be officially handed over.</li> <li>• Equipment yet to be supplied.</li> </ul>
3.	Magoto Mixed Secondary School	Construction of a single science laboratory with work station & drainage.	1,500,000	100%	<ul style="list-style-type: none"> <li>• Roofing completed, walls painted, work station done and drainage completed.</li> <li>• Project yet to be officially handed over.</li> <li>• Equipment yet to be supplied.</li> </ul>
4.	Malera Secondary School	Construction of a single science laboratory with work station & drainage.	1,500,000	100%	<ul style="list-style-type: none"> <li>• Roofing completed, walls painted, work station done and drainage completed.</li> <li>• Project yet to be officially handed over.</li> <li>• Equipment yet to be supplied.</li> </ul>
5.	Nyamome Secondary School	Construction of a dormitory.	1,500,000	100%	<ul style="list-style-type: none"> <li>• Roofing completed, walls painted, work station done, drainage completed. Project yet to be officially handed over.</li> <li>• Equipment yet to be supplied.</li> </ul>

No.	Name	Project	Total Amount (Kshs.)	% of Completion	Remarks
6.	Ramoya Mixed Secondary School	Additional funds for construction of a twin laboratory	2,000,000	100%	<ul style="list-style-type: none"> <li>•Roofing completed, walls painted, work station done, drainage completed.</li> <li>•Project yet to be officially handed over.</li> <li>•Equipment yet to be supplied.</li> </ul>
7.	Sibuoche Mixed Secondary	Additional funds for construction of a twin laboratory	1,250,000	100%	<ul style="list-style-type: none"> <li>•Roofing completed, walls painted, work station done, drainage completed.</li> <li>•Project yet to be officially handed over.</li> <li>•Equipment yet to be supplied.</li> </ul>
8.	St Celestino Nyangubo Secondary School	Additional funds for construction of a dormitory.	1,300,000	50%	<ul style="list-style-type: none"> <li>•Roofing done, plastering ongoing, windows yet to fixed on the 1st floor.</li> <li>•Project not branded.</li> </ul>
9.	St. Celestino Nyangubo Girls Secondary	Purchase and installation of a 20,000 litres water tank.	200,000	100%	<ul style="list-style-type: none"> <li>•Audit could not identify the tank supposedly installed as it had not been branded.</li> </ul>
10.	St. Celestino Nyangubo Girls Secondary	Construction of a storey science laboratory with work stations and drainage.	1,500,000	75%	<ul style="list-style-type: none"> <li>•Slab to 1st floor completed, walls painted, work station done, drainage completed on the ground floor.</li> <li>•Work yet to start on the 1st floor.</li> <li>•School noted to have converted the laboratory into a dormitory.</li> </ul>
	<b>Total</b>		<b>13,750,000</b>		