

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - BARINGO SOUTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Baringo South Constituency set out on pages 17 to 56, which comprise of the statement of assets and liabilities as at 30 June, 2020, 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 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 - Baringo South Constituency as at 30 June, 2020, 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. Inaccuracies in Bank Balances

As disclosed in Note 10A of the financial statements, the statement of assets and liabilities reflects bank balances totalling to Kshs.22,929,254. The bank reconciliation statement provided reflected payments in bank statements that were not recorded in the cashbook amounting to Kshs.120,000 whose support schedule described as receipts in cashbook not recorded in bank statements broken down into cashbook overcast amount of Kshs.99,691 and cheque 4208 amount of Kshs.20,309. The statement further included unrepresented cheques totalling to Kshs.42,459,984 out of which cheques amounting to Kshs.753,054 were stale. However, the stale cheques were not reversed in the cashbook.

Under the circumstances, the accuracy, completeness and validity of bank balances totalling to Kshs.22,929,254 reflected in the statement of assets and liabilities as at 30 June, 2020 could not be confirmed.

2. Unsupported Prior Year Adjustments

As disclosed under Note 14 to the financial statements, the statement of assets and liabilities and the statement of cash flows reflect comparative prior year adjustment

totalling to Kshs.62,353. However, the amount described as bank account balances, was not supported.

Consequently, the accuracy, completeness and validity of comparative prior year adjustments totalling to Kshs.62,353 for the year ended 30 June, 2020 could not be confirmed.

3. Inaccuracies in Committee Account Balances

Note 17.4 to the financial statements discloses Project Management Committee account balances totalling to Kshs.31,772,603 as at 30 June, 2020. However, the certificate of bank balances reflected an amount of Kshs.16,047,832 resulting to an unexplained and unreconciled variance amounting to Kshs.15,724,771.

Further, included in the balance is an amount of Kshs.5,990,491 for twenty (20) completed projects as indicated in the Project Implementation Status Report for the financial year 2019/2020. However, the unutilized funds had not been returned to the constituency account.

Consequently, the accuracy, completeness and validity of Project Management Committee account balances totalling to Kshs.31,772,603 as at 30 June, 2020 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 – Baringo South Constituency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totalling to Kshs.214,537,614 and Kshs.133,392,854 respectively, resulting to an underfunding amounting to Kshs.81,144,760 or 38% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.214,537,614 and Kshs. 110,525,953 respectively, resulting to an under expenditure amounting to Kshs. 104,011,661 or 49% of the budget.

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

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

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. Delay in Project Implementation

Review of Project Implementation Status Report indicated that twenty-seven (27) projects with an allocation totalling to Kshs.36,042,590 were incomplete, one hundred and fifty-one (151) projects with an allocation totalling to Kshs.36,042,590 were not started due to non-release of funds and one hundred and sixty-one (161) projects roll over projects with an allocation totalling to Kshs.141,460,463 some dating back in the financial year 2013/2014 were incomplete. This is contrary to Section 11(1)j of National Government Constituency Fund Regulations, 2016 which states that - Constituency Committee shall ensure projects receive adequate funding and are completed within three (3) years.

In the circumstances, I am unable to confirm whether the public will obtain value for money for the above delayed projects for the year ended 30 June, 2020.

2. Unsatisfactory Implementation of Projects

Thirty (30) projects with a budget allocation totalling to Kshs.22,900,000 were sampled for audit verification during the month of February, 2021. Several unsatisfactory observations were made as indicated in **Appendix I**.

In the circumstances, I am unable to confirm whether the public will obtain value for money for the above unsatisfactory implemented projects with an allocation totalling to Kshs.22,900,000.

3. Irregular use of Emergency Fund

The Management incurred an expenditure amounting to Kshs.900,000 on projects that did not meet emergency criteria set under section 8(3) of the National Government Constituencies Development Fund Act, 2015 as detailed below;

Project beneficiary and details	Amount (Kshs)
Perkera Mixed Day Secondary School - Renovation of Principal Office	300,000
Ministry of Education - Marigat Offices -Renovation of Sub-county Education Offices	300,000
Ministry of Education - Marigat Offices-Construction of a four (4) door toilet	300,000
Total	900,000

Consequently, the Management is in breach of the law.

4. Delay in Strategic Plan

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects other payments amounting to Kshs.1,977,336. During the previous year the amount was Kshs.1,318,224. The payment was for the contract for development of 2018-2022 Strategic Plan which was awarded on 10 December, 2018 at a contract sum of Kshs.3,295,560 with a duration of twenty (20) days ending 10 January, 2019. However, the plan was delivered on 09 June, 2020 being two and a half years midterm the Strategic Plan period of 2018-2022.

Consequently, the Fund may not realize the full benefits of the 2018-2022 Strategic Plan.

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 else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 control, 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 overall 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 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 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 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 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 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 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.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 December, 2021

Appendix I: Unsatisfactory Implementation of Projects

No.	Project Beneficiary and Details	Amount (Kshs.)	Observation
1	Meisori Day Secondary School - Construction of Administration Block to roofing	800,000	<ul style="list-style-type: none"> - The walls were constructed up to lintel level with roofing, plastering, painting labelling pending and the contractor was not on site. - Hardware materials totalling to Kshs.600,000 and labour worth Kshs.160,000 were paid but there was no evidence of quotations being sent to prequalified suppliers/contractors, their evaluation and award. - Contract agreement, local purchase order, bills of quantities, drawings, work plan, site minutes and certificate of work in progress from clerk of works were not provided.
2	Salabani Chiefs Office - Completion of Office	200,000	<ul style="list-style-type: none"> - All the activities were not carried out despite full disbursements of the funds on 3 March, 2020. - As at 24 February, 2021 the Project was almost one year late from the date of releasing funds.
3	Endao Primary School - Completion of girls dormitory (plastering, screeding, fixing of window glasses, painting works at Kshs.900,000 and Construction of an ablution block at Kshs.300,000	1,200,000	<p data-bbox="927 1062 1073 1087">Dormitory</p> <ul style="list-style-type: none"> - The contractor was not on site. The allocated funds had been exhausted and the Project was incomplete. - Pending works; painting at Kshs.66,500 and fixing windows panes at Kshs.55,100. - The two dormitory compartments had developed floor cracks. - The Bills of Quantities provided an amount of Kshs.425,160 for plastering, fixing of window glasses and painting while the code list provided Kshs.900,000 for the same items. <p data-bbox="927 1640 1089 1665">Pit Latrines</p> <ul style="list-style-type: none"> - The Bill of Quantities provided for four (4) windows at an amount of Kshs.28,400 which were not fixed, four (4) semi solid flush doors at Kshs.20,000 but instead batten doors were fixed, four (4) mortise

No.	Project Beneficiary and Details	Amount (Kshs.)	Observation
			<p>lock complete with furniture as union at Kshs.12,000 which were not fixed and gauge 28 iron sheets at Kshs.42,000 but instead gauge 30 was used.</p> <ul style="list-style-type: none"> - The allocated funds have been exhausted yet painting has not been done and contractor was not on site.
4	Salabani Primary School - Completion of administration block consisting of 5 offices - Walling to lintel, roofing, fixing of doors and windows, finishing works and branding	800,000	<ul style="list-style-type: none"> - The provisions in Bill of Quantities for eight (8) mild steel stanchions to veranda at Kshs.28,000 were not fixed, doors were provided at Kshs.148,200 but only Kshs.90,000 was spent-Thick chipboard ceiling at Kshs.112,000 and ceiling painting of Kshs.42,000 were not done. - The weather board was not neatly fixed exposing it to possible invasion by bats. - Door frames were bent hence flush doors were not closing and the floor had developed cracks.
5	Loberer Primary School - Completion of one classroom (Plastering, fixing of door and windows, glazing and painting and branding)	300,000	<ul style="list-style-type: none"> - The Project is complete and in use - Bills of Quantities provided for three (3) steel windows amounting to Kshs.37,000 but those fixed were worth Kshs.32,500.
6	Labos Primary School - Completion of administration block five (5) offices (plastering, fixing doors and windows, glazing, painting and branding)	800,000	<ul style="list-style-type: none"> - The Project is complete and in use - The floor had developed cracks, the head teacher's office floor had patches which were peeling off and the red oxide was fading. - The ceiling board was loosely hanging. - Facia board was bending and steel doors amounting to Kshs.45,000 were fixed instead of those provided in the Bill of Quantities worth Kshs.81,000.
7	Latacha Primary School - Construction of three door toilet(emergency)	300,000	<ul style="list-style-type: none"> - The Project was complete and in use but not branded and

No.	Project Beneficiary and Details	Amount (Kshs.)	Observation
			<ul style="list-style-type: none"> - Fixed door was worth an amount of Kshs.6,000 instead of Kshs.9,000. - Mortise lock complete with set lever brass handle furniture at cost of Kshs.7,200 was not fixed and floor was rough with cracks.
8	Perkerra Secondary School - Construction of two (2) classrooms to completion	2,000,000	<ul style="list-style-type: none"> - Itemized Bill of Quantities showing material categorization, details and quantities and other cost including labour cost was not provided.
9	Perkerra Secondary School - Renovation of Principal's office	300,000	<ul style="list-style-type: none"> - The floor had developed cracks and the paint was peeling off. - The Bill of Quantities provided a single steel door amounting to Kshs.10,000 but a wooden batten door amounting to Kshs.5,000 was fixed. - Nine (9) mild steel stanchions to verandah costing Kshs.26,000 were not done.
10	Ntepes Primary School - Construction of one classroom to roofing	800,000	<ul style="list-style-type: none"> - Six (6) mild steel stanchions to verandah were provided for worth Kshs.10,800 but only three (3) were done.
11	Marigat Primary School - Construction of one classroom to roofing and fixing of doors and windows	800,000	<ul style="list-style-type: none"> - The floor had developed huge cracks which extended to the walls an indication of poor workmanship
12	Marigat Integrated Secondary School - Construction of one classroom to completion	800,000	<ul style="list-style-type: none"> - The Bill of Quantities provided for electrical conduits amount of Kshs.25,000 which were not done.
13	Loboi Primary School - Renovation girl's dormitory (Roofing plastering of walls, keying cementing the floor and painting)	1,000,000	<ul style="list-style-type: none"> - The Bill of Quantities provided for Project cost of Kshs.528,000 however Kshs.1,000,000 was spent. - The adjustment and approval for the extra amount of Kshs.472,000 were not provided. - The dormitory floor had developed large cracks, the chipboards are falling out and the roof was not redone. - There was no evidence of Procurement for Works through

No.	Project Beneficiary and Details	Amount (Kshs.)	Observation
			sending quotations to prequalified contractors, evaluations and award.
14	Eldume Secondary School - Construction of two (2) classrooms to completion	2,000,000	- The allocation was exhausted yet the classes were incomplete. - Pending works; flooring, painting, fixing facia board and windows.
15	Chepkotoyan Primary School - Completion of three (3) classrooms (plastering cementing the floor, fixing of facial board and ceiling painting works and branding)	600,000	- The floor and walls had developed cracks and parts of the walls were falling. - The ceiling had not been fixed
16	Kapkukui Primary School - Renovation of five (5) classrooms (roofing plastering cementing the floor keying and painting)	500,000	- The Project Management Committee demolished the classrooms to build new ones without evidence of approval of this reallocation. - At the time of physical verification only one classroom had been constructed to roof level but did not have plaster, floor, windows and doors.
17	Sukutek Primary Schools - Construction of one classroom to completion	800,000	- The floor had developed cracks.
18	Kaptombes Secondary School - Construction of two classrooms to completion	2,000,000	- The classes have been completed but the floors had developed cracks.
19	Kaptombes Secondary School - Purchase of seventy-five (75) lockers and chairs each costing Kshs.4,000	300,000	Only nineteen (19) desks and twelve (12) chairs amounting to Kshs.62,000 were verified.
20	Kamptombes Primary School - Completion of two (2) classrooms (plastering cementing the floor, fixing facial board and ceiling and painting)	800,000	- The Management explained that an amount of Kshs.326,600 was utilized for roofing, however this activity had been undertaken in 2018/2019. -The floors had developed cracks
21	Cheburuswo Secondary School - Completion of administration block comprising of Principal, Deputy Principal, Secretary, Bursar and staff room (partition works, fixing of ceiling and electrical installation)	300,000	- The Project is complete and in use but not branded.

No.	Project Beneficiary and Details	Amount (Kshs.)	Observation
22	Kapkoi Bai Primary School - Completion of one classroom (plastering, keying, cementing the floor, fixing of glasses, fixing fascia board and ceiling, painting and branding)	300,000	<ul style="list-style-type: none"> - One-leaf door was used instead of a two (2) leaf door as provided in the Bill of Quantities. - The floor and wall had developed cracks.
23	Kibingor Secondary School - Completion of two (2) classrooms (plastering, floor screeding, glazing and painting works)	400,000	<ul style="list-style-type: none"> - The two (2) classrooms are complete and in use. However, the floor and walls had developed cracks.
24	Kibingor Chief's Office - Completion of Chiefs Office comprising of Chiefs, Secretary, store, armoury and board room, (fixing of ceiling, floor tiles, second and final coating painting) at Kshs.200,000 and construction of pit latrine to completion at Kshs.200,000	400,000	<ul style="list-style-type: none"> - The office is complete and in use. - The fixed ceiling was wearing off and had huge holes. - The floor tiles were unevenly done, and the project is not branded
25	Barangelech Primary School - Completion of one classroom (roofing, fixing of doors and windows, plastering, glazing and painting works and branding)	500,000	<ul style="list-style-type: none"> - The allocated funds had been exhausted. - Physical verification revealed incomplete works of fixing doors and windows, plastering, glazing, painting and branding.
26	Patkawanin Secondary school - Emergency - Construction of bathrooms	500,000	<ul style="list-style-type: none"> - The Bill of Quantities provided for gauge 30 pre-painted GCI iron sheets while site verification revealed use of AluZinc iron sheets of gauge 30.
27	Patkawanin Primary school - Reallocation - Completion of administration block - plastering, floor screening, keying, painting, glazing, fascia board and painting	400,000	<ul style="list-style-type: none"> - Glazing, painting and keying were not done and the fascia board was not fixed.
28	Koriema Secondary School - Completion of Laboratory (Fixing of tables, water taps, and drainage systems, Gas fitting and systems)	700,000	<ul style="list-style-type: none"> - The bill of quantity stated eighteen (18) pieces of water taps at an amount of Kshs.4,500 while physical verification revealed that only thirteen (13) water taps were installed. - The gas regulator at an amount of Kshs.25,000 and fume chamber at

No.	Project Beneficiary and Details	Amount (Kshs.)	Observation
			<p>an amount of Kshs.45,000 were not delivered and fixed.</p> <ul style="list-style-type: none"> - The School Management explained that they had closed the gas system since it was leaking.
29	Kimalel Boarding Primary School - Renovation of five (5) classrooms (roofing, fixing of ceiling, doors and windows and plastering)	800,000	<ul style="list-style-type: none"> - The bill of quantities provided ten (10) doors at an amount of Kshs.80,000 while physical verification revealed only five (5) doors at an amount of Kshs.50,000 were fixed. - The verandahs had developed cracks.
30	Kimalel Secondary School - Completion of administration block comprising of Principal, Deputy Principal, Secretary, Bursar, Storekeeper, Guiding and Counselling Head of Department Offices and Staff Room (Roof construction, fixing of doors and windows, plastering, glazing and painting works)	1,500,000	<ul style="list-style-type: none"> - Physical verification revealed that only roofing at an amount of Kshs.990,200, fixing of fifteen (15) window frames at an amount of Kshs.135,500 and two (2) doors at an amount of Kshs.36,000 all totalling Kshs.1,161,700 were done resulting to an unexplained and unreconciled variance amounting to Kshs.338,300.
	Total	22,900,000	



Nancy Gathungu
AUDITOR-GENERAL

Nairobi