

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

---

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Bomachoge Chache Constituency set out on pages 6 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 effect 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 - Bomachoge Chache 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 Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial Statements**

The financial statements provided for audit review contained the following inaccuracies:

- i. The statements of the receipts and payments shows total comparative payments for 2017/2018 as Kshs.65,174,498 instead of the brought forward figure of Kshs.64,806,508, resulting to unreconciled difference of Kshs.367,990.
- ii. Note 1 on transfers from other government entities comparative figure for 2017/2018 shows a total Kshs.67,253,447 instead of the casted figure of Kshs.53,022,413 resulting to unreconciled difference of Kshs.14,231,034.
- iii. Note 7 on other grants and payments shows a total of Kshs.46,688,213 for 2018/2019 instead of the casted total of Kshs.46,788,249 resulting to unreconciled difference of Kshs.100,036. It further shows a total of Kshs.28,283,070 for 2017/2018 instead of Kshs.27,833,070 resulting to an unreconciled difference of Kshs.450,000.

- iv. Note 15.3 on unutilized funds shows a total of Kshs.27,093,262 for the year instead of the recomputed total of Kshs.27,093,808 resulting to unreconciled difference of Kshs.546.

In the circumstances, the accuracy and completeness of the figures in financial statements could not be confirmed.

## **2. Unconfirmed Nil PMC Bank Account Balances**

Disclosed in Note 15.4. to the financial statements is the Project Management Committees (PMC) bank accounts balance and as further detailed in Annex 5 to the financial statements. The bank accounts disclosed reflects nil balances as at 30 June, 2019. However, adequate relevant supporting documents including bank reconciliation statements, bank confirmation certificates and cash books for the PMC bank accounts supporting the nil balances were not provided for audit review.

As result, the completeness and accuracy of the PMC bank account balances as at 30 June, 2019 could not be ascertained.

## **3. Unsupported Adjustments in the Summary Statement of Appropriations**

The summary statement of appropriation: recurrent and development combined for the year ended 30 June, 2019 reflects an original budget of Kshs.109,040,876 and adjustments of Kshs.68,687,466 resulting in a final budget of Kshs.177,728,342 for both receipts and payments. However, an analysis of the adjustments of Kshs.68,687,466 including detailed schedule of projects and programmes in the approved code list for the prior year which were to be funded during the 2018/2019 financial year was not provided for audit.

In the circumstances, the accuracy and completeness of the adjustments of Kshs.68,687,466 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Bomachoge Chache 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**

### **Budget Control and Performance**

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.177,728,342 and Kshs.166,694,824 respectively resulting to an under-funding of Kshs.11,033,518 or 6% of the budget.

Further, the summary statement shows that, the total approved expenditure budget was Kshs.177,728,342 while the actual expenditure incurred during the year was Kshs.153,321,084, resulting in under-expenditure of Kshs.24,407,258 or 14% of the budget.

In the circumstances, the under-expenditure on the approved budget implies that the Fund was not able to achieve some of its core objectives and, thereby impacting negatively on the efficiency and effectiveness of the service delivery to the constituents.

## **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. Poor Workmanship at Nyamatatia Water Spring**

The statement of receipts and payments reflects other grants and transfers expenditure of Kshs.46,688,213 for the year ended 30 June, 2019, which includes an amount of Kshs.3,825,644 relating to environment projects as disclosed under Note 7 to the financial statements. The latter in turn includes a payment of Kshs.944,827 incurred for protection of five water springs namely; Nyamatitia, Riondari, Mobondo, Ria-Yobinaris and Riakiyondi.

Physical verification done on 10 March, 2020 revealed that Nyamatatia water spring had leakages barely a year after its construction which is an indication of poor workmanship despite spending Kshs.282,802 on the project.

Consequently, the value for money of the expenditure of Kshs.282,802 could not be confirmed.

## **2. Stalled Construction of Kabere Chief's Office**

The other grants and transfers expenditure of Kshs.46,688,213 also includes an amount of Kshs.8,899,999 relating to security projects as indicated under Note 7 to the financial statements. The latter in turn includes an expenditure of Kshs.1,000,000 incurred on construction of Kabere Chief's Office. Physical verification done on 10 March, 2020 revealed that the project had stalled and the contractor was not on site.

Consequently, the regularity and value for money of the expenditure of Kshs.1,000,000 could not be confirmed.

## **3. Unsupported Tendering Process for Works at the Constituency Office**

The statement of receipts and payments reflects an expenditure of Kshs.2,803,125 under acquisition of assets for the year ended 30 June, 2019. The expenditure relates to a contract awarded to a company for construction of a septic tank, landscaping and cabro works at the constituency office. However, the tender award documents including the evaluation report were not provided for audit.

Consequently, the regularity and value for money of the expenditure incurred on the project could not be confirmed.

## **4. Unsupported Expenditure on Purchase of a School Bus**

The statement of receipts and payments reflects under transfers to other government units expenditure of Kshs.69,100,000 for the year ended 30 June, 2019, which includes an amount of Kshs.25,050,000 relating to transfers to secondary schools as disclosed under Note 6 to the financial statements. The latter in turn includes an amount of Kshs.7,000,000 which was transferred to St. Nyabito Secondary School for purchase of a school bus. The audit revealed that, only an amount of Kshs.5,450,000 was spent on purchase of the bus, leading to unspent balance of Kshs.1,550,000. No supporting documents were provided to demonstrate that the unspent amount was reallocated to other projects or properly accounted for.

Consequently, the regularity of the unspent balance of Kshs.1,550,000 on the project could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing 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 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 Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 entity 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.



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**01 October, 2021**