

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - CHESUMEI 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 - Chesumei Constituency set out on pages 6 to 41, 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 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 National Government Constituencies Development Fund - Chesumei 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

Unsupported Project Management Committees Account Balances

Note 15.4 and Annexure 5 to the financial statements reflects Project Committee Bank Balance figure of Kshs.5,295,664 in respect of unutilized disbursements to various Project Management Committees. However, cash books, bank reconciliation and bank statements were not provided for audit review.

In the circumstances, the validity and accuracy of the Project Management Committee bank balance figure of Kshs.5,295,664.42 as at 30 June, 2019 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 - Chesumei 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

Summary statement of appropriation: recurrent and development combined reflect a final budget figure of Kshs.174,335,196 for payments against total actual expenditure of Kshs.106,424,582 resulting to unutilized funds figure of Kshs.67,911,014 which is about 39% of the budget.

In the circumstances, value for money was not achieved from the unimplemented programmes.

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

1.0 Unsupported Land Ownership

The statement of receipts and payments for the year ended 30 June, 2019 reflects transfers to other government units figure of Kshs.46,785,000 which includes transfer to primary schools figure of Kshs.33,985,000 as disclosed in Note 6 to the financial statements. Included in the transfers to primary schools' amount of Kshs.33,985,000 is an expenditure of Kshs.1,500,000 incurred on purchase of land for two primary schools.

Date of Disbursement	Payee	Activity	PV. No	Cheque No.	Amount (Kshs.)
15/05/2019	Tuigoin Primary School	Purchase of 1acre piece of land	185	5044	800,000

15/05/2019	Tironin Primary School	Purchase of land (0.2 acres)	177	5015	700,000
	Total				1,500,000

Review of project information and project verification conducted on 21 January, 2020 revealed that the parcels of land were purchased. However, the Management did not avail title deeds to support land ownership.

Consequently, the ownership of the parcels of land purchased could not be confirmed.

2.0 Projects Implementation Status

During the year ended 30 June, 2019, thirty-two (32) projects costing Kshs.30,459,489 were verified on 21 and 22 January, 2020. Twenty-five (25) projects with a total funding of Kshs.26,259,489 were found to be complete while seven (7) projects with a funding of Kshs.4,200,000 were incomplete and still on-going.

In the circumstances, the residents of Chesumei Constituency did not receive benefits from the incomplete projects.

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 effective 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 continue 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 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 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 Fund's 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 Fund's ability to continue as a going concern or 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 as a going concern or 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

29 December, 2021

Appendices

Appendix 1

Serial No	Date of Disbursement	Name of Project	Project Activity	Cheque No.	Disbursed Amount 2018/2019	Implementation Status	Remarks	Field Visit Report
1	28/9/2018	AIC Baraton academy Primary	Renovation of 3 classrooms- floor repairs, replacement of broken window panes (ksh.300,000) and construction of toilets (ksh200,000 +150,000)	3995 &4116	650,000	Complete	Renovations and toilets complete	Renovations done and 6door toilet built
2	15/05/2019	Samoo Primary	Renovation of 5classrooms, toilets	5045	500,000	Complete	Renovations Complete	Complete and branded
3	28/9/2018	Samoo Mixed Secondary	Construction of 1 classroom to completion	4019	600,000	Complete	Complete and in use	Complete and branded
4	15/05/2019	Kapkechui Primary	Renovation of 5 classrooms- Plaste ring, replacement of broken window panes, floor repairs and painting	5043	500,000	Complete	Renovations complete	Not branded
5	28/9/2018	Kapkechui Girls Secondary	Completion of dormitory- Roofing, fitting of windows / doors, plastering and painting	4621, 4027& 4205	1,300,000	Complete	Complete and in use	Complete and branded
6	23/11/2018	Kaptel Boys Secondary School	Renovation of 5 classrooms	4108	500,000	Complete	Renovations complete	Complete
7	23/11/2018	Kaptel Chiefs Office	Completion of chiefs office	4096 & 4638	1,300,000.00	Complete	Complete	Doors, sinks and toilets to be fitted
8	30/8/2018	St. Emmanuel Kapkoimet Primary	Construction of Latrines	3975	200,000.00	Complete	Complete and in use	6 door latrine done
9		Chessmen Subcounty Headquarters	Construction of Gate to completion	4231	250,000.00	Complete	Complete	Painting done
10	28/9/2018	A.I.C Kombe Primary	Completion of 7 classrooms	4000	600,000	Complete		Complete
11	13/02/2019	Kombe Cheifs Office			400,000.00	Complete	Complete and in use	Complete

Serial No	Date of Disbursement	Name of Project	Project Activity	Cheque No.	Disbursed Amount 2018/2019	Implementation Status	Remarks	Field Visit Report
12	23/11/2018	Kaptuiya Chiefs Office	Completion of chiefs office	4097 & 4622	700,000.00	Complete	Complete and in use	complete
13	28/9/2018	Kiptuiya Primary School	General Renovation- Replacement of broken window panes, floor repairs and painting	3988	400,000	Complete	Renovations complete	Complete and branded
14	18/01/2019	Fr Khun Academy Primary	Construction of ICT block	4198	1,000,000	Complete	Complete and in use	Cracks on the floor
15	28/9/2018	A.I.C Masaba Chepsogor Primary	Construction of 1 classroom to completion	4024	500,000	Complete	Complete and in use	Classroom completed
16	15/05/2019	Kosirai High School	Completion of dining hall- Plastering, fixing of windows and doors	5014- RTGS	1,000,000	Complete	Complete and in use	Complete
17	29/03/2019	AIC Kosirai Academy Primary	Construction of 1 classroom to completion	4629	500,000	Complete	Complete and in use	Complete
18	10/09/2018	St. Theresa of the Child Jesus Masaba Secondary	Construction of 1 classroom to completion	4063 & 4111	1,100,000	Complete	Complete and in use	Complete
19	28/9/2018	AIC Mosoriot Primary School	Renovations of 4 classrooms- Replacement of broken window panes, floor repairs and painting	4031	500,000	Complete	Renovations complete	Complete
20	28/9/2018	AIC Ngecheck Pimary	Completion of 2 classrooms- plastering, window panes , fixing of doors and painting	4020	400,000	Complete	Complete and in use	Complete
21	18/01/2019	Kaptien Gaa Primary	Purchase of land-1.5 acres	4204	1,425,000	Complete	Complete	Copy of title availed
22	28/9/2018	Kaptien Gaa Primary	Construction of 1 classroom to completion	4010	500,000	Complete	Complete and in use	Complete
23	04/03/2019	Ngecheck Chiefs Office	Completion of chiefs office	4637 & 5008	1,100,000.00	Complete	complete	Partially in use
24	23/11/2018	Tironin Primary	Construction of 1 classroom to completion	4100	400,000	Complete	Complete and in use	Complete
25	28/9/2018	Chessmen CDF office	Completion NG-CDF of office	several	9,934,489.00	Complete	Complete and in use	Complete

Serial No	Date of Disbursement	Name of Project	Project Activity	Cheque No.	Disbursed Amount 2018/2019	Implementation Status	Remarks	Field Visit Report
		Complete Projects			26,259,489.00			
26	23/11/2018	Aic Baraton Academy Primary	Completion of Dining Hall-Plastering and Painting	4099	500,000	Ongoing	Ongoing	Plaster and painting done
27	15/05/2019	Mwein Adventist Secondary School	Laying of foundation for a one(1) storey Tuition Block	5012	400,000	Ongoing	Ongoing	Done to lental
28	28/9/2018	Mwein Primary School	Construction of 2 classroom	3999	400,000	Ongoing	Ongoing but in use	Plaster done, doors & windows fitted. Painting not done
29	28/9/2018	AIC Mosoriot High School	Construction of Administration Block- Roofing, fitting of windows and doors	3993	600,000	Ongoing	Ongoing	Walling, roofing and partitioning done
30	28/9/2018	Ngecheck Secondary	Completion of dining hall	4029	800,000	Ongoing	Ongoing	Roofing in progress
31	15/05/2019	Tironin Primary	Purchase of 1acre piece of land	5015	700,000	Ongoing	Ongoing	Copy of title deed not availed
32	15/05/2019	Tuigoin Primary	Purchase of 1acre piece of land	5044	800,000.00	Ongoing	Ongoing	Copy of title deed not availed
		Ongoing projects			4,200,000.00			
		Total			30,459,489			