

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KONOIN 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 - Konoin Constituency set out on pages 7 to 46, which comprise the statement of financial 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 - Konoin 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 Committee Expenses**

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.4,632,713;(2018-Kshs.5,688,101) and as disclosed under Note 5 to the financial statements. Included in committee expenses amount is Kshs.1,156,120 which is not adequately supported by schedule of meeting attendances and amounts paid to the individual committee member.

In the circumstances, the accuracy and regularity of use of goods and services expenditure of Kshs.4,632,713 for the year ended 30 June, 2019 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Konoin 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 payments budget and actual payments on comparable basis of Kshs.194,306,681 and Kshs.108,696,483 respectively resulting to an under-funding of Kshs.55,128,877 or 28.3% of the budget. The underperformance affected the planned activities and projects which may have impacted negatively on service delivery for the constituents of Konoin. No satisfactory explanations have been rendered contrary to the values and principles of public service as provided for under Article 232 (1–c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

In the circumstances, the constituents might have not received the services as planned.

## **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**

#### **Unsatisfactorily Implemented Projects**

Fourteen (14) projects with a funding allocation of Kshs.29,800,000 were sampled for verification during the month of January, 2020. The individual observations against each of the projects is detailed in **Appendix 1**.

No satisfactory explanations have been rendered for the deficiencies in projects implementation.

Consequently, the constituents of Konoin might have not realized value for money from the projects valued at Kshs.29,800,000 for the year ended 30 June, 2019.

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 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 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 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 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 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**

**31 December, 2021**

### **Appendix 1: Unsatisfactorily Implemented Projects**

<b>Project Beneficiary</b>	<b>Project Details</b>	<b>Funding Allocation (Kshs.)</b>	<b>Observations</b>
Michira Day Secondary School	Completion of one (1)	2,400,000	Doors have been

<b>Project Beneficiary</b>	<b>Project Details</b>	<b>Funding Allocation (Kshs.)</b>	<b>Observations</b>
	storey building of four (4) classrooms – Roofing, floor, plaster, doors and windows of two (2) first floor classrooms		fitted but plastering and window grills have not been done; and the Project appears to have stalled.
Kaptebengwet Lapaa Taa Girls Secondary School	Construction of one (1) classroom (Kshs.700,000) and two (2) toilets (Kshs.200,000)	900,000	Project was at ground breaking stage.
Kapkilaibei Primary School	Completion of one (1) storey building of four (4) classrooms – Roofing, floor, plaster, doors and windows of two (2) first floor classrooms	2,000,000	Ground floor for the four (4) classrooms was yet to be completed
Kaptien Secondary School	Completion of one (1) storey building of four (4) classrooms – Roofing, floor, plaster, doors and windows of two (2) first floor classrooms	2,000,000	The project was incomplete; Roofing and fixing of doors had been done; and Contractor was not on site
Kapkinara Primary School	The partial construction of four (4) classroom block at Kapkinara Primary School	2,300,000	Construction works were at lintel level, there were materials on site; and the contract was for partial completion
Mogonjet Secondary School	The construction of the dining hall	300,000	Hall was yet to be completed but already in use.
Chenacho Primary School	The contract for the proposed partial construction of four (4) storey block at Chenacho	4,000,000	Project at ground breaking stage
Sotit Girls Secondary School	Construction of the girls' dormitory to completion	1,000,000	Works on the dormitory were complete up to roofing, inside plastering done and complete; Multiple visible cracks below the window grills with some extending from inside to outside; and Floor and outside finishing were not done.
Konoito Primary School	Completion of one (1) storey building of four (4)	2,300,000	Project at ground breaking stage

<b>Project Beneficiary</b>	<b>Project Details</b>	<b>Funding Allocation (Kshs.)</b>	<b>Observations</b>
	classrooms – Roofing, floor, plaster, doors and windows of two (2) first floor classrooms		
Lobokwo Primary School	Completion of one (1) storey building of four (4) classrooms roofing, floor, plaster, doors and windows of two (2) first floor classrooms	2,700,000	Ground floor was complete including plastering, window grill fixing and electricity installation; and Works on the upper floor was on-going with the walling up to lintel level and preparation of timber for roofing.
Kirimose Secondary School	Construction of the dormitory complete to roofing level.	1,000,000	Doors, window grills, plastering and floor finishing were not done. No works were on-going nor materials on site due to lack of funding.
Kaptebengwet Lapaa Taa Girls Secondary School	Construction of one (1) classroom and two (2) toilets	900,000	Project at ground breaking stage
Chanacho Primary School	Construction of four (4) storey classrooms	4,000,000	Project had not started while the land parcel did not have a title deed.
Kapkinara Primary School	Construction of four (4) storey classrooms	4,000,000	Construction was at lintel level but the contractor was not on site
<b>Total</b>		<b>29,800,000</b>	