

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KURESOI NORTH 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 - Kuresoi North Constituency set out on pages 16 to 52, 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 - Kuresoi North 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. Unsupported Prior Year Adjustments

As disclosed in Note 14 to the financial statements, the statement of assets and liabilities and statement of cash flows reflect prior year adjustments totalling to Kshs.1,200,000 described as cashbook adjustment which was reversed in the cashbook in September, 2019. However, the presentation is not in line with IPSAS 3 which requires all prior year adjustments be effected in the previous years' balances and not in the current year.

Consequently, the accuracy, completeness and validity of prior year adjustments totalling to Kshs.1,200,000 for the year ended 30 June, 2020 could not be confirmed.

2. Unsupported Use of Goods and Services

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects use of goods and services totalling to Kshs.4,731,019. Included in the balance is committee allowances totalling to Kshs.2,320,140 and an amount of Kshs.150,000 for office and general supplies services all totalling to Kshs.2,470,140. However, the supporting schedule indicated payee as the Fund Manager instead of the names of the Committee members. Further the Management did not provide details such as amount paid to each member, nature of activity, date of the meetings, purpose for the meeting

and venue of the events, items or services offered with details of date, item description, quantity, unit price.

Under the circumstances, the accuracy, completeness and validity of expenditure amounting to Kshs.2,470,140 for the year ended 30 June, 2020 could not be confirmed.

3. Unsupported Bursaries

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and transfers totalling to Kshs.21,253,869. Included in the balance is bursary to secondary schools amounting to Kshs.8,333,869 and bursary to tertiary institutions amounting to Kshs.10,520,000, all totalling to Kshs.18,853,869. However, the schedules provided indicated that twenty-eight (28) secondary school students issued with bursaries totalling to Kshs.715,705 did not have admission or registration numbers while fifteen (15) students shared registration or admission numbers.

Under the circumstances, the accuracy, completeness and validity of bursaries totalling to Kshs.715,705 for the year ended 30 June, 2020 could not be confirmed.

4. Inaccuracies in Bank Balances

As disclosed in Note 10A to the financial statements, the statement of assets and liabilities reflects bank balances totalling to Kshs.13,601,651. The bank reconciliation reflected unpresented cheques amounting to Kshs.2,225,321 which included stale cheques amounting to Kshs.201,345. However, the stale cheques were not reversed in the cashbook.

Under the circumstances, the accuracy, completeness and validity of bank balances totalling to Kshs.13,601,651 reflected in the statement of assets and liabilities 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 - Kuresoi North 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.155,748,793 and Kshs.86,381,069 respectively, resulting to an underfunding amounting to Kshs.69,367,724 or 46% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.155,748,793 and Kshs.72,779,418 respectively, resulting to an underperformance amounting to Kshs.82,969,375 or 53% 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 all 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 the Project Implementation Status Report as at 30 June, 2020 indicated that one hundred and twenty-four (124) projects with a budget allocation totalling to Kshs.109,148,241 were at different implementation stages. Seventy-three (73) projects with a budget allocation totalling to Kshs.53,800,000 were complete and in use, forty-one (41) projects with a budget allocation totalling to Kshs.43,048,241 were incomplete and ten (10) projects with a budget allocation totalling to Kshs.12,300,000 were not started.

No satisfactory explanation was provided for the delays in completing the projects.

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

2. Unsatisfactory Implementation of Projects

Twenty-one (21) projects with a budget allocation totalling to Kshs.21,300,000 were sampled for physical verification in the month of February, 2021. However, unsatisfactory observations were made against the projects as shown in **Appendix I**.

Consequently, it was not possible to confirm whether the public will realize value for money from the projects valued at Kshs.21,300,000 for the year ended 30 June, 2020.

3. Irregular Emergency Projects

The Management spent amount of Kshs.1,100,000 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	Activity	Amount (Kshs.)
Sachangwan Ndoinet Secondary School	Completion of two (2) classrooms at risky stage	400,000
Kowany Primary School	Completion of two (2) classrooms at risky stage	300,000
Rwangondu Primary School	Completion of two (2) classrooms at risky stage	400,000
Total		1,100,000

Consequently, the Management is in breach of the law.

4. Irregular Staff Recruitment

The Management made payments totalling to Kshs.326,160 to an officer who was employed as accounts assistant but deployed to the position of clerk of works. However, the officer lacked qualifications of clerk of works as per the National Government Constituencies Development Fund Board Secretariat Circular Ref: CDF BOARD/CIRCULAR/VOL.1.1/166 which indicates the minimum to be diploma in building and construction, engineering and quantity survey and two years' work experience in the same. In addition, there was no evidence of work done by the officer through project inspection reports, technical drawings, site minutes, projects certifications among other duties assigned.

Consequently, the Management is in breach of the Circular.

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 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

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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

14 January, 2022

Appendix I: Unsatisfactory Implementation of Projects

No.	Project Beneficiary and Details	Allocation (Kshs.)	Observations
1.	Murinduko Primary School - Construction of an administration block with capacity of three (3) rooms to completion.	1,400,000	-The project was complete and in use -Bills of quantities were not provided.
2.	Mkulima Primary School - construction of three (3) classrooms to completion.	1,800,000	-The project was complete and in use -Bills of quantities were not provided.
3.	Kaptich-Kongoi Mixed Secondary School - Construction of four (4) door pupil's toilets, main gate and perimeter fence in five (5) - acre piece of land.	500,000	-Main gate was complete and in use -Perimeter fence was half-way done and the contractor was not on site -The toilet was not labelled and painted, doors were falling off and fascia board was not fixed.
4.	Tilola Mixed Secondary School - Construction of an administration block to completion.	1,300,000	-The project was changed to construction of library at cost of Ksh.600,000 and improvement of laboratory at a cost of Kshs.700,000. -The changes were not supported with request for reallocation or bills of quantities -The projects were incomplete.
5.	Aerial Primary School - Construction of two (2) classrooms; internal plastering and painting	300,000	-Paint was peeling off -Bills of quantities were not provided.
6.	Set Kotes Primary School - Construction of one classroom at a cost of Kshs.600,000 and construction of main gate and perimeter fence on 3.25 acres land using barbed wire at a cost of Kshs.200,000 to completion.	800,000	-The construction of one (1) classroom was done to completion and barbed wire fence erected -The bills of quantities were not provided.
7.	Set Kotes Secondary School - Reroofing and painting of two (2) classrooms at a cost of Kshs.200,000 and construction of main gate and putting up perimeter fence on three (3) acres land using	400,000	-The project was complete and in use -The renovated floor had developed cracks -The project was not labelled -The bill of quantities was not provided.

No.	Project Beneficiary and Details	Allocation (Kshs.)	Observations
	barbed wire at a cost of Kshs.200,000.		
8.	Nyota Primary School - Extension of administration with capacity of three (3) rooms at a cost of Kshs.600,000 and reroofing, floor concreting, painting of old offices at a cost of Kshs.700,000.	1,300,000	-The project was complete and in use -The paint was peeling off -Bills of quantities were not provided.
9.	Terekana Primary School - Construction of one classroom at a cost of Kshs.600,000 and reroofing, floor concreting, painting of two (2) classrooms at a cost of Kshs.400,000.	1,000,000	-The two classrooms were not reroofed as per the code list and only undercoat painting was done -The bills of quantities were not provided.
10.	Masaita Primary School - Construction of administration block with capacity of three (3) rooms to completion.	1,400,000	-Project was incomplete and the contractor is not on site -The project was redesigned without approval of NGCDF Committee. -Three (3) rooms were constructed but the staffroom floor, ceiling and painting were not done -The bills of quantities were not provided.
11.	Kondamet Primary School - completion of two (2) classrooms: flooring, plastering, painting, installation of doors and windows at a cost of Kshs.200,000 and construction of a three (3) door pit latrine with a urinal to completion at a cost of Kshs.200,000.	400,000	-The classrooms were complete and in use -Painting was not done and the latrine was incomplete -The bill of quantities for the two projects were not availed.
12.	Muchorwe Primary School - Completion of four (4) classrooms; internal plastering, floor concreting,	600,000	-Plastering and painting works were incomplete -Bills of quantities were not provided.

No.	Project Beneficiary and Details	Allocation (Kshs.)	Observations
	fixing fascia board and painting.		
13.	Pele Primary School - Construction of dormitory and construction of two (2) classrooms at a cost of Kshs.1,200,000 to completion.	2,000,000	-The classrooms were complete but they were not labelled -The floors were cracking, wall paint was peeling off -The dormitory was incomplete with plastering, flooring and fitting windows glasses pending.
14.	Total Technical Training Institute - Construction of students' toilets at a cost of Kshs.500,000, main gate and perimeter fence on five (5) acres land at a cost of Kshs.300,000.	800,000	-The perimeter fence was incomplete and the gate was not fixed. -The toilets outer wall was not painted but were in use -Bills of quantities were not provided.
15.	Kamara Primary School - Reroofing, floor concreting, painting of four (4) classrooms at a cost of Kshs.650,000 and erecting of perimeter fence on four (4) acres land at a cost of Kshs.100,000 and construction of four (4) door girls' toilets at a cost of Kshs.250,000.	1,000,000	-The project was in use -Painting of four (4) classrooms was not done and the floors were developing cracks -The bills of quantities were not provided.
16.	Chesubeno Primary School - Construction of one (1) classroom.	600,000	-The project was complete and in use but the floor had cracks.
17.	Mau Primary School - Plastering and painting four (4) classrooms	400,000	-Only three (3) classrooms were floored, plastered and painted -The bills of quantities were not provided.
18.	Maraba Primary School - construction of two (2) classrooms	1,100,000	-The project was complete and in use -The floor and the walls had developed cracks -Only one classroom was painted -The school was not registered with Ministry of Education and did not

No.	Project Beneficiary and Details	Allocation (Kshs.)	Observations
			have title deed for the land it seats on -The bills of quantities were not provided.
19.	Dagoretti Nyakinyua Secondary School - Construction of an administration block with capacity of three (3) rooms to roofing stage at a cost of Kshs.800,000 and construction of two (2) classrooms at a cost of Kshs.1,200,000.	2,000,000	-Administration block was constructed up to the roof level -The two (2) classrooms were complete and in use but the paint was peeling off -The project was not supported by bills of quantities.
20.	Kiletien Primary School - Administration office reroofing, plastering, painting at a cost of Kshs.500,000 and construction of main gate and perimeter fence on one acre land using chain link at a cost of Kshs.300,000 and construction of pupils toilet at a cost of Kshs.200,000.	1,000,000	-There was no evidence that roofing was redone -The bills of quantities were not provided -One room in the administration block was not painted.
21.	Baringo Valley Primary School - Renovation of four (4) classrooms; reroofing, floor concreting and painting to completion.	1,200,000	-The bills of quantities were not provided.
	Total	21,300,000	



Nancy Gathungu
AUDITOR-GENERAL

Nairobi