

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MOSOP 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 - Mosop Constituency set out on pages 14 to 55, 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 - Mosop 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. Inaccuracy in Bursaries

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and transfers totalling to Kshs.43,336,119. The balance includes bursary disbursements to secondary schools amount of Kshs.17,420,189. However, the cheques schedule provided reflected an amount of Kshs.16,429,000 resulting to an unreconciled variance amounting to Kshs.991,189.

Consequently, the accuracy, completeness and validity of the bursary disbursements to secondary schools amount of Kshs.17,420,189 for the year ended 30 June, 2020 could not be confirmed.

#### 2. Unsupported Transfers to Other Government Units

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects transfers to other Government Units totalling to Kshs.67,548,470 relating to funds disbursed to various Project Management Committees. However, actual expenditure returns and acknowledgement letters from institutions that received the funds were not provided.

Further, the balance includes an expenditure, under transfer to primary schools, amounting to Kshs.3,000,000 disbursed to three (3) primary schools for purchase of parcels of land. However, the land title deeds were not provided.

Under the circumstances, the accuracy, completeness and validity of transfers to other Government Units totalling to Kshs.67,548,470 reflected in the statement of receipts and payments for the year ended 30 June, 2020 could not be confirmed.

### **3. Unsupported Summary of Fixed Assets**

Annex 4 to the financial statements reflects assets totalling to Kshs.38,646,027. However, the fixed assets register was not provided hence the nature, number, physical location and fair value of the assets could not be confirmed.

Consequently, the accuracy, completeness and validity of the assets totalling to Kshs.38,646,027 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 - Mosop 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.

#### **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.196,805,177 and Kshs.124,337,452 respectively, resulting to an under-funding amounting to Kshs.72,467,725 or 37% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.196,805,177 and Kshs.120,983,665 respectively, resulting to an under expenditure amounting to Kshs.75,821,511 or 38% 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's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

## 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. Irregular Emergency Projects

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and transfers totalling to Kshs.43,336,119 which includes emergency projects payments amounting to Kshs.7,600,000. Review of the projects' records revealed that the expenditure included an amount of Kshs.2,000,000 for construction of classrooms and an amount of Kshs.5,600,000 for construction of latrines. These were normal projects which could have been budgeted for and did not therefore qualify to be funded under emergency vote.

Under the circumstances, I am unable to confirm whether Management spent public funds effectively on the emergency projects.

#### 2. Delay in Project Implementation

During the year ended 30 June, 2020, an amount of Kshs.89,633,913 was allocated towards the implementation of seventy (70) projects. According to the Project Implementation Status Report, seventeen (17) projects with an approved budget allocation totalling to Kshs.19,748,111 were ongoing while fifty-three (53) projects with a budget allocation totalling to Kshs.69,885,802 had not started and Management did not indicate when these projects will start.

Consequently, the public did not benefit from the projects which were not implemented as budgeted.

#### 3. Unsatisfactory Projects Implementation

Twenty (20) projects with total disbursements amount of Kshs.43,600,000 were sampled for physical verification. However, fifteen (15) projects with a total disbursement amounting to Kshs.37,800,000 were unsatisfactory completed as detailed in **Appendix I.**

*Report of the Auditor-General on National Government Constituencies Development Fund - Mosop Constituency for the year ended 30 June, 2020*

Under the circumstances, I am unable to confirm whether the public will receive benefits from the unsatisfactory completed 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 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

---

*Report of the Auditor-General on National Government Constituencies Development Fund - Mosop Constituency for the year ended 30 June, 2020*

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.

**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**08 November, 2021**

**Appendix I: Unsatisfactory Projects Implementation**

<b>S/No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Amount Disbursed (Kshs.)</b>	<b>Result of Verification</b>
1	Kapkoimur Primary School	Construction of dormitory	1,500,000	Project complete and in use but not labelled.
2	St. Brigitta Secondary School	Construction of dining and social hall	2,000,000	Project complete and in use. Observation - floor is too low and

*Report of the Auditor-General on National Government Constituencies Development Fund - Mosop Constituency for the year ended 30 June, 2020*

<b>S/No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Amount Disbursed (Kshs.)</b>	<b>Result of Verification</b>
				susceptible to flooding.
3	St. Joseph's Kapkenyoloi Secondary School	Construction of 3 complete classrooms. Purchase of school bus	9,500,000	Project complete and in use. Bus in school and labelled but procurement records were not provided.
4	Cheptopnon Primary School	Renovation of four (4) complete classrooms	900,000	Project complete and in use but not labelled.
5	Kapchebosei Primary School	Renovation of four (4) complete classrooms purchase of one acre of land.	1,800,000	Renovations complete and in use. No title documents for the acquired land
6	Kimng'oror Primary School	Completion of six (6) complete classrooms	800,000	Project incomplete but in use. Four classes done while two (2) were incomplete. Not done - floor, painting, facia board, window panes, black board, NGCDF label
7	Stephen Kositany Girls High School	Construction of 2 complete classrooms.	1,300,000	Project incomplete and in use. Floor needs repairing
8	SDA Kurgung Girls Secondary School	Construction of 4 complete classrooms on a double storey	1,600,000	Project incomplete. First floor under construction, Not done - windows, plaster, panes, wiring and ceiling
9	Fathers Lelei and Toror Primary School	Construction of administration block.	500,000	Project incomplete. Not done – Painting, windows, panes doors, wiring and ceiling
10	AIC Ndulele Secondary School	Construction of laboratory.	1,000,000	Project incomplete. Not done - Painting,
11	SDA Kimolwet Primary School	Construction of two classrooms	1,600,000	Project complete and in use but the classrooms floors

S/No.	Project Name	Project Activity	Amount Disbursed (Kshs.)	Result of Verification
				completely worn out an indication of poor quality of works
12	AIC Kaigat Primary School	Construction of 4 classrooms	3,200,000	Construction complete but not in use. The veranda floor already cracked
13	AIC Kaigat Secondary School	Construction of a laboratory to completion and installation of gas system.	3,000,000	Construction ongoing-Works behind schedule and may affect national examinations that are to be held using the laboratory.
14	St. Michaels Secondary School Kabisaga	Purchase of school bus	7,100,000	Bus delivered but procurement records missing
15	ACK St. Luke Kapng'ombe	Walling, roofing and gas system, plastering of a laboratory	2,000,000	Walling and roofing done, painting poorly done with one coat, gas system not installed and contractor not on site.
	<b>Total</b>		<b>37,800,000</b>	



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**