

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MWATATE 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 - Mwatate Constituency set out on pages 7 to 36, 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 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 - Mwatate 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 National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act 2012.

### **Basis for Qualified Opinion**

#### **1.0 Inaccuracies in the Financial Statements**

##### **1.1 Unreconciled Variance on Transfers Received from the Board**

The summary statement of appropriation-recurrent and development combined reflects actual transfers of Kshs.75,977,048 from the National Government Constituencies Development Fund Board. However, the receipts balance differed with the total of Kshs.79,596,038 (comprising the transfers of Kshs.65,379,310 received from the Board in the financial year 2018/2019 and the bank balance of Kshs.14,216,728 brought forward from the financial year 2017/2018) by Kshs.3,618,990. The variance was not explained or reconciled.

Consequently, the accuracy and completeness of the actual receipts balance of Kshs.75,977,048 reflected in the summary statement of appropriation-recurrent and development combined could not be confirmed.

##### **1.2 Unreconciled Variances in Balances Reflected in the Budget Statements**

Variances were noted between the balances reflected in the summary statement of appropriation - recurrent and development combined and those reflected in the budget execution by programmes and sub-programmes as detailed below:

Item Details	Balance as per Summary Statement of Appropriation - Recurrent and Development Combined (Kshs.)	Balance as per Budget Execution by Programmes and Sub-Programmes (Kshs.)	Variance (Kshs.)
Original Budget	109,040,876	108,040,858	1,000,018
Adjustments	25,596,038	-	25,596,038
Final Budget	134,636,914	108,040,858	26,596,056
Actual Receipts on Comparable Basis	75,977,048	52,079,431	23,897,617
Budget Utilization Difference	58,659,866	56,961,427	1,698,439

The variances have not been explained or reconciled.

Consequently, the accuracy of the two statements could not be confirmed.

## 2.0 Use of Goods and Services

The statement of receipts and payments and as further disclosed at Note 5 to the financial statements, reflects payments of Kshs.18,150,903 for use of goods and services. The following observations were made regarding the expenditure:

### 2.1 Unsupported Committee Expenses and Variance with the Supporting Schedule

As disclosed at Note 5 to the financial statements, the expenditure included committee expenses of Kshs.14,310,000. The expenses related to allowances paid to Constituency Committee members. However, the supporting schedule provided for audit reflected total expenditure of Kshs.14,660,000 on committee expenses resulting into a variance of Kshs.350,000 which has not been explained or reconciled.

Further, the allowances comprised sitting allowances, transport costs, lunches and airtime paid to Constituency Committee members while attending meetings, participating in projects monitoring and evaluation activities and vetting of bursary applications. However, allowances amounting to Kshs.8,200,000 were not supported with work plans, evidence of travel, project monitoring and evaluation reports and minutes of bursary vetting and bursary award meetings.

Consequently, the propriety and validity of allowances amounting to Kshs.8,200,000 and the accuracy and completeness of the reported committee expenses of Kshs.14,310,000 could not confirmed.

### 2.2 Unbudgeted for and Misclassified Expenditure on Purchase of Assets

Note 5 to the financial statements reflects payments for utilities, supplies and services of Kshs.3,580,114. However, the balance included Kshs.1,569,304 relating to supply of assorted Information Communication Technology (ICT) and audiovisual equipment and

other ICT related services, and Kshs.217,000 in respect of supply and fixing of curtains in the Fund's offices. Records provided for audit indicated that although the National Government Constituency Development Fund Committee approved the procurement, the assets were not in the approved code list (budget) for the financial year 2018/2019 hence the procurement was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which provides that an accounting officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.

Further, requisitions of the ICT equipment by the users were not provided for audit and the three (3) firms that quoted for the supply of curtains were not in the list of registered suppliers maintained by the Fund neither were the details of how they were identified, selected and invited to quote provided.

In addition, the purchase of equipment and supply of curtains expenditure was classified under use of goods and services instead of acquisition of assets and was not disclosed at Annex 5 on summary of fixed assets register. The ICT equipment was also not provided for physical verification.

Consequently, the propriety of the expenditure and the accuracy of the reported expenditure for use of goods and services and acquisition of assets could not be confirmed. In addition, the existence of the equipment could not be confirmed.

### **3.0 Other Grants and Transfers**

The statement of receipts and payments and as further disclosed at Note 7 to the financial statements, reflects other grants and transfers of Kshs.34,328,809. The following observations were made regarding the transfers:

#### **3.1 Bursaries to Secondary Schools - Accuracy and Supporting Documents**

As disclosed at Note 7 to the financial statements, bursaries amounting to Kshs.19,457,866 were disbursed to secondary schools. However, the supporting schedule reflected Kshs.18,970,886, resulting into a variance of Kshs.486,980 which was not explained or reconciled.

Further, bursaries amounting to Kshs.241,000 were awarded to persons living with disabilities. However, evidence that the beneficiaries were vetted and evaluated by the bursary sub-committee and that the beneficiaries were registered as persons with disabilities as well as their school admission numbers were not provided for audit.

Consequently, the accuracy of the reported bursaries of Kshs.19,457,866 to secondary schools and the propriety and validity of bursaries of Kshs.241,000 to persons living with disabilities could not be confirmed.

#### **3.2 Unreconciled Variance in Bursary to Tertiary Institutions**

Note 7 to the financial statements reflects bursaries of Kshs.5,519,500 to tertiary institutions. However, the supporting schedule reflected a total of Kshs.6,017,000, resulting into an unexplained and unreconciled variance of Kshs.497,500.

Consequently, the accuracy of the reported bursaries of Kshs.5,519,500 to tertiary institutions could not be confirmed.

### 3.3 Unsupported Sports Projects Expenditure

Note 7 to the financial statements reflects Kshs.1,349,393 being funds transferred to sports projects. Records provided for audit indicated that the Fund Management entered into an agreement for supply of fifty (50) soccer balls and seventeen (17) football jerseys. However, the Management did not provide evidence of requisition of the items by the intended beneficiaries/users. Further, evidence of distribution and list of beneficiaries were not provided for audit.

Consequently, the accuracy and validity of the expenditure of Kshs.1,349,393 on sports projects could not be confirmed.

### 3.4 Unconfirmed Emergency Projects Expenditure

Note 7 to the financial statements reflects emergency projects expenditure of Kshs.5,872,770 of which Kshs.5,522,770 was transferred to eleven (11) projects as detailed at **Appendix I**.

However, the projects were not urgent and unforeseen to qualify as emergency as defined under Section 8(3) of the National Government Constituencies Development Fund Act, 2015 which provides that, 'emergency' shall be construed to mean an urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents. Further, requisitions/requests for funding from the beneficiaries were not provided for audit review.

In addition, the amount of Kshs.150,000 transferred to Saghaighu Primary School as reflected in the payment records availed for audit, differed with the amount of Kshs.500,000 reflected in the supporting schedule with an unreconciled variance of Kshs.350,000.

Consequently, the propriety, accuracy and completeness of emergency projects expenditure of Kshs.5,872,770 could not be confirmed.

### 3.5 Environment Projects Expenditure Not Confirmed

Note 7 to the financial statements reflects expenditure of Kshs.500,000 on environment projects. The funds were transferred to Mwatate Technical Training Institute (MTTI) Project Management Committee bank account for construction of gabions and planting of trees as detailed below:

<b>Project Name</b>	<b>Date</b>	<b>Activity</b>	<b>Amount (Kshs.)</b>
MTTI	07/02/2019	Construction of Gabions	200,000
MTTI	19/11/2018	Planting of Trees	300,000
<b>Total</b>			<b>500,000</b>

Further, the records indicated that the works were done by Mwatate Environmental Conservation Project (MECOP). However, details of how the service provider was identified, selected and awarded the contract were not provided for audit. In addition, bills of quantities for the gabion's construction and details of the type, number and locations of trees to be planted were not provided for audit.

In the circumstances, the accuracy and validity of the Kshs.500,000 spent on environment projects could not be confirmed.

#### **4.0 Cash and Cash Equivalents**

##### **4.1 Unadjusted Items in Bank Reconciliation**

The statement of assets and liabilities reflects a bank balance of Kshs.3,618,990 as at 30 June, 2019. However, the June, 2019 bank reconciliation statement reflected a bank balance of Kshs.4,731,505 which differed with the balance of Kshs.4,731,145 reflected in the bank confirmation certificate as at the same date resulting to a variance of Kshs.360 which was not explained or reconciled. Further, the reconciliation statement reflected payments in the cashbook not yet recorded in bank statement amounting to Kshs.1,368,462, out of which cheques amounting to Kshs.323,004 were already stale. Bank statements to confirm subsequent clearance of the remaining cheques amounting to Kshs.1,045,458 were not provided for audit.

Consequently, the accuracy and completeness of the reported bank balance of Kshs.3,618,990 as at 30 June, 2019, could not be confirmed.

##### **4.2 Unconfirmed Cash Balance**

The statement of assets and liabilities reflects nil cash balance as at 30 June, 2019. However, the Management did not provide a cash count report to confirm the nil cash balance as required under Regulation 93(17) of the Public Finance Management (National Government) Regulations, 2015 which requires the head of accounts division to ensure frequent spot checks are made of the standing imprest itself by a responsible officer to count the cash on hand and confirm that the actual cash on hand corresponds with the balance on hand as recorded in the cash book.

Consequently, the accuracy of nil cash balance as at 30 June, 2019 could not be confirmed.

#### **5.0 Unsupported and Unreconciled Variances in Project Management Committee Bank Accounts Balances**

Note 15.4 and Annex 5 to the financial statements reflect a total bank balance of Kshs.4,553,016 held in fifty-seven (57) Project Management Committee (PMC) bank accounts as at 30 June, 2019. However, certificates of bank balances for eight (8) bank accounts holding a total balance of Kshs.101,615 were not provided. In addition, the total balance of Kshs.3,457,941 reported for forty-two (42) bank accounts differed with the total balance of Kshs.9,704,078 reflected in the certificates of bank balances. The resulting variance of Kshs.6,246,137 was not explained or reconciled.

Under the circumstances, the accuracy, completeness and existence of the reported balance of Kshs.4,553,016 held in PMC bank accounts as at 30 June, 2019 could not be confirmed.

## **6.0 Unreconciled Variance in Summary of Fixed Assets Register and Assets Register**

Annex 4 to the financial statements reflects Kshs.4,454,214 being the historical cost of fixed assets as at 30 June, 2019. However, the assets register provided for audit, reflected a fixed assets balance of Kshs.4,289,000, resulting into a variance of Kshs.165,214 which was not reconciled or explained.

Further, Annex 4 reflects nil asset additions. However, records provided for audit indicated that the Fund procured assets costing Kshs.1,786,304 during the year under review which had not been disclosed in the summary of fixed assets register.

Consequently, the accuracy and completeness of the historical assets cost balance of Kshs.4,454,214 as at 30 June, 2019 reflected in the summary of fixed assets register, 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 - Mwatate 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 a final receipts budget and actual receipts on comparable basis of Kshs.134,636,914 and Kshs.75,977,048 respectively, resulting to an under-funding of Kshs.58,659,866 or 44% of the budget. The Fund's expenditure was limited to the receipts realized.

The underfunding affected the planned activities and may have impacted negatively on 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**

### **1.0 Delayed Completion of Projects**

The Fund's projects implementation status report as at 30 June, 2019 provided for audit reflected cumulative disbursements of Kshs.32,797,672 to eighteen (18) projects. However, two (2) projects with cumulative disbursements of Kshs.6,000,000 were still in progress. Further, unspent disbursements amounting to Kshs.6,503,441 were held by Project Management Committees as at 30 June, 2019. The Fund Management attributed the delayed implementation of the projects to late receipt of funds.

Failure to implement projects as planned may have negatively impacted on delivery of services to the residents of Mwatate Constituency.

### **2.0 Audit Inspection of Projects**

Nine (9) projects with a combined allocation of Kshs.18,775,000 were inspected in the month of December, 2019. The observations made are provided in **Appendix II**.

Under the circumstances, value for money for the expenditure of Kshs.18,775,000 on the nine (9) projects across the Constituency could not be confirmed.

### **3.0 Procurement of Legal Services**

Included in the utilities, supplies and services expenditure of Kshs.3,580,114 reflected under Note 5 to the financial statements, is Kshs.200,000 with respect of legal fees paid to a private advocate for representing the Fund in a land court case. However, records provided for audit, indicated that, only two (2) firms were invited to quote for provision of the service, contrary to Section 106(2)(b) of the Public Procurement and Asset Disposal Act, 2015 which requires requests for quotations to be given to as many persons as necessary to ensure effective competition and to be given to at least three (3) persons. Further, the two firms were not in the list of registered suppliers neither were the details of how they were identified, selected and invited to quote provided for audit.

In addition, no evidence was provided that the Management sought the approval of the Attorney-General before engaging external legal counsel. This is contrary to Section 17(1) of the Office of the Attorney-General Act, 2012 which requires Ministries and Departments to seek the approval of the Attorney-General before engaging the services of a consultant to render any legal services relating to the functions of the Attorney-General.

Consequently, the Fund Management was in breach of the Law.

### **4.0 Transfers to Other Government Units**

The statement of receipts and payments and as further disclosed at Note 6 to the financial statements reflects transfers of Kshs.22,150,000 to other government units. The following observations were made:

#### **4.1 Transfers to Secondary Schools**

Note 6 to the financial statements reflects transfers of Kshs.15,650,000 to secondary schools of which Kshs.3,000,000 was transferred to Mazola Primary School Project Management Committee for construction of phase III of eight (8) classrooms. Records provided for audit indicated that the contract was split into phases I, II and III and awarded to the same contractor at contract sum of Kshs.4,982,502 for phase I, Kshs.4,992,350 for phase II and Kshs.4,998,938 for phase III, all totaling to Kshs.14,973,790. However, although the expenditures were above the threshold of Kshs.4,000,000 for use of national open tender for a Class C procuring entity as provided in the First Schedule of the Public Procurement and Disposal (Amendment) Regulations, 2013, evidence of national advertisement of the tenders was not provided for audit.

In addition, the evaluation criteria used by the evaluation committee, appointment letters for the opening and evaluation committees and a signed professional opinion to the accounting officer issued in accordance to Section 84(1) of the Public Procurement and Asset Disposal Act, 2015 were not provided for audit.

Consequently, the Fund Management was in breach of the Law and the competitiveness and value for money from the expenditure could not be confirmed.

#### **4.2 Transfers to Primary Schools**

##### **4.2.1 Msorongu Primary School – Construction of Classrooms**

Note 6 to the financial statements reflects transfers of Kshs.15,650,000 to primary schools of which Kshs.3,500,000 was transferred to Msorongu Primary School Project Management Committee for construction of a two (2) classroom block. The proposed Project was for construction of four (4) classrooms at a cost of Kshs.6,000,000. However, the tender was split and awarded to two contractors, the first one for construction of two (2) classrooms at a contract sum of Kshs.2,962,733 and the other at a contract sum of Kshs.2,902,424 contrary to Section 54(1) of the Public Procurement and Asset Disposal Act, 2015. The clause provides that no procuring entity may structure a procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure.

Further, details of how the bidders were invited to bid, evidence of receipt of the bids and letters of appointment of the opening and evaluation committees were not provided for audit.

In addition, engineer's certificates of work done and approved or paid for were not provided. Also, during audit inspection in the month of December, 2019, two contractors

were on the site but no sign boards were erected to identify the contractors and works undertaken by each of them.

Consequently, the propriety of transfers of Kshs.3,500,000 to primary schools and value for money on construction of the four (4) classrooms at a cost of Kshs.5,865,157 could not be confirmed.

#### **4.2.2 Mwakinyungu Primary School**

Note 6 to the financial statements reflects transfers of Kshs.15,650,000 to primary schools of which an amount Kshs.3,000,000 was transferred to Mwakinyungu Primary School for construction of phase II of eight (8) classrooms. According to the records provided for audit, phase I and phase II of the Project had been awarded to a contractor at a contract sum of Kshs.4,785,628 and Kshs.4,901,267 respectively. However, tender documents for phase I of the Project were opened and evaluated on 31 May, 2019 while notification of award was issued on 30 May, 2019 or a day before the opening and evaluation of the tender.

Further, no evidence was provided of the use of national open tender method as provided under the First Schedule of the Public Procurement and Disposal (Amendment) Regulations, 2013 which provides the minimum expenditure for works that requires national advertising is Kshs.4,000,000 for a Class C procuring entity.

In addition, the evaluation criteria used by the evaluation committee, appointment letters for the opening and evaluation committees and professional opinion on the procurement proceedings issued to the accounting officer in accordance with Section 84(1) of the Public Procurement and Assets Disposal Act, 2015 were not provided for audit.

Consequently, the propriety of transfers of Kshs.3,000,000 and the validity and value for money of the cumulative expenditure of Kshs.9,686,895 on construction of eight (8) classrooms at Mwakinyungu Primary School 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 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 National Government Constituencies Development Fund - Mwatate Constituency's ability to continue to sustain its 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 Fund's 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 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 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 review is planned and performed to express a conclusion with limited assurance as to 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 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 Fund's financial statements and review 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 judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Fund's 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 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 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**

**23 December, 2021**

## Appendix I - Unconfirmed Emergency Projects Expenditure

No.	Project Name	Project Activity	Amount (Kshs.)	Reasons Given by National Government CDF Committee
1.	Manoa Primary School	Construction of Staffroom	1,000,000	The school has no room for teachers to sit and plan for their lessons.
2.	Mgeno Primary School	Construction of 4 door toilet	400,000	The Project was allocated less amount and required additional funding.
3.	Mrughua Primary School	Renovation of 3 class rooms, 1 store room and 1 staffroom	310,000	NG-CDF Committee did not give reasons why the Project was considered emergency.
4.	Mwakaleri Primary School	Construction of 4 door toilet	1,000,000	NG-CDF Committee did not give reasons why the Project was considered emergency.
5.	Saghaighu Primary School	Renovation of 2 Classrooms	150,000	NG-CDF Committee did not give reasons why the Project was considered emergency.
6.	Bura Primary School	Construction of 6 door toilet	900,000	NG-CDF Committee did not give reasons why the Project was considered as an emergency.
7.	Manoa Primary School	Completion of Classroom	475,770	NG-CDF Committee did not give reasons why the Project was considered as an emergency.
8.	Mwavunyu Primary School	Renovation of 5 Classrooms	90,000	NG-CDF Committee did not give reasons why the Project was considered as an emergency.
9.	David Kitawi	Renovation of Classroom	375,000	This was to pay an outstanding debt in which the Supplier supplied materials in 2014/2015 financial year.
10.	GM Contractors Ltd	Branding of CDF funded Projects	522,000	This was to brand NG-CDF Projects that were completed since 2016-2017 financial year.
11.	Mwandango Secondary School	Renovation of burnt dormitory	300,000	This was to pay an outstanding debt of 2016/2017. The Contractor was contracted by the school and had already done the work but the school was unable to pay the outstanding balance.
<b>Total</b>			<b>5,522,770</b>	

## Appendix II - Audit Inspection of Projects

S/No.	Project Name	Project Details	Project Cost (Kshs.)	Observations
1.	Mnengwa Primary School	Construction of two Classrooms	2,500,000	<ul style="list-style-type: none"> <li>• Bill of Quantities provided for 2 doors per classroom but only one (double) door was in place.</li> <li>• Bill of Quantities provided for mortice locks but padlocks were used instead.</li> <li>• No door stoppers were fitted as provided in Bills of Quantities.</li> <li>• Space left between wall and rafters. Not fitted with wire mesh or vents as provided in Bill of Quantities.</li> <li>• Loose electrical cables, exposed piping and switch sockets placed so low on the walls (desk level) hence not safe for children.</li> </ul>
2.	Msorongo Primary School	Construction of 4 Classrooms	3,500,000	<ul style="list-style-type: none"> <li>• Bills of Quantities provided for window measurements of 2000mm x 1200 mm front and 2000mm x 1700mm rear, yet actual measurements were 1500mm x 900mm and 1500mm x 1460mm respectively.</li> <li>• Bills of Quantities provided for mortice locks but padlocks were used instead.</li> <li>• Doors open outside and no door stoppers were fitted as provided for in Bill of Quantities.</li> </ul>
3.	Josa Primary School	Renovation of Classrooms	1,000,000	<ul style="list-style-type: none"> <li>• Bills of Quantities provided for purlins of treated timber 3"x2". However, the timber was not treated while in some areas timber used was not of the required size 3"x2".</li> </ul>
4.	Mwemba Primary School	Construction of 2 Classrooms	1,500,000	<ul style="list-style-type: none"> <li>• Bills of Quantities provided for 2 doors per classroom but only one (double) door was fitted.</li> <li>• Bills of Quantities provided for mortise locks but padlocks were used instead.</li> </ul>

S/No.	Project Name	Project Details	Project Cost (Kshs.)	Observations
				<ul style="list-style-type: none"> <li>Further, no door stoppers were fitted as provided for in Bill of Quantities.</li> </ul>
5.	Mwakinyungu Primary School	Construction of 4 Classrooms Storey Building	3,000,000	<ul style="list-style-type: none"> <li>During site visit, phase 2 was under construction. Instead of completion of phase 1, Management had embarked on construction of another floor, with no clear indication of when the first phase would be completed.</li> <li>Construction of 2nd phase of the project before completion of 1st phase may delay realization of value for the money so far spent in this Project.</li> </ul>
6.	Mazola Primary School	Construction of 4 Classrooms Storey Building	3,000,000	<ul style="list-style-type: none"> <li>During site visit, phase 2 was under construction, instead of completion of phase 1, Management had embarked on construction of another floor, with no clear indication of when the first phase will be completed.</li> <li>Construction of 2nd phase of the Project before completion of 1st phase may delay realization of value for the money so far spent in this project.</li> </ul>
7.	Mzwanenyi Secondary School	Construction of a modern kitchen	2,900,000	<ul style="list-style-type: none"> <li>While Bill of Quantities provided that rafters &amp; purlins be of treated timber, the timber used was not treated.</li> <li>Gauge 28 pre-painted iron sheets are provided for but gauge 30 was used.</li> <li>Bill of Quantities provided for 5 panel doors, yet only 4 flush type doors were fitted.</li> </ul>
8.	Mwakaleri Primary School	Construction of 4 door toilet	1,000,000	<ul style="list-style-type: none"> <li>Project was not branded nor sign board erected on site.</li> <li>No manhole as provided for in the Bill of Quantities.</li> <li>Four doors are made of soft wood instead of hardwood as provided in Bill of Quantities.</li> </ul>

<b>S/No.</b>	<b>Project Name</b>	<b>Project Details</b>	<b>Project Cost (Kshs.)</b>	<b>Observations</b>
9.	Kitawi Secondary School	Payment for renovation of Classroom	375,000	No work verified. Documents on file indicated that the amount was for payment of an old debt, incurred way back in financial year 2014/2015, details of which were not provided.
	Total		<b>18,775,000</b>	