

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - POKOT SOUTH 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 - Pokot South Constituency set out on pages 23 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 - Pokot South 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

The statement of assets and liabilities and statement of cash flows reflect prior year adjustments totalling to Kshs.100,000. However, the journal voucher and list of cheques reversed were not provided. Further, the prior year adjustments balance varies with Note 14 to the financial statements balance amounting to Kshs.4,822,085 resulting to an unreconciled variance amounting to Kshs.4,722,085.

Consequently, accuracy, completeness and validity of prior year adjustments totalling to Kshs.100,000 reflected in the statement of assets and liabilities as at 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.7,879,233. The balance includes committee expenses totalling to Kshs.1,800,000 and other committee expenses amount of Kshs.2,165,200 which relate to monitoring and evaluation expenses for projects by the Fund Committee members issued and accounted for in form of imprest. However, the imprest register, invitation letters, attendance register, monitoring and evaluation committee meeting minutes and evidence of consultation with the NGCDF Board on meetings were not provided.

Further, the balance includes office and general supplies and services totalling to Kshs.2,246,602 and routine maintenance - vehicles and other transport equipment totalling to Kshs.606,880. However, payment vouchers and expenditure schedules for the expenditure were not provided.

Consequently, the accuracy, completeness and validity of use of goods and services totalling to Kshs.7,879,233 reflected in the statement of receipts and payments for the year ended 30 June, 2020 could not be confirmed.

3. Unsupported Other Grants and Transfers

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and transfers totalling to Kshs.17,143,206. Included in the balance are bursary disbursements totalling to Kshs.6,607,000. However, the Bursary Sub-committee did not include two co-opted members one from the area Education Office seconded by the Ministry of Education and minutes of the Bursary Sub-committee indicating how the beneficiaries were identified and the list of bursary beneficiaries and acknowledgement letters by the institutions were not provided.

The balance further, includes emergency projects expenditure totalling to Kshs.4,850,000. However, documentary evidence in support of the emergency such as public health letters and other relevant ministry correspondences to confirm whether the expenditure was emergency in nature were not provided.

Consequently, the accuracy, completeness and validity of other grants and transfers totalling to Kshs.17,143,206 reflected in the statement of receipts and payments for the year ended 30 June, 2020 could not be confirmed.

4. 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 amount of Kshs.42,300,000. The balance includes an expenditure totalling to Kshs.3,950,000, which was incurred on the purchase of parcels of land for eight (8) schools. However, land valuation reports, appointment letters for the negotiation team and negotiation minutes, letter of award and acceptance letter were not provided.

Further, the balance includes an expenditure totalling to Kshs.21,000,000 which was incurred on the purchase of 51-seater school buses for Sebit Mixed Day & Boarding Secondary School, St. Anthony of Padua Sina Secondary School and Sondany Secondary School each costing Kshs.7,000,000. However, procurement records such as tender advertisement, tender evaluation minutes, letter of award, acceptance letter, inspection and acceptance report, local purchase and logbooks were not provided.

Also, the balance includes disbursements amounting to Kshs.12,800,000 related to various construction projects which were not supported with bill of quantities, interim/completion certificates and joint measurement reports, expenditure schedules and bank statements for the Project Management Committee bank accounts.

In addition, the balance includes transfer to secondary schools totalling to Kshs.24,300,000 which vary with the supporting documents total of Kshs.23,300,000 resulting to an unexplained and unreconciled variance amounting to Kshs.1,000,000.

Consequently, the accuracy, completeness and validity of transfers to other Government Units totalling to Kshs.42,300,000 reflected in the statement of receipts and payments for the year ended 30 June, 2020 could not be confirmed.

5. 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.4,822,085. However, review of records revealed payments totalling to Kshs.4,180,407 in bank not recorded in the cashbook which relate to payments that were made when the cashbook had not been opened and no explanation has been provided for the failure to update the cashbook.

In the circumstances, the accuracy, completeness and validity of bank balances totalling to Kshs.4,822,085 reflected in the statement of assets and liabilities as at 30 June, 2020 could not be confirmed.

6. Inaccuracy in Unutilized Fund

Note 17.3 to the financial statements reflects unutilized fund totalling to Kshs.74,089,809 while Annex 3 to the financial statements reflects nil balance resulting to an unreconciled variance amounting to Kshs.74,089,809. Although Management explained that the amount relates to amounts not disbursed to the Fund, available information indicated that the Fund received Kshs.68,000,000 from the National Government Constituencies Development Fund Board against approved budget of Kshs.137,367,724 resulting to funds of Kshs.69,367,724 not disbursed.

Under the circumstances, the accuracy, completeness and validity of unutilized fund totalling to Kshs.74,089,809 as at 30 June, 2020 could not be confirmed.

7. Unsupported Committee Bank Balances

Note 17.4 and Annex 5 of the financial statements reflect Project Management Committee bank balances totalling to Kshs.11,451,087 as at 30 June, 2020. However, cashbooks,

certificate of bank balances, bank statement and bank reconciliation statement were not provided. In addition, the Management did not explain how the previous year's unutilized fund totalling to Kshs.6,365,324 were utilized and whether the unspent balances were returned to the constituency account.

Consequently, the accuracy, completeness and validity of the Project Management Committee bank balances totalling to Kshs.11,451,087 as at 30 June, 2020 could not be confirmed.

8. Lack Fixed Assets Register

Annex 4 to the financial statements reflects total assets totalling to Kshs.6,483,242. However, the fixed assets register was not provided.

Consequently, the accuracy, completeness and validity of the assets balance totalling to Kshs.6,483,242 for the year ended 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 - Pokot South 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.143,733,048 and Kshs.74,365,324 respectively, resulting to an underfunding amounting to Kshs.69,367,724 or 48% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.143,733,048 and Kshs.69,643,239 respectively, resulting to an under expenditure amounting to Kshs.74,089,809 or 52% 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 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 indicated that an amount of Kshs.78,800,000 was budgeted towards implementation of sixty-nine (69) projects during the year. An amount of Kshs.1,700,000 was disbursed to two (2) projects which were complete but completion certificates were not provided. Further an amount of Kshs.53,050,000 was disbursed to twenty-nine (29) projects which were still ongoing while thirty-eight (38) projects with a budget amount of Kshs.24,050,000 had not started.

In the circumstances, I am unable to confirm whether the public obtained value for money for the delayed projects.

2. Unsatisfactory Implemented Projects

A sample of ten (10) projects with a total amount of Kshs.14,650,000 were physically verified and unsatisfactory observations made on eight (8) projects as shown in **Appendix I**.

In the circumstances, I am unable to confirm whether the public obtained value for money for the unsatisfactory implemented projects.

3. Irregular Compensation of Employees

The statement of receipts and payments for the year ended 30 June, 2020 reflects compensation of employees totalling to Kshs.2,320,800. Review of records indicated that seven (7) employees were paid wages below the recommended basic minimum monthly wages amount of Kshs.13,573 totalling to underpayment amounting to Kshs.1,020,000.

Under the circumstance, the validity of compensation of employees expenditure totalling to Kshs.1,020,000 for the year ended 30 June, 2020 could not 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

During the year ended 30 June, 2020, the Fund did not have in place a risk management policy, risk management strategies and a system of risk management to enable them develop appropriate risk strategies in order to improve on effective and efficient Management of public resources.

Consequently, the Management is not likely to respond appropriately to emerging risks that may result in loss of funds.

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 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

22 December, 2021

Appendix I: Unsatisfactory Implemented Projects

No.	Project Name	Activity	Amount Disbursed During the Year (Kshs)	Observations
1	St. Paul Lomuke Secondary School	Construction of two (2) classrooms	1,000,000	<ul style="list-style-type: none"> - Classrooms was complete and in use. - Certificate of completion and joint measurement report were not provided.
2	Sekution Mixed Secondary School	Construction of two (2) classrooms	1,100,000	<ul style="list-style-type: none"> - Classrooms were in use but not painted. - Certificate of completion and joint measurement report were not provided. - Poor workmanship was evidenced
3	Kapchikar Mixed Day & Boarding Secondary School	Construction of a dormitory	2,000,000	<ul style="list-style-type: none"> - Main structure was done but without window panes. - Certificate of completion and joint measurement report were not provided. - Poor workmanship evidenced.
4	Mbayai Central Primary School	Construction of two (2) Classrooms	800,000	<ul style="list-style-type: none"> - Main structure was complete. - Window panes and wiring were not done. - Certificate of completion and joint measurement report were not provided.
5	Tomnyer Primary School	Construction of two (2) Classrooms	1,000,000	<ul style="list-style-type: none"> - Main structure was done. - Window panes and wiring were not done. - Certificate of completion and joint measurement report were not provided.
6	Chepungon Primary School	Construction of one Classroom	850,000	<ul style="list-style-type: none"> - Main structure was complete. - Window panes and wiring were not done.

No.	Project Name	Activity	Amount Disbursed During the Year (Kshs)	Observations
				- Certificate of completion and joint measurement report and interim certificate were not provided.
7	St. Joseph Kaalotwari Mixed Day Secondary School	Construction of 4 door pit latrine	450,000	- Latrine was complete and in use. - Joint measurement report and interim certificate were not provided.
8	Kapchikar Mixed Day & Boarding Secondary School	Construction of pit latrine and bathrooms	450,000	- Main structure was done.
		Total	7,650,000	



Nancy Gathungu
AUDITOR-GENERAL

Nairobi