

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SAMBURU EAST CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2020**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Samburu East Constituency set out on pages 22 to 53, 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 - Samburu East 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. Inaccuracies in Comparative Balances**

The Notes to the financial statements reflect comparative balances totalling to Kshs.41,678,140 that differs with prior year balances totalling to Kshs.38,123,329 resulting to an unreconciled variance amounting to Kshs.5,952,821 as detailed below:

Description	Note	Comparative Balance (Kshs)	Balance Reported in 2018/2019 (Kshs)	Variance (Kshs)
Bursary Secondary Schools	7	15,615,141	14,435,141	1,180,000
Bursary Tertiary	7	17,748,788	18,928,799	1,180,011
Cultural Projects	7	3,573,816	-	3,573,816
Balances Brought Forward	13	4,740,395	4,759,389	18,994
<b>Total</b>		<b>41,678,140</b>	<b>38,123,329</b>	<b>5,952,821</b>

Consequently, the accuracy, completeness and validity of the comparative balances totalling to Kshs.41,678,140 for the year ended 30 June, 2020 could not be confirmed.

## 2. Variances between Reported Balances and Supporting Schedules

The Notes to the financial statements reflect balances totalling to Kshs.3,397,640 whereas supporting schedules totalled to Kshs.16,936,000 resulting to an unreconciled variance amounting to Kshs.14,536,360 as detailed below:

Particulars	Note	Balance in the Note (Kshs)	Supporting Schedules (Kshs)	Variance (Kshs)
Other Operating Expenses	5	1,379,000	880,000	499,000
Bursary to Secondary Schools	7	1,773,640	6,094,000	4,320,360
Bursary to Tertiary School	7	245,000	9,962,000	9,717,000
<b>Total</b>		<b>3,397,640</b>	<b>16,936,000</b>	<b>14,536,360</b>

Consequently, the accuracy, completeness and validity of the above expenditure balance totalling to Kshs.3,397,640 for the year ended 30 June, 2020 could not be confirmed.

## 3. Unsupported Compensation of Employees

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects compensation of employees' totalling to Kshs.3,673,314. The balance includes basic wages of temporary employees amounting to Kshs.2,246,143 whereas the gross payroll amounted to Kshs.2,355,756 resulting to an unreconciled variance amount of Kshs.109,613.

Further, the balance includes gratuity payments amount of Kshs.827,817 that were not supported by; contract document, period of payment and rate of payment.

Consequently, the accuracy, completeness and validity of compensation of employees cost totalling to Kshs.3,673,314 for the year ended 30 June, 2020 could not be confirmed.

#### **4. 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.7,266,999. The balance includes expenditure totalling to Kshs.3,648,391 that have not been supported by specific service, invoice number, itemized cost and vendor name as detailed below:

<b>Particulars</b>	<b>Amount (Kshs)</b>
Utilities	100,000
Domestic Travel	211,400
Training	1,595,000
Office General Supplies	362,991
Other Operating Expenses	1,379,000
<b>Total</b>	<b>3,648,391</b>

Further, the balance includes committee allowances amount of Kshs.1,725,000 and other committee expenses amount of Kshs.447,000 that have not been supported by committee members, allowance type, rate, date of meeting details of allowances or nature of payments.

Consequently, the accuracy, completeness and validity of use of goods and services totalling to Kshs.7,266,999 for the year ended 30 June, 2020 could not be confirmed.

#### **5. 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.11,245,994. The balance includes bursary payments to secondary schools totalling to Kshs.1,773,640 whereas the supporting schedule amounted to Kshs.6,094,000 resulting to an unreconciled variance totalling to Kshs.,4,320,360. In addition, bursary payments amounting to Kshs.1,118,000 were made to students without admission numbers.

Further, the balance includes sports activities amount of Kshs.1,547,354 incurred on. However, the amount was transferred to a sports association whose registration details and nature of services were not provided.

In addition, the balance includes emergency projects amount of Kshs.6,380,000 out of which amount of Kshs.4,050,000 was incurred on peace meetings. However, the Management did not provide supporting documents such as incident reports, notice of meetings, meetings permit, venue of meetings and Committee minutes authorizing the payments.

Consequently, the accuracy, completeness and validity of emergency projects expenditure totalling to Kshs.11,245,994 for the year ended 30 June, 2020 could not be confirmed.

## **6. Inaccuracy in Bank Balances**

As disclosed in Note 10A to the financial statements, the statement of assets and liabilities reflects bank balances totalling to Kshs.6,907,984. The bank reconciliation statement included stale cheques totalling to Kshs.87,121. However, the stale cheques had not been reversed in the cashbook as at 30 June, 2020.

Consequently, the accuracy, completeness and validity of the bank balances totalling to Kshs.6,907,984 reflected in the statement of assets and liabilities as at 30 June, 2020 could not be confirmed.

## **7. Misclassification of Payments**

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects other payments totalling to Kshs.4,444,027. Detailed review of the transactions and supporting documents established that the amount related to transfers to primary schools, which were misclassified to other expenditure code.

Consequently, the accuracy, completeness and validity of other payments totalling to Kshs.4,444,027 for the year ended 30 June, 2020 could not be ascertained.

## **8. Inaccuracies in Committee Bank Balances**

Note 17.4 to the financial statements reflects Project Management Committee account balances totalling to Kshs.11,754,130. However, sixty-eight (68) bank accounts for incomplete and ongoing projects with a funding allocation amounting to Kshs.82,104,807 were omitted from this balance.

Further, the balance brought forward totalling to Kshs.16,120,2016 was also not supported by bank statements or project completion report.

Consequently, the accuracy, completeness and validity of Project Management Committee account balances totalling to Kshs.11,754,130 as at 30 June, 2020 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Samburu East 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.143,868,542 and Kshs.68,000,000 respectively, resulting to an underfunding amounting to Kshs.75,868,542 or 53% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.143,868,542 and Kshs.67,592,834 respectively, resulting to an under expenditure amounting to Kshs.76,275,708 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 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 forty-nine (149) projects with a budget allocation totalling to Kshs.151,678,410 were at different implementation statuses. Thirty-nine (39) projects totalling to Kshs.30,352,500 were complete and in use while sixty-eight (68) projects with a budget allocation totalling to Kshs.82,104,807 were ongoing and forty-two (42) projects totalling to Kshs.39,221,103 were not started due to slow tendering processes and delays in receipt of funds from the NGCDF Board.

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

### 2. Unsatisfactory Implementation of Project

Twenty-eight (28) projects with a budget allocation totalling to Kshs.26,382,500 were physically verified during the month of January, 2021. Twenty-three (23) projects with a budget allocation totalling to Kshs.25,558,000 were not satisfactorily implemented as shown in **Appendix I**.

In the circumstances, I am unable to confirm whether the public will obtain value for money for the above unsatisfactory implemented projects with an allocation totalling to Kshs.25,558,000 for the year ended 30 June, 2020.

### 3. Undelivered Desks

The Management procured forty-five (45) desks for three (3) primary schools; Lempuranai, Matakwani and Ntepes Primary School at an amount of Kshs.180,000. However, twenty-three (23) desks amounting to Kshs.92,000 were not delivered.

In the circumstances, I am unable to confirm whether the public obtained value for money for the expenditure totalling to Kshs.92,000 on undelivered desks for the year ended 30 June, 2020.

#### **4. Non-compliance with the Public Sector Accounting Standards Board Requirements**

The annual reports and financial statements had the following errors; there is no blank page left for the report of the Auditor General. The forward note by the chairman on page 6 reflects actual receipts of Kshs.74,500,815 while the statement of receipts and payments reflects Kshs.68,000,000. The budget execution by programs and sub-programmes does not indicate the year it relates to. This is contrary to Public Sector Accounting Standards Board (PSASB) reporting template.

In the circumstances, the presentation of the financial statements for the year under review is not in accordance with the prescribed PSASB format.

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 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**

**21 December, 2021**

## Appendix II: Unsatisfactory Implementation of Projects

No.	Project Beneficiary & Details	Cost (Kshs)	Observations
1	Construction of pit latrine at Matakwani Primary School	250,000	-Procurement file not was provided -The latrine seen was labeled 2018/2019 and not 2019/2020.
2	Renovation at DEB Primary School	1,000,000	-Procurement file was not provided - The class renovated was labeled 2018/2019.
3	Supply of furniture to Wamba CCM Primary School	800,000	-Inspection and Acceptance Committee meeting minutes were not provided
4	Construction of a pit latrine for the Assistant County Commissioner	250,000	-The toilet was not labeled with a risk of double funding.
5	Construction of one room guard house and a gate at Wamba Mixed Secondary School	200,000	- Drawings and bill of quantities was not provided
6	Fencing and gate installation at Tipito Girls Secondary School.	1,000,000	-Bill of quantities and procurement file were not provided - Fence and gate were partly destroyed by elephants. -Project not labeled
7	Supply of forty (40) lockers to Tipito Girls Secondary School	200,000	-Lockers not labeled hence could not be identified.
8	Competition of Dormitory	900,000	-Painting was not complete.
9	Supply of double decker beds to Tipito Girls Secondary School	360,000	-Beds not labeled hence could not be identified.
10	Supply of sixty (60) Mattresses to Tipito Girls Secondary School	150,000	-Mattresses not labeled hence could not could not be identified.
11	Construction of two rooms teachers houses to completion at Lempaute Primary School	1,000,000	- The houses were complete, branded and in use -Bill of quantities Architectural drawing, and bank statement were not provided .
12	Construction of kitchen to completion at	1,000,000	-Kitchen complete, branded (2018-19) and in use

<b>No.</b>	<b>Project Beneficiary &amp; Details</b>	<b>Cost (Kshs)</b>	<b>Observations</b>
	Lodungokwe Primary School		- Bill of Quantities, Architectural drawing, bank statements, returns and public work supervision report were provided.
13	Supply of 15 desk @Kshs.4000 to Lerata Primary School	60,000	-Desks delivered but not branded -Project procurement file was not provided .
14	Construction of two (2) 3 door pit latrine @Kshs.500,000 to completion at Lussen Gap Girls Secondary School	1,000,000	-Four (4) two door pit latrine constructed instead of two (2) latrines. -Complete but not in use, awaiting handover.
15	Construction of a dormitory to lintel at Lussen Gap Girls Secondary School	3,000,000	-Roofing was complete and plastering on going - Bill of Quantities, Architectural drawing, bank statements were not provided.
16	Construction of three (3) classrooms to completion @ Kshs.1,200,000 at Lussen Gap Girls Secondary School	3,600,000	-Classrooms complete but not in use, awaiting handover. - Bills of Quantities, Architectural drawing and Bank statements were not provided.
17	Fencing of the school by use of concrete poles ,wire mesh with barbed wire to completion at Lussen Gap Girls Secondary School	2,500,000	-Fencing was incomplete and contractor was not on site -Bills of Quantities, Architectural drawing and Bank statements were not provided.
18	Construction of twin house roofing (2-bedroom house) at Lussen Gap Girls Secondary School	2,000,000	-Stalled at lintel -Contractor not on site  -Bill of Quantities, Architectural drawing and Bank statements were not provided.
19	Construction of two (2) two rooms teachers house to completion at Kiltamany Primary School	1,000,000	-Three teachers' houses were complete and in use but not branded. - Bills of Quantities Architectural drawing and bank statements were not provided.

<b>No.</b>	<b>Project Beneficiary &amp; Details</b>	<b>Cost (Kshs)</b>	<b>Observations</b>
20	Construction of a classroom at Sukuroi Primary School	1,000,000	-Project complete and in use but not branded. -Project file was not provided.
21	Construction of two (2) two rooms teachers houses.	1,000,000	-The houses were complete, branded and in use - Three (3) rooms constructed instead of two -Project file was not provided.
22	Completion of fencing and construction of a modern gate using concrete poles, wire mesh with barbed wire at Kule Primary School	2,500,000	-Certificate of completion was signed by the Principal and inspection not by the committee or engineer. - Bank statement, procurement records Bill of Quantities were not provided.
23	Renovation of the Deputy County Commissioner's Office	700,000	-The Project was not in approved Code list for 2019-2020 - Bank statements, procurement records, Bills of Quantities were not provided.
	<b>Total</b>	<b>25,558,000</b>	



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**