

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SAMBURU WEST 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 West Constituency set out on pages 12 to 42, which comprise 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 West 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 Budget Execution

The budget execution by programmes and sub-programmes reflects total actual expenditure on a comparable basis balance totalling to Kshs.102,046,681 that differs with the re-casted balance totalling to Kshs.100,600,681 resulting to a variance amounting to Kshs.1,446,000 that has not been explained or reconciled. Further, the statement reflects budget utilization difference balance totalling to Kshs.78,148,368 that differs with the re-casted balance amount of Kshs.79,594,367 resulting to an unreconciled variance amounting to Kshs.1,445,999.

Consequently, the accuracy, completeness and validity of balances reflected in the budget execution by programmes and sub-programmes for the year ended 30 June, 2020 could not be confirmed.

#### 2. Variance between Financial Statements and Schedules

The Notes to the financial statements reflect balances totalling to Kshs.39,316,398 that were at variance with the supporting schedules amount of Kshs.36,278,950 resulting to an unreconciled net variance amounting to Kshs.11,754,552 as detailed below:

Particulars	Note	FS Amount (Kshs.)	Schedule Amount (Kshs)	Variance (Kshs.)
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Transfers to Secondary	6	6,180,000	5,800,000	380,000
Bursary - Secondary	7	14,336,398	17,794,950	3,458,552
Bursary - Tertiary	7	16,000,000	8,984,000	7,016,000
Security	7	2,800,000	3,700,000	900,000
<b>Total</b>		<b>39,316,398</b>	<b>36,278,950</b>	<b>11,754,552</b>

Consequently, the accuracy, completeness and validity of the above balances included in the financial statements totalling to Kshs.39,316,398 for the year ended 30 June, 2020 could not be confirmed.

### **3. 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 balance totalling to Kshs.4,283,115. However, the balance was not supported by schedules showing payee, nature of services or goods supplied, training venues and programmes, committee minutes and sitting calendar.

Further, comparative balance total of Kshs.6,282,255 differs with the re-casted amount of Kshs.8,950,209 resulting to an unreconciled variance amounting to Kshs.2,667,954.

Consequently, the accuracy, completeness and validity of use of goods and services balance totalling to Kshs.4,283,115 and the comparative balance amount of 6,282,255 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 payments transfers to other Government Units totalling to Kshs.49,544,000. The balance includes transfers to primary schools total of Kshs.43,364,000 out of which a total of Kshs.1,764,000 was transfers to secondary schools. The balance also includes transfers amounting to Kshs.1,300,000 to Lomolk Mixed Secondary School and to Loriak Primary School amounting to Kshs.450,000 all totalling to Kshs.1,750,000 that were not supported by Project Management Committee bank account numbers.

Consequently, the accuracy, completeness and validity of expenditure totalling to Kshs.1,750,000 for the year ended 30 June, 2020 could not be confirmed.

### **5. Unsupported Bursaries**

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and transfers totalling to Kshs.38,140,364. The balance includes bursary payments to secondary schools amount of Kshs.14,336,398 and tertiary institutions amount of Kshs.16,000,000, all totalling to Kshs.30,336,398. Further, the balance includes bursaries totalling to Kshs.1,168,950 where an amount of Kshs.728,950 for one hundred and fifteen (115) students was not supported by cheque numbers and an amount of Kshs.440,000 for one hundred and seven (107) students was not supported by students' admission numbers.

Consequently, the accuracy, complexness and validity of other grants and transfers totalling to Kshs.1,168,950 for the year ended 30 June, 2020 could not be confirmed.

## 6. Unsupported Other Payments

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects other payments totalling to Kshs.6,030,900. The balance comprised imprest issued amounting to Kshs.3,030,000 and National Hospital Insurance Fund payments amounting to Kshs.3,000,000 that were not supported by expenditure returns and list of beneficiaries, respectively.

Consequently, the accuracy, completeness and validity of other payments totalling to Kshs.6,030,900 for the year ended 30 June, 2020 could not be confirmed.

## 7. 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.8,780,643. The bank reconciliation statement as at 30 June, 2020 reflected payments in cash book that were not recorded in the bank statement representing un-presented cheques amounting to Kshs.6,217,434. The un-presented cheques included stale cheques totalling to Kshs.1,934,387. However, the stale cheques had not been reversed in the cashbook.

In addition, the bank reconciliation statement reflects payments in bank not in cashbook totalling to Kshs.19,675 relating to bank charges which ought to have been expensed.

Consequently, the accuracy, completeness and validity of bank balances totalling to Kshs.8,780,643 reflected in the statement of assets and liabilities as at 30 June, 2020 could not be confirmed.

## 8. Variance between Summary Statement of Appropriation and Approved Code List

The summary statement of appropriation - recurrent and developments combined reflects final budget totalling to Kshs.180,195,049 which differs with the approved code list amount of Kshs.143,786,717 resulting to an unreconciled variance amounting to Kshs.36,408,332 as detailed below:

Particulars	Final Budget Amount (Kshs)	Code List Amount (Kshs)	Variance (Kshs)
<b>Receipts</b>			
Transfers from CDF Board	137,367,724	137,247,724	120,000
Adjustments	42,827,325	6,538,993	36,288,332
<b>Totals</b>	<b>180,195,049</b>	<b>143,786,717</b>	<b>36,408,332</b>
<b>Payments</b>			
Use of Goods and Services	12,153,107	8,110,599	120,000

<b>Particulars</b>	<b>Final Budget Amount (Kshs)</b>	<b>Code List Amount (Kshs)</b>	<b>Variance (Kshs)</b>
Transfers to Other Government Units	76,537,354	71,770,000	4,767,354
Other Grants and Transfers	74,521,679	59,053,622	15,468,057
Other Payments	12,726,413	600,000	12,126,413
Unallocated Funds	4,000	0	4,000
<b>Total</b>	<b>180,195,049</b>	<b>143,786,717</b>	<b>36,408,332</b>

Consequently, the accuracy, completeness and validity of the summary statement of appropriation - recurrent and development combined final budget totalling to Kshs.180,195,049 for the year ended 30 June, 2020 could not be confirmed.

### **9. Unsupported Committee Bank Balances**

Annex 4 - Project Management Committee (PMC) bank balances reflects individual bank balances for thirty-seven (37) projects totalling to Kshs.46,590,638. However, this was not supported by individual project implementation status reports.

Consequently, the accuracy, completeness and validity of the Project Management Committee (PMC) bank balances totalling to Kshs.46,590,638 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 - Samburu West 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 final receipts budget and actual on comparable basis totalling to Kshs.180,195,049 and Kshs.110,827,325 respectively, resulting to an underfunding amounting to Kshs.69,367,724 or 38% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.180,195,049 and Kshs.102,046,681 respectively, resulting to an under expenditure amounting to Kshs.78,148,368 or 43% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## 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**

The Project Implementation Status Report as at 30 June, 2020 reflects one hundred and twenty-five (125) projects with a budgetary allocation totalling to Kshs.131,544,552 at different implementation statuses. Sixty-six (66) projects with a budget allocation totalling to Kshs.66,950,000 were complete and in use, forty (40) Projects with a budget allocation totalling to Kshs.42,324,552 and nineteen (19) Projects with a budget allocation totalling to Kshs.22,270,000 were incomplete 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 Projects**

Twenty-two (22) projects with a budget allocation amount of Kshs.26,600,000 were physically verified during the month of March, 2021. Several unsatisfactory observations made 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.26,600,000.

#### **3. Non-payment of Statutory Deductions**

The statement of receipts and payments reflects compensation of employees of Kshs.4,048,302 which includes National Social Security Fund (NSSF) deduction of Kshs.40,800 and employer contribution of Kshs.40,800 all totalling to Kshs.81,600 which have not been remitted to National Social Security Fund as at the time of audit in breach of section 22 of National Social Security Fund Act, 2013.

To this extent, the Management is in breach of the law.

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

The financial statements do not reflect the Sub-county Accountant's, Institute of Certified Public Accountant of Kenya membership number on pages 10,12,13,14 and 16. The significant accounting policies on page 21 and 23 make reference to entity instead of the Fund. Further, the chairman's statement on page 5 reflects fund opening balance of Kshs.42,823,325 that differs with previous year closing balance of Kshs.41,223,325 resulting to a variance of Kshs.1,600,000 that has not been reconciled or explained. This is contrary to Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2019

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, 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 Fixed Asset Register**

The Fund did not have a detailed fixed asset register in place this is despite the Fund having assets with historical costs of Kshs.24,573,160 as at 30 June, 2020. This is contrary to section 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 that requires an Accounting Officer to ensure that proper control systems exist over assets and that their movement and conditions be tracked, the Fund does not have a detailed fixed asset register in place. This is despite the Fund having assets with historical costs of Kshs.24,573,160 as at 30 June, 2020.

To the extent, the Management is in breach of the law.

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 Implementation of Projects

No.	Beneficiary	Details	Cost (Kshs)	Observations
1.	Lmisigiyo Primary School	Construction of a seventy (70) capacity Girls' dormitory -	2,000,000	<ul style="list-style-type: none"> <li>- Project complete.</li> <li>- Project not labelled and not in use.</li> <li>- G.I. box gutters metal brackets amounting to Kshs.39,000 and electrical works amounting to Kshs.100,000 were not fixed.</li> <li>- Project reallocated to construction of Boys Dormitory instead of girls Dormitory.</li> </ul>
2.	Garma Primary School	Classroom construction to completion	1,200,000	<ul style="list-style-type: none"> <li>- Project complete.</li> <li>- Project was not in use and not labelled.</li> </ul>
3.	Sura Adoru Primary School	Renovation of seventy (70) beds capacity Girls dormitory to completion, plastering, tiling, flooring and painting	1,300,000	<ul style="list-style-type: none"> <li>- Renovation works plastering, tiling, flooring and painting done - Dormitory was not in use.</li> </ul>
4.	Kitobor Primary School	Classroom construction to completion	1,200,000	<ul style="list-style-type: none"> <li>- Project was not labelled and not in use.</li> <li>- Windows had cracked.</li> <li>- There were cracks on walls.</li> <li>- Electrical works amounting to Kshs.100,000 were not done.</li> </ul>
5.	Lolgese Primary School	Classroom Construction to completion	1,200,000	<ul style="list-style-type: none"> <li>- Project was completed and in use.</li> <li>- Project not labelled.</li> </ul>
6.	Nkutoto Arus Primary School	Construction of one classroom to completion	1,200,000	<ul style="list-style-type: none"> <li>- Project was completed but not in use.</li> <li>- G.I box gutters fixed to facial board with metal brackets amounting to Kshs.14,400 were not fixed.</li> <li>- Cracks on walls were observed.</li> </ul>
7.	Loiborngare Primary School	Construction of classroom to completion	1,200,000	<ul style="list-style-type: none"> <li>- Project was completed.</li> <li>- Project not labelled.</li> </ul>

No.	Beneficiary	Details	Cost (Kshs)	Observations
8.	Lesidai Primary	Construction of classroom to completion	1,200,000	- Project is complete. - Electrical works amounting to Kshs.100,000 were not done.
9.	Siambu Primary School	Construction of administration block with four (4) rooms to completion.	2,000,000	- Project was completed, in use but not labelled. - Cracks were observed on walls.
10.	Ngano Primary School	Construction of administration block construction with four (4) rooms to completion	2,000,000	- Project was completed, in use but not labelled. - Cracks were observed on walls.
11.	Lakira Primary School	Construction of classroom Construction to completion	1,200,000	- Project was completed, in use but not labelled.
12.	Lgoss Primary School	Classroom Construction to completion	1,200,000	- Project was complete, in use but not labelled. - Electrical works amounting to Kshs.100,000 were not done.
13.	Maralal Deputy County Commissioner's Office	Fencing of 1.5 acres with concrete poles with barbed wire and gate fixing	1,200,000	- Project was ongoing. - Ownership documents not provided.
14.	Maralal Chief's Camp	Completion of Chief Office with three (3) rooms, plastering, painting and tiles.	500,000	- Project was completed, partly in use but not branded.
15.	Maralal Location Assistant Chief's Office	Construction of a new assistant Chief's Office with three (3) rooms to completion	2,000,000	- Project was stalled at roofing and Contractor was not in site.
16.	AIC Moi Gils Secondary School	Completion of Classroom; Painting and putting floor tiles to one classroom	200,000	- Project was completed and in use, but branded financial year 2018/2019.
17.	Mwangaza Mixed Secondary School	Purchase of one hundred and sixty (160) desks @ Kshs.5,000	1,200,000	- One hundred and sixty (160) desks were delivered, but - Forty-five (45) desks were not in use.
18.	Kirisia Boys High School	Construction of a multipurpose Hall	1,200,000	- Project was stalled at slab level. - Disbursements were not defined with phase since the Project cost amounted to

No.	Beneficiary	Details	Cost (Kshs)	Observations
				Kshs.5,000,000 and Contractor was not in site.
19.	Lolmolok Secondary School	Completion of single 20 student's science laboratory; roofing, plastering, painting, windows and door fixing	1,300,000	- Project was stalled at roofing - Plastering, painting, windows and door fixing have not been done and contractor was not in site.
20.	Lkishaki Primary School	Construction of four (4) door toilets with urinal and Septic Tank	700,000	- Project was complete and in use, - Urinal and Septic tank were not constructed.
21.	Lokuto Primary	Construction of four (4) door toilets with urinal and Septic Tank	700,000	- Project was complete and in use. - Urinal and Septic tank are not constructed.
22.	NG-CDF Offices Toilets	Construction of four (4) door toilets with urinal and Septic Tank	700,000	- Project was complete and in use.  Toilets are of three (3) doors instead of 4 and not branded.
	<b>Total</b>		<b>26,600,000</b>	



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

**Nairobi**