

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SIGOR CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Sigor Constituency set out on pages 12 to 43, 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 effect 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 - Sigor 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 Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of receipts and payments for the year ended 30 June, 2019 reflects total payments of Kshs.100,433,463 which are at variance with the statement of cash flows total payments of Kshs.96,509,392 resulting in unexplained variance of Kshs.3,924,168. Further, the statement of receipts and payments reflects a surplus of Kshs.8,351,020 while the statement of assets and liabilities indicates a surplus of Kshs.7,500,730 resulting in unexplained variance of Kshs.850,290.

In addition, Note VIII on budget execution by programmes and sub-programmes does not include the total amounts. Besides that, some of the figures in the statement do not agree with amounts in the other financial statements as summarized below:

No	Item	Amount as Per Budget Execution (Kshs.)	Amount as per the Financial Statements	Variance (Kshs.)
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			(Kshs.)	
1	Committee expenses	1,444,000	2,675,400	(1,231,400)
2	Transfers to primary schools	20,186,206	19,186,206	1,000,000
3	Bursary-tertiary institutions	5,978,500	6,273,500	(295,000)
4	Sports projects	3,916,543	3,579,495	337,048

The resultant variances have not been explained.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2019 could not be confirmed.

2. Unconfirmed Cash and Cash Equivalents Balance

The statement of assets and liabilities reflects a bank balance of Kshs.12,604,624. However, Management did not provide for audit verification bank reconciliation statements and certificate of bank balances as at 30 June, 2019.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.12,604,624 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Sigor 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 are 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 of Kshs.168,078,965 and Kshs.108,784,483 respectively, resulting to an under-funding of Kshs.59,294,482 or 35% of the budget.

Additionally, the Fund spent Kshs.100,433,463 against an approved budget of Kshs.168,078,965 resulting to an under-expenditure of Kshs.71,569,670 or 40% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the people of Sigor Constituency.

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 Project Implementation

The National Government Constituencies Development Fund - Sigor Constituency had an approved budget for 2018/2019 of Kshs.168,078,965. Out of this budget, an amount of Kshs.64,997,532 was allocated to development projects. Further, out of this, an amount of Kshs.3,400,000 was earmarked for implementation of four projects. However, the projects were not implemented yet the funds had been disbursed to the projects. The details are provided below:

No	Project Name	Activity	Amount Allocated (Kshs.)
1.	Cheptamas Primary School	Construction of one classroom	500,000
2.	Amoler Primary School	Completion of one classroom	400,000
3.	Iyoon Primary School	Renovation of four classrooms	500,000
4.	Chesta Chief's Office	Construction of two administration police houses	2,000,000
	Total		3,400,000

Further, during the year, a verification exercise was conducted on a sample of nineteen (19) projects which received disbursements totalling Kshs.17,347,556. However, various unsatisfactory matters were noted as detailed in **Appendix 1**.

Delay in project implementation may lead to misuse of funds leading to non-delivery or delivery of poor-quality services and goods to the residents of the Sigor Constituency.

2.0 Irregular Bursary Disbursements

The statement of receipts and payments reflects other grants and transfers figure of Kshs.56,313,505 as disclosed in Note 7 to the financial statements. The amount includes bursary disbursements of Kshs.34,895,000 to secondary schools and Kshs.6,273,500 to tertiary institutions all totalling Kshs.41,168,500. However, minutes of the bursary sub-committee indicating how the beneficiaries were identified and evidence that two members, one of whom should be an area education officer or officer seconded from the Ministry of Education were co-opted as required by the CDF Board circular Ref. CDF Board circulars/Vol 1/111 dated 13 September, 2010 were not provided for audit review.

Consequently, the Management is in breach of the law and propriety of the bursary disbursement of Kshs.41,168,500 could not be confirmed.

1.2 Irregularities in Construction of the CDF Office

As previously reported in the year 2017/2018, an amount of Kshs.20,336,979 had been incurred on the construction of the Constituencies Development Fund Office at Sigor. According to the financial records, the initial contract was awarded to a construction firm in the financial year 2015/2016 at a contract sum of Kshs.13,710,381. Available information revealed that the contractor was paid a total of Kshs.12,332,012 or about 90% of the contract sum. However, the procurement records such as tender advertisement, opening minutes, evaluation, award of tender minutes and contract document were not availed for audit review. The payment vouchers were also not supported by minutes of site meeting and interim certificates. It was further noted that the contractor abandoned the project after the payment of 90% of the contract sum. The Management did not explain why the contractor was paid without certificates of completion and evidence of work done.

Further, available information revealed that, after the contractor vacated the site, the CDF Management opted to directly procure materials and labour totalling Kshs.5,000,140 in the financial year 2016/2017. However, the Management did not provide evidence that the procurement was done competitively as per the provisions of Public Procurement and Asset Disposal Act, 2015.

Although physical verification of the project confirmed that the project was complete and in use, the propriety of the total expenditure of Kshs.20,336,079 on construction of the CDF Office for the year ended 30 June, 2019 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 INTERNAL CONTROLS EFFECTIVENESS, RISK MANAGEMENT SYSTEMS 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 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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the 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 Fund's financial reporting process, reviewing the effectiveness of how the entity 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 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 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 Fund's 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 going concern 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

01 October, 2021

Appendix 1

Delayed Project Implementation

No.	Institution	Project	Disbursed Amount in 2018/2019 (Kshs.)	Field Visit Report
1	Likwon Primary School	Construction of one classroom	400,000	<ul style="list-style-type: none"> • Ongoing • More funds to be allocated
2	Ptokou Mixed Primary School	Renovation of two classrooms	400,000	<ul style="list-style-type: none"> • Procurement procedures not adhered to • Roofing done • Verandah floor well done • Windows well fitted • Classes in use • Labelling not done
3	Rcea Paro Secondary School	Renovation of two classrooms	500,000	<ul style="list-style-type: none"> • Not labelled • Dormitory in use
4	Tamkal Secondary	Completion of a multipurpose hall	593,388	<ul style="list-style-type: none"> • No project file • Complete • Good workmanship
5	Tamkal Secondary	Toilet	150,000	<ul style="list-style-type: none"> • No project files availed for audit • Latrines were not an emergency because there were other latrines in the school
6	Chesegon Ap Station	Construction of two APS Offices	1,000,000	<ul style="list-style-type: none"> • No ceiling
				<ul style="list-style-type: none"> • No fascial Board • 4 rooms (3.4x2.5M) • Ordinary sheets • Made of bricks • Plastering not done only painting • Floor not well done

No.	Institution	Project	Disbursed Amount in 2018/2019 (Kshs.)	Field Visit Report
7	Chesegon AP Station	AP post toilets	600,000	<ul style="list-style-type: none"> • The toilets can't be used • No value for money • Same contractor constructed the buildings • Bathroom doors not fitted • Poor workmanship • Ordinary roofing sheets
8	Karapogh Primary School	Construction of two classrooms	1,736,000	<ul style="list-style-type: none"> • No window panes • Workmanship fairly done
9	Lomut Primary School	Renovation of (4 four) class rooms	2,000,000	<ul style="list-style-type: none"> • Poor workmanship • Ordinary roofing sheets instead of pre printed • No fascial Board • Floor and painting not well done
10	Wakor Primary	Renovation of (4) four classrooms	400,000	<ul style="list-style-type: none"> • Workmanship fairly done
11	Wakor Chiefs Office	Construction of office block	450,000	<ul style="list-style-type: none"> • Workmanship fairly done
12	St Philips Phogoi Primary School	Roofing of three (3) classrooms	400,000	<ul style="list-style-type: none"> • Workmanship fairly done
13	Kokworitit Primary School	Renovation of (4) four classrooms	400,000	<ul style="list-style-type: none"> • Plastering Poorly done • Labelling not done
14	Kokworitit Secondary School	Construction of Twin Lab	2,500,000	<ul style="list-style-type: none"> • Good workmanship fairly done • Project ongoing

No.	Institution	Project	Disbursed Amount in 2018/2019 (Kshs.)	Field Visit Report
15	Sigor Girls Primary School	Construction of Administration block	500,000	<ul style="list-style-type: none"> • Workmanship fairly done • Project complete
16	Sigor Mixed Boarding Primary School	Construction of Administration block	400,000	<ul style="list-style-type: none"> • Workmanship fairly done • Project ongoing
17	Guards Office	Guards office	802,568	<ul style="list-style-type: none"> • Workmanship fairly done
18	Office Perimeter Wall	Perimeter Wall Completion	2,200,000	<ul style="list-style-type: none"> • Wall Project complete, guard office ongoing
19	Gabions Construction		1,315,600	<ul style="list-style-type: none"> • Emergency gabions Completed
	Total		16,847,556	