

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Sotik Constituency set out on pages 7 to 71, which comprise the statement of financial 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, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Sotik 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.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Sotik 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 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 of Kshs.185,142,915 and Kshs.127,302,039 respectively, resulting to an underfunding of Kshs.57,840,876 or 31% of the budget. The underfunding affected the planned activities and projects and may have impacted negatively on service delivery for the constituents of Sotik.

2. Prior Year Audit Matter - Construction of Administration Police Staff Houses and Assistant Chief's Offices

As reported previously, the Fund incurred expenditure of Kshs.2,400,000 on the construction of Administration Police staff houses and Assistant Chiefs' Office as detailed out below: -

	Project Location	Description of Work	Amount (Kshs)
1.	Kipsingei AP Lines	Construction of Staff Houses	1,600,000
2.	Motiret Chief's Camp	Construction of Assistant Chief's Office	400,000
3.	Siroin Chief's Camp	Construction of Assistant Chief's Office	400,000
	Total		2,400,000

However, the land parcels where the houses and offices were constructed did not have title deeds contrary to the provisions of the National Government Constituencies' Development Fund Act, 2015. The Fund continues to be in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter 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. Projects Implementation

The statement of receipts and payments reflects transfers to other government units of Kshs.52,461,207;(2018-Kshs.28,850,000) and as disclosed under Note 6 to the financial statements. Review of the project implementation status report as of 30 June 2019 indicated that one hundred and eighty (180) projects with an allocation of Kshs.128,521,878 were at different implementation statuses as summarised below:-

Project Status	Count	Amount (Kshs.)
Completed Projects	28	16,356,593
Ongoing Projects	48	42,705,668
Not Started	104	69,459,617
Total	180	128,521,878

1.1. Incomplete Projects

One hundred and fifty-two (152) projects with project funding of Kshs.112,165,285 were incomplete with no satisfactory explanation being rendered by the Fund for the delays.

Consequently, it has not been possible to confirm if and when value for money will be realized from the incomplete projects.

1.2. Unsatisfactorily Implemented Projects

Eight (8) projects with a funding allocation of Kshs.12,682,344 were sampled for verification during the month of February 2020. Below are the individual observations made against each of the projects: -

Project Details	Cost (Kshs.)	Completion Date	Observations
Ngariet secondary school - Construction and completion of a dining hall; fixing of windows, doors and flooring	2,200,000	05/02/2019	The contractor was not on site and the project had stalled; it was incomplete but slab and pillars done up to the lintel level.
Chebongi secondary school - Construction of a single laboratory	1,400,000	Not Indicated	Gas piping, water supply system, electric works and soak pit were undone.
Siroin secondary school- (Worktop, gas system, water system, fume chamber, electrical works & general painting)		Not Indicated	Water supply system, fume chamber, electrical system and painting are not done.
Gorgor secondary school - Completion of a laboratory (worktop, gas system, water system, fume chamber & electrical works)	1,100,000	Not Indicated	Plastering, worktop, gas system, water system, fume chamber and electrical works are yet to be done.
Saruchet secondary school - Completion of a twin laboratory	2,100,000	20/01/2020	Incomplete works are as follows: 1 st Twin-ceiling, electrical works gas and fume chambers. 2 nd twin-water system, soak pit and sinks.
Kagasik Girls secondary school - Completion of a dormitory plastering, walling, painting, fixing of windows and doors)	1,200,000	08/01/2020	Incomplete works are: windows, doors, plaster, paint, flooring and store and preparation room

Project Details	Cost (Kshs.)	Completion Date	Observations
Kaplelach secondary school- Construction and completion of a Single Laboratory	3,000,000	06/10/2019	2 nd Allocation but with the following Incomplete works: - worktop, gas system, water system, fume chamber, electrical works, plastering, painting and window glasses. Plastering is not done.
St. Joseph's Mabwaita secondary school - Construction of staff house	582,344	Not Indicated	Project lastly funded in 2016/2017; Project has stalled with windows, doors, plaster and paint remaining incomplete.
Total	12,682,344		

No satisfactory explanations were rendered for the deficiencies in projects implementation, despite full funding having been disbursed into the bank accounts of the respective Project Management Committees.

Consequently, it has not been possible to confirm if and when value for money will be realized from the projects valued at Kshs.12,682,344 for the year ended 30 June, 2019.

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 procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Overall 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

The Fund does not have a risk management policy that guides its assessment and evaluation of risk and to develop the strategies to mitigate them. This is contrary to Regulation 165(1) of the Public Finance Management Act (National Government) Regulations, 2015.

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 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 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

31 December, 2021