

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

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Voi Constituency set out on pages 10 to 39, which comprise of 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 the National Government Constituencies Development Fund – Voi 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**

#### **1.0 Presentation of the Financial Statements**

The statement of receipts and payments and statement of cash flows are both indicated as, 'for the period ended' instead of, 'for the year ended' while the period covered by the summary statement of appropriation: recurrent and development combined is not indicated.

Consequently, the presentation of the financial statements for the year ended 30 June, 2019 do not comply with International Public Sector Accounting Standard No.1 as prescribed and published by the Public Sector Accounting Standards Board.

#### **2.0 Inaccuracies in the Financial Statements**

The statement of cash flows for the year ended 30 June, 2019 reflects other payments comparative figure of Kshs.239,180 while the audited financial statements for the year 2017/18 had a nil balance. The variance arose from wrong disclosure of prior year adjustment of a similar amount under other payments and failure to correct the anomaly.

Further, the summary statement of appropriation: recurrent and development combined reflects transfers from National Government Constituencies Development Fund Board actual on comparable basis of Kshs.139,089,346 instead of Kshs.147,549,332 (being Kshs.108,134,483 receipts from National Government Constituency Development Board and Kshs.39,414,849 cash balance brought forward from previous year), resulting to a variance of Kshs.8,459,986 which has not been explained or reconciled.

In addition, the statement of receipts and payments for the year ended 30 June, 2019 reflects other receipts actual figure of Kshs.205,000 while the statement of appropriation: recurrent and development combined reflects nil. The variance of Kshs.205,000 between the two financial statements has not been explained nor reconciled.

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

### **3.0 Use of Goods and Services**

The statement of receipts and payments for the year ended 30 June, 2019 reflects use of goods of Kshs.12,695,935 as disclosed in Note 5 to the financial statements. However, the following observations were made:

#### **3.1 Unjustified Increase of Committee Allowances**

Note 5 to the financial statements for the year ended 30 June, 2019 reflects committee allowances of Kshs.9,086,825, being an increase of Kshs.6,559,825 or 259.59% from Kshs.2,527,000 reported the previous year. The cause of the material increase has not been explained nor justified.

#### **3.2 Unsupported Committee Allowances**

Note 5 to the financial statements for the year ended 30 June, 2019 reflects committee allowances of Kshs.9,086,825. However, the supporting schedules amounted to Kshs.8,907,970, resulting to unexplained nor reconciled variance of Kshs.178,855. Further, the expenditure was not supported with annual work plan neither minutes of the meetings held.

In addition, included in committee allowances is Kshs.2,009,444 in respect of breakfast and lunches of which details of persons served were not provided for audit review and allowances totaling Kshs.135,000 paid to Constituency Committee members involved in tender opening and evaluation of unspecified projects.

Consequently, the propriety and validity of committee allowances totaling Kshs.2,144,444 and the accuracy and completeness of Kshs.9,086,825 for the year ended 30 June, 2019 could not be confirmed.

#### **3.3 Unsupported Committee Accommodation Allowances**

Included in the committee allowances of Kshs.9,086,825 is committee accommodation and transport allowances of Kshs.418,500. Records availed for audit review indicated that Voi National Government – Constituency Development Fund Committee during its meeting of 9 April 2019 (vide minute No. MIN /VOL/NG/CDF/122/09/04/2019), approved committee accommodation expenses of Kshs.370,500, at Kshs.9,500 per night for three (3) nights for thirteen (13) members attending training and transport cost of Kshs.48,000 to and from the training venue. However, details of the training and the venue were not provided for audit verification. In addition, how the rates of accommodation were determined was not explained.

Consequently, the propriety and validity of committee allowances of Kshs.418,500 for the year ended 30 June, 2019 could not be confirmed.

#### 4.0 Other Grants and Transfers

The statement of receipts and payments for the year ended 30 June, 2019 reflects other grants and transfers of Kshs.60,556,376 as disclosed in Note 7 to the financial statements. Audit review revealed the following:

##### 4.1 Bursary Variance- Secondary Schools

Note 7 to the financial statements reflects bursary - secondary schools of Kshs.31,151,760. However, the beneficiary students supporting schedule amount was Kshs.32,183,236, resulting to a variance of Ksh.1,031,476 which has not been explained nor reconciled. Further, review of the bursary payments revealed anomalies as detailed below;

Institution	No. of Students	Amount Awarded in (Kshs.)	Remarks
Secondary School	392	3,440,017	Multiple Bursaries - Repeated names with same registration numbers
Secondary schools	105	892,118	Missing Admission/Registration numbers. No registration or admission numbers
Secondary Schools	2544	17,841,874	Missing applications. No evidence of application for the bursaries
<b>Total</b>		<b>22,174,009</b>	

Consequently, the propriety of Kshs.22,174,009 and accuracy of bursary - secondary schools of Kshs.31,151,760 for the year ended 30 June, 2019 could not be confirmed.

##### 4.2 Unconfirmed Bursary – Tertiary Institutions

Note 7 to the financial statements for the year ended 30 June, 2019 reflects bursary – tertiary institutions of Kshs.13,701,255. However, the supporting schedules indicated a total of Kshs.7,636,015, resulting to a variance of Kshs.6,065,240 which has not been explained or reconciled. Further, review of the bursary payments revealed anomalies as detailed below;

<b>Institution</b>	<b>No. of Students</b>	<b>Amount Awarded in (Kshs.)</b>	<b>Remarks</b>
Tertiary Institutions	72	1,340,155	Multiple Bursaries - Repeated names with same registration numbers
Tertiary Institutions	17	134,000	Missing Admission/Registration numbers. No evidence of application for the bursaries
Tertiary Institutions	156	3,018,955	Missing applications. No evidence of application for the bursaries
<b>Total</b>		<b>4,493,110</b>	

Consequently, the propriety of Kshs.4,493,110 and accuracy of bursary - tertiary institutions of Kshs.13,701,255 for the year ended 30 June, 2019 could not be confirmed.

## **5.0 Inaccurate Bank Reconciliation**

The statement of assets and liabilities as at 30 June, 2019 reflects bank balance of Kshs.8,664,986 as disclosed in Note 10A to the financial statements. However, the bank reconciliation statement as at 30 June, 2019 reflects a bank balance of Kshs.8,677,311, resulting to a variance of Kshs.12,325 which has not been explained nor reconciled. Further, the reconciliation reflects unrepresented cheques of Kshs.31,549,469 of which bank statements to confirm subsequent clearance by the banks were not availed for audit review. In addition, the unrepresented cheques of Kshs.31,549,469 include stale cheques of Kshs.2,714,416 which had not been reversed in cash book thereby understating the cash and cash equivalent balance by the same amount.

The bank reconciliation further reflects deposits/receipts of Kshs.9,000 and payments of Kshs.33,000 in bank not posted in cash book. The management has not explained the failure to recognize these transactions in cash book.

Consequently, the accuracy, validity and completeness of bank balance of Kshs.8,664,986 as at 30 June, 2019 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 - Voi 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 judgement, 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**

During the year under review, National Government Constituency Development Fund- Voi Constituency had receipts budget of Kshs.202,795,208 against actual receipts of Kshs.139,089,346, resulting to a shortfall of Kshs.63,705,862 or (32%).

Further, National Government Constituencies Development Fund - Voi Constituency had an expenditure budget of Kshs.202,590,208 and actual expenditure of Kshs.139,089,346 (68.65%), resulting to a net under expenditure of Kshs.63,500,862 or 31.35% of the budget.

Failure by the Board to disburse funds as per the budget and the under expenditure on budgeted programs denied the residents of Voi Constituency the much needed services that are meant to improve their living standards and for which the Government had allocated funding.

## **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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in use of Public Resources section of my report, I confirm that, nothing 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 Unapproved Renovation of Classrooms - Tausa Primary School**

The statement of receipts and payments for the year ended 30 June, 2019 reflects transfers to other government units of Kshs.62,000,562 as disclosed in Note 6 to the financial statements. Included in this amount is transfers to primary schools amount of Kshs.35,972,598, out of which Kshs.2,600,000 is in respect of renovation of four (4) classrooms at Tausa Primary School. However, the project was not in the projects code list for the year under review, hence not approved for implementation.

Further, records availed for audit review indicated that the Fund used request for quotations procurement method, contrary to the Public Procurement and Disposal Regulations, 2006 Threshold Matrix for Class C procuring entities that sets a maximum of Kshs.500,000 for use of quotations. In addition, available records indicated that the Fund management awarded the works at a contract price of Kshs.2,600,000 against the lowest evaluated quotation of Kshs.1,190,773, resulting to an excess contract award of Kshs.1,409,227 which is irregular.

Further, Bills of Quantities for the works were not availed for audit review.

Consequently, the lawfulness, effectiveness and value for money for Kshs.2,600,000 transferred to primary schools for the year ended 30 June, 2019 could not be confirmed.

## 2.0 Projects Implementation Status

Projects implementation status report as at 30 June, 2019 provided for audit review indicated nineteen (19) projects with a cumulative disbursement of Kshs.25,696,701. Out of which Kshs.6,696,106 was disbursed and spent in the year 2018/2019, leaving unspent balance of Kshs.19,012,694 or 73.99% as detailed in Appendix 1.

The National Government Constituency Development Fund - Voi Constituency was holding unspent disbursements amounting to Kshs.19,005,693, out of which Kshs.18,287,251 was in respect of eleven (11) projects that had not been started. The management did not provide satisfactory explanation for non-implementation of these projects during the financial year.

Failure to implement projects as planned denies the residents of Voi-Constituency the much-needed services that are meant to improve their living standards and for which the Government has allocated funding.

## 3.0 Projects Verification

During the year under review, nine (9) projects which received Kshs.10,784,072 were verified in the month of November 2019, out of which three (3) projects which received a total of Kshs.4,934,622 had inconsistencies as detailed below;

No.	Name of the Project	Details of the Project	Disbursement in 2018/19 (Kshs.)	Remarks

1	Tausa Primary School	Renovation of four Classrooms	1,200,000	No Bills of Quantities to confirm if the works awarded were actually done.
2	Kaloleni Secondary School	Construction of 1 4-door boys' toilet plus urinal at a cost of Kshs.550,000. Construction of 1 2-door staff toilet at a cost of Kshs.500,000. Purchase of 100 chairs at a cost of Kshs.450,000 and construction of 1 classroom at a cost of Kshs.984,000.	2,484,000	The project is complete but not in use
3	Mbololo Social Hall ICT Innovation Hub	Installation of satellite antennae, router, digital access kit, digital ruggedized Tablet, WI-FI with outdoor wireless device complete with 12U cabinet with installation accessories in partnership with Telkom Kenya	1,250,622	The ICT equipment had not been installed nor availed for audit verification.
<b>Total</b>			<b>4,934,622</b>	

Under the circumstances, the effectiveness and value for money for Kshs.4,934,622 spent on renovation of four classrooms at Tausa Primary School, construction of one (1) 4-doors boys' urinal, one (1) 2-door staff toilet, one classroom and purchase of one hundred (100) chairs at Kaloleni Secondary School and Mbololo Social Hall ICT Innovation Hub for the year ended 30 June, 2019 could not be confirmed.

## 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 Qualified Opinion 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

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 ability of 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 Fund's 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 Fund's 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 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**

**29 December, 2021**

## Appendix 1: Project Implementation Status

No	Name of the Project	Details of the Project	Approved Proposal Kshs.	Disbursement as at 30/06/2019 Kshs.	Expenditure in 2018/2019 Kshs.	Cumulative Expenditure as at 30/06/2019 Kshs.	Unspent Balance as at 30/06/2019 Kshs.	% Completion
1.	Sagalla International Talent Academy	Renovation of 4No. Classrooms and Kitchen roof	2,288,993	2,288,993	0	0	2,288,993	100.00
2.	Tausa Primary School	Renovation of 4No. Classrooms	2,600,000	2,600,000	2,320,609	2,320,609	279,391	10.75
3.	Voi Primary School	Purchase of desks, teachers chairs and tables	650,000	650,000	255,000	255,000	395,000	60.77
4.	Voi Chiefs Office	Purchase of office furniture	200,000	200,000	198,500	198,500	1,500	0.75
5.	Ore Primary School	Completion of Administration block	1,209,450	1,209,450	1,168,898	1,168,898	40,552	3.35
6.	Wray Primary School	Additional funds for renovation of 3 classrooms.	400,000	400,000	398,000	398,000	2,000	0.50
7.	Wray Primary School	Renovation of 4 classrooms.	1,000,000	1,000,000	0	0	1,000,000	100.00
8.	Mkwachunyi Primary School	Completion of renovation of 8 classrooms.	1,500,000	1,500,000	0	0	1,500,000	100.00
9.	Tausa Primary School	Renovation of 3 classrooms.	1,200,000	1,200,000	0	0	1,200,000	100.00
10.	Mbulia Primary school	Renovation of 5 classrooms.	2,500,000	2,500,000	0	0	2,500,000	100.00
11.	Mwakingali Primary School	Renovation of 5 classrooms.	2,500,000	2,500,000	0	0	2,500,000	100.00
12.	Buguta Secondary School	Completion of dormitory (ramp & staircase)	200,000	200,000	0	0	200,000	100.00
13.	Moi Boys High School	Construction of 2 classrooms	1,968,000	1,590,550	0	0	1,590,550	100.00

No	Name of the Project	Details of the Project	Approved Proposal Kshs.	Disbursement as at 30/06/2019 Kshs.	Expenditure in 2018/2019 Kshs.	Cumulative Expenditure as at 30/06/2019 Kshs.	Unspent Balance as at 30/06/2019 Kshs.	% Completion
14.	Ghazi Assistant Chief's Office	Construction of Assistant chief's office - and Fencing of the offices	2,700,000	2,700,000	0	0	2,700,000	100.00
15.	New Marungu Secondary School	Completion of 2No. Classrooms from slab level	1,650,000	1,650,000	1,650,000	1,650,000	0	0.00
16.	Kalambe Primary School	Completion of 3No. Classrooms renovation	700,000	700,000	705,099	705,099	0	0.00
17.	Mwanyambo Primary School	Re-roofing of 6 classrooms.	1,507,707	1,507,707	0	0	1,507,707	100.00
18.	Kirutai Primary School	Renovation of 3 classrooms.	1,300,000	1,300,000	0	0	1,300,000	100.00
	<b>Total</b>		<b>26,074,150</b>	<b>25,696,700</b>	<b>6,696,106</b>	<b>6,696,106</b>	<b>19,005,693</b>	