

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - ELDAMA RAVINE 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 - Eldama Ravine Constituency set out on pages 1 to 32, which comprise of the statement of assets and liabilities as at 30 June, 2020, and 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 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 - Eldama Ravine Constituency as at 30 June, 2020, 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 National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1.0 Inaccuracies in Financial Statements**

Audit of the financial statements for the year ended 30 June, 2020 presented for audit revealed the following inaccuracies;

- 1.1** The statement of receipts and payments reflects Kshs.68,000,000 in respect to transfers from the NGCDF Board while the summary statement of appropriation - recurrent and development combined reflects an amount of Kshs.97,306,009 resulting to an unexplained variance of Kshs.29,306,009.
- 1.2** The statement of receipts and payments reflects Kshs.4,260,500 in respect to expenditure on acquisition of assets while Annex 4 on summary of fixed assets register discloses additions during the year of Kshs.260,500 resulting to an unexplained variance of Kshs.4,000,000.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained.

#### **2.0 Unsupported Bursary Payments**

As disclosed under Note 7 to the financial statements, the statement of receipts and payments reflects Kshs.30,452,524 in respect to other grants and transfers which included Kshs.11,476,000 in respect to bursary payment to secondary schools. However, bursary payments amounting to Kshs.3,034,032 were not supported by way of list of beneficiaries per school, student and amounts disbursed.

In the circumstance, the accuracy and completeness of other grants and transfers balance of Kshs.30,452,524 for the year ended 30 June, 2020 could not be confirmed.

### **3.0 Unsupported Training Expenses**

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects Kshs.9,444,129 in respect to use of goods and services. This amount includes training expenses of Kshs.1,112,000 which was not supported by way of training programme, attendance register and invitation letters.

Consequently, the accuracy and propriety of training expenses balance of Kshs.9,444,129 for the year ended 30 June, 2020 could not be confirmed.

### **4.0 Cash and Cash Equivalents**

The statement of assets and liabilities reflects Kshs.730,979 in respect to bank balances. However, bank reconciliation statement provided revealed receipts in bank statement not in cashbook of Kshs.10,181 which was not supported.

Consequently, the accuracy and completeness of bank balance of Kshs.730,978.74 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 National Government Constituencies Development Fund - Eldama Ravine 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 of Kshs.170,102,406 and Kshs.97,319,009 respectively resulting to an under-funding of Kshs.72,783,396 or 43% of the budget. The underfunding affected the planned activities and Projects worth Kshs.59,778,779 which may have impacted negatively on service delivery for the constituents of Eldama Ravine Constituency.

No satisfactory explanations have been rendered contrary to the values and principles of public service as provided for under Article 232(1-c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

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 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 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 Project Implementation

##### 1.1 Project Status

Review of the project implementation status report as of 30 June, 2020 indicated that during the year under review, eighty-four (84) projects were funded to the tune of Kshs.83,571,875 and were at different implementation statuses as detailed out below: -

Project Status	Count	Amount (Kshs.)
Complete and In Use	2	1,300,000
Projects not Started due to Non-release of Funds	53	45,488,187
On-Going	29	36,783,688
<b>Total</b>	<b>84</b>	<b>83,571,875</b>

From the above table, twenty-nine (29) projects with funding allocation of Kshs.36,783,688 were incomplete. No satisfactory explanation has been rendered for not implementing the projects in time.

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

##### 1.2 Unsatisfactory Implemented Projects

Twenty-two (22) projects with funding allocation of Kshs.27,000,000 were sampled for verification during the month of January, 2021. The individual observations against each of the project is detailed in Appendix 1.

No satisfactory explanations have been provided for the deficiencies in Projects implementation contrary to Section 25(1) of National Government Constituencies Development Fund Act, 2015 which provides that funding shall be for a complete project or a defined phase of a project.

Consequently, the constituents of Eldama Ravine might not realize value for money from the projects valued at Kshs.27,000,000 for the year ended 30 June, 2020.

##### 1.3 Non-Closure of Project Management Committee (PMC) Bank Accounts

Annex 5 to the financial statements reflects project bank balances totalling Kshs.8,505,104 for one hundred sixteen (116) Project Management Committee bank

accounts. However, ninety-six (96) projects had their status indicated as completed and in use, yet the related Project Management Committee bank accounts had a total balance of Kshs.338,971 as at 30 June, 2020 and the accounts were active. This is contrary to Section 12(8) of the National Government Constituencies Development Fund Act, 2015 which states that, 'All unutilized funds of the Project Management Committee shall be returned to the constituency account'.

Further, one project account for Eldama Ravine Technical and Vocational College with a balance of Kshs.3,185,760 was used to hold Bursary Funds and not Projects Funds.

Under the circumstance, the Management is in breach of the Law.

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 services, disclosing, as applicable, matters related 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 Fund's financial reporting process, reviewing the effectiveness of how the Management 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**

**28 January, 2022**

## Appendix 1: Unsatisfactory Implemented Projects

S/No.	Project Description	Amount (Kshs.)	Category	Observation
1	Cheptililik Primary school Completion of 4 roomed administration block – Walling, Roofing, Lintel, Plastering, Doors, Windows, Ceiling, Painting, External works	700,000	Primary School	Project incomplete. Works not done include Ceiling, Plastering, Doors, Flooring, Facia Board, Paint Works, External Works and Window Glasses.
2	Kipkoriony Primary School Completion of 5 roomed administration block-Walling, Roofing, Lintel, Plastering, Doors, Windows, Ceiling, Painting, External Works	1,800,000	Primary School	Project is incomplete. Implementation of the Project was in phases (2016-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NG CDF Act, 2015. The project had been roofed but the following areas were incomplete; Plastering, Ceiling, Keying, Painting, Flooring, Doors, Windows and Paint Works The Contractor was not on site.
3	Kabimoi Mixed Day Secondary School Construction of a 6-door toilet to improve health and sanitation in the institution and fight against COVID-19 pandemic in the institution	450,000	Emergency Project	The project is complete but not put to use. Labelling not done hence the project owner could not be identified
4	Lebolos Day Secondary School Completion of a 40 students science laboratory-fitting worktops, electrical and mechanical works, painting and external works	700,000	Secondary School	Project is incomplete with paint works not done but the School management has put it to use. Labelling was also not done hence the project owner could not be identified. Contractor not on site
5	Naitili Primary School Completion of 1No Classroom-Plastering, Doors, Windows, Window Panes and Glasses, Cementing Floor, Keying, Painting and other Finishing Works (Kshs.150,000) as well	850,000	Primary School	Project incomplete. Works not done include Plastering, Flooring, Painting, Windows, Doors, Keying and other Finishing Works

S/No.	Project Description	Amount (Kshs.)	Category	Observation
	construction of 1 No. standard classroom to completion (Kshs.700,000)			
6	Kiplombe Secondary School Construction of new science Laboratory	3,000,000	Secondary School	Project incomplete. Implementation of the Project was in phases (2018-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NG CDF Act, 2015. The works not done include plumbing works and gas chamber. Contractor not on site
7	Kapkitet Primary School Completion of 6 roomed administration block- Roofing, plastering, painting, electrical works, ceiling, verandah, keying	1,500,000	Primary School	Project incomplete. Implementation of the project was in phases (2018-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NG CDF Act, 2015. The project had been roofed but the following areas were incomplete; Plastering, Ceiling, Keying, Painting, Flooring, Doors, Windows, Fascia Board and Paint Works.
8	Kabiyet Primary School Completion of 5 roomed administration block- roofing, plastering, doors, windows, fascia board, painting	1,700,000	Primary School	Project incomplete. Implementation of the Project was in phases (2018-2020) although no documentary evidence to confirm proper definition as per section 25(1) of NG CDF Act, 2015. The Project had been roofed but the following areas were incomplete; Plastering, Ceiling, Keying, Painting, Flooring, Doors, Windows, Fascia Board and Paint Works.
9	St. Patricks Day Secondary School Completion of 4 No. Storey Classroom- Plastering, Ceiling, Painting, Staircase,	3,000,000	Secondary School	Project incomplete. White Board has not been installed therefore the Project has not been put to use.



S/No.	Project Description	Amount (Kshs.)	Category	Observation
	Keying, Verandah etc. (Kshs.1,055,700) and construction of a new 40 students science laboratory (Kshs.1,944,300) upto roofing level			It was observed that the implementation of the Project was in phases although no document was produced for audit to show that the phases were well defined as required by Section 25(1) of NG CDF Act, 2015.
10	Toniok Girls High School Construction of new kitchen for the School	2,000,000	Secondary School	Project is complete and in use but not labelled hence the Project owner could not be identified.
11	NGCDF Office to commence the construction of a CDF Office that shall house the modern Constituency Library Facility, Constituency Offices, Modern Cyber, Uwezo Fund Offices, Huduma Office and other critical offices in the Constituency	4,000,000	NGCDF Office	Complete but not put to use. In addition, land ownership could not be established. The Project was co-funded by the Eldama Ravine NGCDF, Kenya National Library Services, Waitrose Foundation and Eldama Ravine Education Foundation. However, the terms of the co-funding were not availed for audit verification and therefore it was not possible to ascertain the extent of works paid under the Fund.
12	Kiptuno Primary School Completion of 5 roomed administration block; Plastering, Flooring, Doors, Windows, Keying, Painting and General Finishing Works	1,700,000	Primary School	Project is incomplete. Implementation of the Project was in phases (2016-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NGCDF Act, 2015. The Project had been roofed but the following areas were incomplete; Plastering, Ceiling, Keying, Painting, Flooring, Doors, Windows and Paint Works. The Contractor was not on site.
	Kiptuno Day Secondary School Completion of Laboratory-Fixing worktops, Electrical Installations, Gas		Secondary School	Project is complete and in use but not labelled hence the Project owner could not be identified

S/No.	Project Description	Amount (Kshs.)	Category	Observation
	Chamber, Mechanical Works, Ceiling, Painting e.t.c			
13	Lalut Primary School Completion of 4 roomed administration block, roofing, windows, door, plastering ceiling	1,000,000	Primary School	Project is incomplete. Implementation of the project was in phases (2018-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NGCDF Act, 2015. The Project had been roofed but the following areas were incomplete; Plastering, Ceiling, Keying, Painting, Flooring, Doors, Windows and Paint Works The Contractor was not on site.
14	Kwangoni primary school Completion of 2 No each 80 bed dormitories- Plastering, ceiling, electrical and mechanical works, external keying, ablution block and other finishing works	7,600,000	Primary School	One wing of the dormitory is complete whilst the other is incomplete. Implementation of the project was in phases (2014-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NGCDF Act, 2015. The second wing of the dormitory had the following areas which were incomplete; septic tank, ablution block and other finishing works (taps, sinks, doors, Plumbing works) The Contractor was not on site.
15	Kipkuyang Secondary School. Completion of 40 students capacity science laboratory-electrical and mechanical works, worktops, floor tiles, offices and external works	1,000,000	Secondary School	Project is complete and in use but not labelled hence the Project owner could not be identified
16	Tiripkatoi Secondary School Construction of a 1 No. Standard Classroom to completion	700,000	Secondary School	Project is incomplete and at Lintel level.

<b>S/No.</b>	<b>Project Description</b>	<b>Amount (Kshs.)</b>	<b>Category</b>	<b>Observation</b>
17	Emngunguny Primary School Construction of a 1 No. standard classroom to completion	700,000	Primary School	Three classrooms have been constructed at a total cost of Kshs.1.9M from FY 2013-2014 to 2018-2019. They are complete and have been put to use. The fourth classroom has been funded at a cost of Kshs.700,000 but the works have not been started. The School has not been registered by the Ministry of Education and its land ownership could not be established hence likely loss of Public Funds of Kshs.2.6m
18	Timboroa Chief's Office Completion of 1No 4 roomed Chief's office - Plastering, Electrical Installations, Ceiling, Painting, Fixtures and Fittings	1,700,000	Security	Project is incomplete Implementation of the project was in phases (2018-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NGCDF Act, 2015. Contract of Agreement was not made available for review to ascertain the duration of the contract.
19	Moi Highland Secondary School Completion of Science laboratory-Mechanical Works, Electrical Works, Gas Piping, Tables and Chairs, Painting and Other Works	750,000	Secondary School	Project is complete and in use but not labelled hence the Project owner could not be identified.
20	Bakhita Secondary School Completion of 300 Student Capacity Dining Hall and Kitchen-Walling, Floor Works, Plastering, Electrical installations, mechanical Works, Painting, Keying, Fascia Boards and Other Finishing Works	3,200,000	Secondary School	Project is incomplete. The project was co-funded by the community and Eldama Ravine NGCDF and a document showing the terms of co-funding was not availed for audit verification. It was therefore not possible to ascertain the extent of works that were to be paid by the Eldama Ravine NGCDF. In addition, the following works had not been undertaken; Walling,

S/No.	Project Description	Amount (Kshs.)	Category	Observation
				Plastering, Electrical Installations, Mechanical Works, Painting, Keying, Fascia Boards, Windows, Doors, Flooring, Other Finishing Works. The Kitchen was at Lintel Level. The Contractor was not on site.
21	Benonin Day Secondary School Completion of one storey 14 roomed administration block-plastering walls, cementing floor, fixtures and fittings, keying, painting, veranda, windows glasses, ceiling, electrical and mechanical works	6,500,000	Secondary School	Project is incomplete. Implementation of the Project was in phases (2013-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NGCDF Act, 2015. The Project had been roofed but the following areas were incomplete; plastering walls, cementing floor, fixtures and fittings, keying, painting, verandah, window glasses, ceiling, electrical and mechanical works. The Contractor was not on site.
22	Eldama Ravine Day and Boarding Primary School Completion of 96 bed capacity boy's dormitory-Plastering walls, cementing floor, ceiling, electrical installations, ablution block, keying and other finishing works	3,850,000	Primary School	Project is incomplete. Implementation of the Project was in phases (2016-2020) although no documentary evidence to confirm proper definition as per Section 25(1) of NGCDF Act, 2015. The Project had been roofed but the following areas were incomplete; ablution block, septic tank, keying, painting and other finishing works. The Contractor was not on site.
	<b>Total</b>	<b>27,000,000</b>		