

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TIATY 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 - Tiaty Constituency set out on pages 12 to 42, which comprise of the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cashflows and 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 - Tiaty 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. Omissions in the Financial Statements**

The financial statements for the year ended 30 June, 2020 have not been signed by the second signatory who is the Sub County Accountant. In addition, page 37 on progress of auditor recommendations under status column reflects that issues have been resolved yet the report has not been examined by the National Assembly.

Consequently, the financial statements for the year ended 30 June, 2020 do not conform to the presentation format prescribed by the Public Sector Accounting Standard Board (PSASB).

#### **2. Inaccuracies in the Summary of Fixed Asset Register**

Annex 3 to the financial statements on the summary of fixed asset register reflects additions totalling Kshs.6,195,311 to the transport equipment. However, the total to additions column reflects an amount of Kshs.1,036,000 leading to an unexplained variance of Kshs.5,159,311.

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

### **3. Use of Goods and Services**

The statement of receipts and payments for the year ended 30 June, 2020 reflects use of goods and services amounting to Kshs.8,576,216 as detailed in Note 5 to the financial statements. However, the following unsatisfactory issues were noted;

#### **3.1 Unsupported Committee Allowance and Expenses**

Included in the use of goods and services expenditure is committee expenses and other committee expenses totalling to Kshs.4,269,000 and Kshs.790,400 respectively. The amounts were received by the Fund officers for payment of allowance to Committee Members and other expenses. However, the expenditure was not supported by a schedule indicating the activity undertaken, date of event, the person paid and rate of payment.

Consequently, the accuracy and validity of the expenditure of Kshs.4,269,000 on Committee expenses and other committee expenses totalling to Kshs.790,400 for the year ended 30 June, 2020 could not be confirmed.

#### **3.2 Unsupported Domestic Travel and Subsistence**

The use of goods and services includes an expenditure amounting to Kshs.432,750 in respect of domestic travel and subsistence. The supporting schedule reflects a total amount of Kshs.94,200 which was received by an officer on 18 September, 2019 and 1 November, 2019. However, the activity undertaken by the officer on the two dates had not been specified as no supporting documents was availed.

Consequently, the accuracy and validity of the expenditure of Kshs.94,200 on domestic travel and subsistence for the year ended 30 June, 2020 could not be confirmed.

#### **3.3 Unsupported Printing, Advertising and Information Supplies and Services**

The use of goods and services includes an expenditure of Kshs.209,735 in respect of printing, advertising and information supplies and services. The amount was received by two officers. However, the supporting schedule does not reflect the activity that was subsequently paid for.

Consequently, the accuracy and validity of the expenditure of Kshs.209,735 on printing, advertising and information supplies and services for the year ended 30 June, 2020 could not be confirmed.

### **3.4 Unsupported Training Expenses**

Included in the use of goods and services is expenditure of Kshs.443,000 in respect of training expenses. It was noted that the amount was paid to one officer as imprest on 12 July, 2019 and 17 July, 2019. However, no schedule has been provided to indicate the kind of training that was undertaken, the date of training, the venue of training, the number of participants and the allowance paid to each participant.

Consequently, the accuracy and occurrence of the expenditure of Kshs.443,000 on training expenses for the year ended 30 June, 2020 could not be confirmed.

### **3.5 Unsupported Hospitality Supplies and Services**

Included under use of goods and services is expenditure of Kshs.746,260 in respect of hospitality supplies and services. It was noted that the amount was paid to two officers in the year under audit. However, no evidence was provided to indicate the services or activities that were paid for, the date of the activity and the payees.

Consequently, the accuracy and occurrence of the expenditure of Kshs.746,260 in respect of hospitality supplies and services for the year ended 30 June, 2020 could not be confirmed.

### **3.6 Unsupported Expenditure on Hire of Motor Vehicle**

The use of goods and services figure includes expenditure of Kshs.961,300 in respect of fuel, oil and lubricants. Included in the amount is Kshs.560,000 that was used to hire a Land cruiser motor vehicle on diverse dates. However, no documentary evidence was provided to indicate the purpose and terms for hiring the vehicle. In addition, the expenditure on fuel, oil and lubricants includes an amount of Kshs.400,000 that was paid to a local Petrol Station for supply of fuel. However, the fuel register, detail orders, work tickets and supplier statements were not availed for audit verification.

Consequently, the accuracy and validity of the expenditure of Kshs.961,300 for supply of fuel oil and lubricants for the year ended 30 June, 2020 could not be confirmed.

### **3.7 Unsupported Expenditure on Routine Maintenance-Vehicles and Other Transport Equipment**

The use of goods and services includes an expenditure of Kshs.512,272 in respect of routine maintenance of vehicles and other transport equipment. Out of the expenditure is an amount of Kshs.393,373 that was used for repairs and maintenance of the Fund's vehicle (GKB 151G) on diverse dates. However, the pre-service and post-service inspection reports, Local Service Orders and invoices were not availed for audit verification.

Consequently, the accuracy and validity of the expenditure of Kshs.393,373 used for repairs and maintenance of vehicles and other transport equipment for the year ended 30 June, 2020 could not be confirmed.

#### 4. Other Grants and Transfers

The statement of receipts and payments for the year ended 30 June, 2020 reflects an amount of Kshs.38,942,695 in respect of other grants and transfers as detailed under Note 7 to the financial statements. However, the following unsatisfactory issues were noted;

##### 4.1 Unsupported Bursary to Secondary Schools

Included in the other grant and transfers is bursary to secondary schools totalling to Kshs.19,560,361. However, the schedule supporting the amount did not disclose the names and admission numbers of the beneficiary students for whom the bursary was paid.

Consequently, the accuracy and validity of the balance of Kshs.19,560,361 for bursary to secondary schools for the year ended 30 June, 2020 could not be confirmed.

##### 4.2 Unsupported Bursary to Tertiary Institutions

Other grants and transfers include bursary to tertiary institutions of Kshs.7,543,000. However, the schedule supporting the amount did not disclose names and admission numbers of the students for whom bursary was paid.

Consequently, the accuracy and validity of the balance of Kshs.7,543,000 in bursary to tertiary institutions for the year ended 30 June, 2020 could not be confirmed.

##### 4.3 Unsupported Expenditure from Emergency Reserve

The other grants and transfers include an expenditure amounting to Kshs.6,994,334 for emergency projects. Out of the emergency project payments is an amount of Kshs.5,507,970 that was disbursed to schools for rehabilitation of classrooms and purchase of lockers. However, supporting evidence for the payments made were not provided for audit as indicated below:

No.	School / Activity	Amount Remitted (Kshs.)	Remarks
1.	Kadogoi Primary School - Rehabilitation of classes	1,821,664	-Quotations not provided as well as evaluation reports -Certificate of completion not provided -Project bank statement to confirm payments not provided

<b>No.</b>	<b>School / Activity</b>	<b>Amount Remitted (Kshs.)</b>	<b>Remarks</b>
2.	Maron High school - Purchase of lockers	600,000	-Only BOQ provided. No other records in the file. -Project bank statement not provided to confirm payment for purchase of the lockers
3.	Churo Mixed Secondary school - Purchase of lockers	640,000	-No project file or records on procurement and delivery of same provided for audit. -Project bank statement not provided to confirm payment for purchase of the lockers
4.	Katikit Primary school - Construction of toilets	1,646,306	-No project records on procurement and delivery of project provided for audit. -Project bank statement not provided to confirm payment for construction of toilet block and classroom.
5.	Chemisik primary school - Renovation of classrooms	800,000	-No project file for renovation of two classrooms or records on procurement and delivery of same provided for audit. -Project bank statement not provided to confirm payment
	<b>Total</b>	<b>5,507,970</b>	

Consequently, the accuracy and occurrence of the expenditure of Kshs.5,507,970 from the emergency reserve for the year ended 30 June, 2020 could not be confirmed.

## **5. Unsupported Expenditure on Transfers to Secondary Schools**

The statement of receipts and payments for the financial year ended 30 June, 2020 reflects expenditure of Kshs.74,180,000 in respect of transfers to other government units as detailed in Note 6 to the financial statements. Included in the transfer is an amount of Kshs.37,150,000 to secondary schools out of which an amount of Kshs.10,000,000 was remitted to three schools for construction of classroom and water tank and purchase of a school bus.

However, project files containing bill of quantities, work plans, Project Management Committee meeting minutes, expenditure returns including invoices, bank statements, tender minutes, project site minutes, monitoring and evaluation reports and certificate of practical completion were not provided for audit. Further, the logbook of the bus purchased was not availed for audit review, to confirm ownership of the vehicle.

Consequently, the accuracy and occurrence of the expenditure of Kshs.10,000,000 on transfers to other government units for the year ended 30 June, 2020 could not be confirmed.

## **6. Unsupported Bank Balance**

The statement of assets and liabilities as at 30 June, 2020 reflects bank balance of Kshs.7,117,632 and as disclosed in Note 10A to the financial statements. However, the certificate of bank balance as at that date was not provided for audit verification. Further, the bank reconciliation statement as at that date reflects payments in the cashbook not in bank statements amounting to Kshs.8,145,380 which includes two stale cheques amounting to Kshs.3,650. No reason was provided for failure to reverse the cheques in the cashbook.

Consequently, the accuracy and validity of the bank balance of Kshs.7,117,632 as at 30 June, 2020 could not be confirmed.

## **7. Unsupported Prior Year Adjustment**

The statement of assets and liabilities as at 30 June, 2020 reflects prior year adjustments amounting to Kshs.1,380,997 as detailed in Note 14 to the financial statements. However, the nature of the adjustment has not been explained.

Consequently, the prior year adjustment of balance of Kshs.1,380,997 as at 30 June, 2020 is not fairly stated.

## **8. Inaccurate Project Management Committee Bank Balances**

Annex 2 to the financial statements reflects Project Management Committee (PMC) bank balances of Kshs.14,597,576 as at 30 June, 2020. The amount represents balances of bank statements of nineteen (19) schools. However, the bank statements of the schools reflect a total of Kshs.23,257,918, leading to variance of Kshs.8,660,342 which has not been reconciled or explained.

Consequently, the accuracy and completeness of the PMC bank balances of Kshs.14,597,576 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Tiaty 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 reflect a final receipts budget for the year under review totalling to Kshs.206,906,482 against total actual receipts of Kshs.137,538,758 resulting to budget under funding amounting to Kshs.69,367,724 or 44%. Similarly, the Fund expended a total of Kshs.131,802,123 against the approved budget of Kshs.206,906,482 resulting to budget under expenditure amounting to Kshs.75,104,359 or 36% of the budget.

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

#### 1.1 Project Implementation Status

The project status report indicated that a total of Kshs.137,367,724 was allocated for eighty one (81) projects during the financial year ended 30 June, 2020. Examination of the project implementation status report revealed the following:

Status	Number of Projects	Allocation (Kshs.)
Ongoing Projects	37	103,767,724
Not Started	44	33,600,000
<b>Total</b>	<b>81</b>	<b>137,367,724</b>

From the above analysis, no project had been completed due to security challenges in the constituency and forty four (44) projects had not been started due to delayed disbursement of funds from the National Government Constituency Development Fund Board.

Consequently, the delay in implementation of projects may impact negatively on delivery of goods and services to the residents of Tiaty Constituency.

## **1.2 Primary School Projects**

The statement of receipts and payments for the financial year ended 30 June, 2020 reflects expenditure of Kshs.74,180,000 in respect of transfers to other government units as detailed under note 6 to the financial statements. Included in this amount is transfers to Primary Schools totalling to Kshs.27,030,000. However, audit review of the project implementation status report and the project files for six (6) projects, totalling Kshs.3,950,000 revealed unsatisfactory matters as tabulated in **Appendix I**. The anomalies indicate that the management does not carry out close supervision of the implementation process for projects.

Consequently, I am unable to confirm if the constituents of Tiaty Constituency received value from the amount of Kshs.3,950,000 transferred to primary schools.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of Risk Management Policy**

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



Regulations 2015 which require the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations. Consequently, the service delivery may be adversely affected by avoidable risks.

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.

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 money is applied in an effective manner.

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 review is planned and performed to express a conclusion with limited assurance as to 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 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 sustainability of service 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 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**

**15 February, 2022**

## Appendix I

### Project Implementation Status

•	Financial Year	Project Name	Approved Activity	Amount Allocated (Kshs.)	Audit Findings
•	2019/2020	Katikit Primary School	Completion of 80 Bed Dormitory (Plastering, Painting and Fascia Board)	500,000	No documentary evidence was availed showing how the amount was utilized.
•	2019/2020	Chemayes Primary School	Completion of 1 Classroom (Fixing Windows & Doors, Plastering, Flooring and Painting)	250,000	No documentary evidence was availed showing how the 2019/20 allocation was utilized.
•	2019/2020	Losikiriamoi Primary School	Construction of 1 Classroom to Completion	1,000,000	Procurement records were not filed in school project file making it difficult to establish how the funds were utilized.
•	2018/2019	Cheptunoyo Primary School	Doors, windows fitting, floor finishes and Painting of Dormitory Block at Ksh. 800,000 and Purchase of 20 Beds at Ksh. 200,000	1,000,000	Contract agreement signed was for Kshs.475,000 leading unexplained variance of Kshs.325,000. No evidence was availed to confirm that beds worth Kshs.200,000 were purchased.
•	2018/2019	Marsabit Primary School	Construction of One Classroom up to completion	1,000,000	Contract agreement not in file.
•	2019/2020	Kitaiem Primary School	Completion of 1 Classroom (Plastering, Flooring, Painting, and Fascia Board)	200,000	Project file not availed.

•	<b>Financial Year</b>	<b>Project Name</b>	<b>Approved Activity</b>	<b>Amount Allocated (Kshs.)</b>	<b>Audit Findings</b>
•					
•	<b>Total</b>			<b>3,950,000</b>	