

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Bomet East Constituency set out on pages 8 to 42, 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, 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 - Bomet East 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 National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Financial Assets and Liabilities

The statement of financial assets and liabilities reflects fund balance brought forward of Kshs.5,687,606 instead of the 2017/2018 closing balance of Kshs.6,483,246 resulting to an unreconciled variance of Kshs.795,640. Further, the statement reflects prior year adjustments of Kshs.1,576,252 that was not supported. The statement also reflects bank balances of Kshs.868,961 while the cash book in support reflects a balance of Kshs.566,732 resulting to an unreconciled variance of Kshs.302,229.

Consequently, the accuracy and completeness of the balances reflected in the statement of financial assets and liabilities as at 30 June, 2019 could not be confirmed.

2. Inaccuracies in the Statement of Receipts and Payments

As disclosed in Note 8 to the financial statements, the statement of receipt and payments reflects acquisition of assets of Kshs.2,035,522. However, **Annex 4-**

summary of the fixed assets reflects additions of Kshs.2,685,000 resulting to a unreconciled variance of Kshs.650,000.

In the circumstances, the accuracy and completeness of the acquisition of assets amount of Kshs.2,035,522 reflected in the statement of receipt and payments for the year ended 30 June, 2019 could not be confirmed.

3. Inaccuracies in the Summary of Fixed Assets

Annex 4 - summary of the fixed assets to the financial statements discloses land and other machinery and equipment opening balances of Kshs.2,000,000 and Kshs.565,000 and closing balances of Kshs.4,000,000 and Kshs.306,800 respectively. However, the resulting variances of Kshs.2,000,000 and negative Kshs.258,000 on land and other machinery have not been explained and reflected in the statement of receipts and payments as well as the statement of cash flows.

In the circumstances, the accuracy and completeness of the summary of the fixed assets of Kshs.20,691,800 as at 30 June, 2019 could not be confirmed.

4. Unsupported Other Grants and Transfers

As disclosed in Note 7 to the financial statements, the statement of receipt and payments reflects other grants and transfers amounting to Kshs.47,830,214. However, the Management did not provide ledgers in support of bursary payments totalling to Kshs.1,935,190 and detailed beneficiary listing for an amount of Kshs.34,593,973.

Consequently, the accuracy, completeness and validity of other grants and transfers of Kshs.47,830,213 reflected in the statement of receipt and payments for the year ended 30 June, 2019 could not be confirmed.

5. Unsupported Use of Goods and Services

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects use of goods and services totalling to Kshs.12,366,348. However, committee expenses amounting to Kshs.6,438,400 were not supported by schedules of meetings held, amount paid to each member and the dates of the meetings.

Further, the balance includes training expenses amount of Kshs.1,167,000. However, schedules indicating the nature, the attendants and the venue for the trainings were not provided.

Consequently, the accuracy, completeness and validity of use of goods and services of Kshs.12,366,348 for the year ended 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 - Bomet East 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.170,315,604 and Kshs.108,784,483 respectively, resulting to underfunding of Kshs.61,531,121 or 36% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.170,308,604 and Kshs.115,179,380 respectively, resulting to an underperformance of Kshs.55,129,224 or 32% of the budget. The underfunding and underperformance affected the planned activities and projects which may have impacted negatively on service delivery to the residents of Bomet East 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. Delay in Project Implementation

Review of the Project Implementation Status Report as at 30 June, 2019 indicates eighty-eight (88) projects with a funding allocation total of Kshs.57,663,504. Twenty-seven (27) projects with an allocation amounting to Kshs.9,683,504 were completed while sixty-one (61) projects valued at a total of Kshs.47,980,000 were incomplete.

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

2. Unsatisfactory Implemented Projects

Eight (8) projects with a funding allocation totalling to Kshs.10,060,000 were physically verified January, 2020. Unsatisfactory observations made were as detailed in **Appendix I**. No satisfactory explanations were provided for the deficiencies in projects implementation.

In the circumstances, it was not possible to confirm whether the public will realize value for money from the projects valued at Kshs.10,060,00 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 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 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 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

10 February, 2022

Appendix I: Unsatisfactory Implemented Projects

Project Details	Allocation (Kshs)	Observations
Bukunye Secondary School - Construction of one (1) classroom to completion	700,000	Plastering, fixing of doors and window grills yet to be done.
Kalyet Mixed School -Laboratory construction to completion	1,500,000	Structure complete to roofing level. Internal works on gas chambers and plumbing works yet to be done. Full Payment had been done
Chelemei Girls Secondary School- Laboratory construction to completion	1,500,000	Received additional funding of re-allocation of Kshs.1,000,000 from innovation of Hubs 2017/18 F/Y as chambers and plumbing works yet to be done.
Kembu Day Secondary School - Laboratory construction to completion	1,500,000	Amount fully paid and awaiting additional funding to complete works on gas chambers and plumbing works yet to be done.
Kiprerer Secondary School - Laboratory construction to completion phase1 (foundation, walling, walls plastering, roofing)	1,200,000	The funding was to carry out structure to completion and roofing. Internal works on gas chambers and plumbing works yet to be done. Awaiting additional funding to complete
Norera Secondary School- Construction of one classroom to completion	730,000	The construction is at lintel level but doors and window grills not fixed. The contractor had not been paid and was not on site.

Chememar Assistant Chief's office- Construction of assistant chief's office	1,000,000	Project initiated in 2017/2018 but the money was diverted and used to purchase land. Title deed to the land parcel purchased had not been processed.
Bergeiwet Primary School - Construction of classroom	1,930,000	Funds were disbursed in 2017/2018. Balance of Kshs.80,000 was yet to be paid to the contractor.
Total	10,060,000	