

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – CHUKA IGAMBANG’OMBE CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Chuka Igambang’ombe Constituency set out on pages 11 to 37, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows 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 – Chuka Igambang’ombe 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.

Basis for Qualified Opinion

1.0 Variances Between the Summary Statement of Appropriation and the Budget Execution by Programmes and Sub- Programmes

The summary statement of appropriation - recurrent and development combined reflects a budget utilization difference of Kshs.122,421,049 while the budget execution by programmes and sub programmes reflects Kshs.121,621,049 for the same item. The resulting variance of Kshs.200,000 between the two statements has not been explained or reconciled.

In the circumstances, the accuracy of the summary statement of appropriation - recurrent and development combined could not be confirmed.

2.0 Understated Cash and Cash Equivalents

Note 10A to the financial statements reflects Kshs.35,780,712 in respect to cash and cash equivalents as at 30 June, 2020. However, the respective bank reconciliation statement reflects unrepresented cheques amounting to Kshs.4,579,764 which further includes stale cheques amounting to Kshs.4,288,334 which had not been replaced or

reversed in the cashbook as at 30 June, 2020 thereby understating the cash and cash equivalents by the same amount.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.35,780,712 as at 30 June, 2020 could not be confirmed.

3.0 Unsupported Project Management (PMC) Bank Balances

Note 17.4 to the financial statements reflects Project Management Committees (PMCs) account balances of Kshs.21,787,499 and as detailed in annex 5. However, the respective cashbooks, bank certificates and bank reconciliation statements were not provided for audit review contrary to Regulation 100 and 90(1) of the Public Finance Management (National Governments) Regulations, 2015 which stipulates that accounting officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall ensure that bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month.

In the circumstances, the existence and accuracy of the Kshs.21,787,499 PMC bank balances as at 30 June, 2020 could not be confirmed.

4.0 Use of Goods and Services

4.1 Unsupported Other Committee Expenses

Note 5 to the financial statements for the year under review reflects Kshs.8,542,628 in respect to use of goods and services which includes Kshs.2,291,000 in respect to other committee expenses which further includes Kshs.52,000 whose supporting documents were not provided for audit review contrary to Regulations 99(3), 104(1) and 118(3) of the Public Finance Management (National Governments) Regulations, 2015 which stipulates that every entry in the accounts shall be supported by a voucher containing the full details, clear narrations and particulars of the item or items to which it relates and shall be supported by appropriate authority and documentation and the accounting officer shall ensure appropriate mechanism are put in place for safeguarding and tracking them.

In the circumstances, the accuracy and completeness of Kshs.52,291,000 incurred as other committee expenses during the year ended 30 June, 2020 could not be confirmed.

4.2 Unsupported Committee Allowances

Note 5 to the financial statements for the year under review reflects Kshs.8,542,628 in respect to use of goods and services which includes Kshs.2,766,000 in respect to committee allowances.

However, attendance register showing names, date, time, nature of each meeting held and details of those in attendance were also not provided for audit review. It was

therefore not possible to confirm if the constituency committee complied with Section 43(11) of the National Government Constituencies Development Fund Act, 2015 which stipulates that the constituency committee shall meet at least six times in a year but the committee shall not hold more than twenty-four (24) meetings in the same financial year including subcommittee meetings.

In the circumstances, the accuracy and propriety of the Kshs.2,766,000 incurred as committee allowances for the year ended 30 June, 2020 could not be confirmed.

5.0 Other Grants and Transfers

5.1 Bursaries

Note 7 to the financial statements for the year under review reflects Kshs.43,007,720 in respect to other grants and transfers which includes Kshs.3,142,000 and Kshs.15,144,000 in respect to bursary to secondary schools and tertiary institutions respectively both totalling Kshs.18,286,000. However, only bursaries totalling to Kshs.11,386,000 (62%) were acknowledged by the respective beneficiary schools through issuance of acknowledgement receipts while bursaries totalling to Kshs.6,900,000 (38%) were not acknowledged or accounted for by the recipient schools.

Further, a review of the application forms provided for audit revealed that the Fund's bursary vetting committee members and the chairman did not sign the bursary application forms as provided for in the same form. Further, vetting committee minutes showing award and rejection of applications were not provided for audit review an indication that vetting of applicants may not have been done contrary to Regulation 21(3) of the National Government Constituencies Development Fund Regulations, 2016 which stipulates that a Constituency Committee shall vet all persons proposed to receive support in accordance with guidelines issued by the Board.

In the circumstances, the accuracy and propriety of the Kshs.11,386,000 payments of bursaries for the year ended 30 June, 2019 could not be confirmed.

5.2 Sports Projects

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects Kshs.43,007,720 in respect to other grants and transfers which includes Kshs.2,438,720 in respect to sports projects whose supporting documents including project management committee minutes, proposed activities, procurement documents, approved budget and work plan were not provided for audit review contrary to Regulation 99(3), 104(1) and 118(3) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that every entry in the accounts shall be supported by a payment voucher containing the full details, clear narrations and particulars of the item or items to which it relates and shall be supported by appropriate authority and documentation and the accounting officer shall ensure appropriate mechanism are put in place for safeguarding and tracking them.

In the circumstances, the accuracy and propriety of the Kshs.2,438,720 spent on sports for the year ended 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 – Chuka Igambang’ombe 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

1.0 Budgetary Control and Performance

1.1 Receipts Analysis

The summary statement of appropriation recurrent and development combined for the year ended 30 June, 2020 reflects an approved receipts budget of Kshs.207,454,714 and actual receipts of Kshs.105,768,462 resulting to revenue shortfall of Kshs.101,686,252 (49%).

The revenue shortfall is an indication that most programmes and activities that had been planned were not implemented and may have impacted negatively on service delivery to the residents of Chuka Igambang’ombe Constituency.

In addition, the National Government Constituencies Development Fund (NG-CDF) Board’s failure to disburse Kshs.101,686,052 of the budgeted money to the Fund affected service delivery to the residents of Chuka Igambang’ombe Constituency.

1.2 Expenditure Analysis

The summary statement of appropriation - recurrent and development combined for the year ended 30 June, 2020 reflects an approved budgeted expenditure of Kshs.207,454,714 and actual expenditure of Kshs.85,033,665 resulting to an under expenditure of Kshs.122,421,049 or 59%. The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the residents of Chuka Igambang’ombe Constituency.

2.0 Project Implementation Status

The project implementation status report provided for audit review shows that two hundred and fifty-five (255) projects worth Kshs.191,612,576 were budgeted to be implemented during the year under review. However, twenty-eight (28) project worth Kshs.21,437,233 had been completed while forty-five (45) projects worth Kshs.104,930,333 were ongoing and one hundred and eighty-two (182) projects worth Kshs.65,245,010 had not started as at 30 June, 2020 as shown in **Appendix 1**.

In the circumstances, the constituents may not have realized the expected services equivalent to the one hundred and eighty-two (182) projects not started worth Kshs.65,245,010 and the forty-five (45) ongoing projects worth Kshs.104,930,333 both totalling Kshs.170,175,343. This is an indication of inappropriate project implementation mechanism.

Further, the summary statement of appropriation - development reflects Kshs.191,612,576 that was to be transferred to the Fund by the Board for project implementation. However, only Kshs.93,486,409 was transferred. The Board's failure to transfer the balance of Kshs.98,126,167 may have scaled down the project implementation during the year thereby impacting negatively on service delivery to the citizens of Chuka Igambang'ombe 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

1.0 Transfer to Other Government Entities

1.1 Delay in Implementation of Projects

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects Kshs.24,100,000 in respect to transfer to other government entities which includes Kshs.20,100,000 in respect to transfers to primary schools which further includes Kshs.19,400,000 disbursed for implementation of thirty-seven (37) projects in various primary schools. Review of documents provided for audit revealed that the Kshs.19,400,000 was disbursed in November, 2019. However, as at the time of the audit in November, 2020 the projects had not been implemented almost one (1) year since funds were disbursed contrary to Regulation 15(4) of the National

Government Constituencies Development Regulations, 2016 which stipulates that a project management committee through assistance from relevant government officers shall prepare budgets, bills of quantities and work plans showing how it intends to utilize the funds given to it for implementing the project, which shall be approved by a Constituency Committee before the funds are released.

Further, a review of the documents provided for audit revealed that the funds were in the bank account of the respective project implementation committees as at the time of the audit in November, 2020.

In the circumstances, the value for money for the Kshs.19,400,000 for the year under review could not be confirmed.

1.2 Irregular Disbursement of Funds

As disclosed in Note 6 to the financial statements the statement of receipts and payments reflects Kshs.24,100,000 in respect to transfers to other government entities which includes Kshs.4,000,000 in respect to transfers to secondary schools which further includes transfers of Kshs.500,000 in to Kamuchii Secondary School and Ndagoni Secondary School each for completion of laboratory and construction of one (1) class room respectively. However, budgets and work plans showing how the schools intended to utilize the funds were not provided for audit review contrary to Regulation 15(4) of the National Government Constituencies Development Regulations, 2016 which stipulates that a project management committee through assistance from relevant government officers shall prepare budgets, bills of quantities and work plans showing how it intends to utilize the funds given to it for implementing the project, which shall be approved by a Constituency Committee before the funds are released.

In the circumstances, the Management was in breach of the law.

2.0 Other Grants and Transfers

2.1 Security Projects

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects Kshs.43,007,720 in respect to other grants and transfers which includes Kshs.8,400,000 in respect to security projects which further includes Kshs.300,000 and Kshs.600,000 in respect to construction to completion of Kamaindi and Kiagonda chiefs' offices respectively both totalling to Kshs.900,000 disbursed to the respective Project Management Committee (PMCs) bank accounts on 29 November, 2019. However, as at the time of the audit in November, 2020 approximately one year after the funds were disbursed, the project had not started contrary to Regulation 15(4) of the National Government Constituencies Development Regulations, 2016 which stipulates that a project management committee through assistance from relevant government officers shall prepare budgets, bills of quantities and work plans showing how it intends to utilize the funds given to it for implementing

the project, which shall be approved by a Constituency Committee before the funds are released.

Further, included in Kshs.8,400,000 is Kshs.4,400,000 in respect to four (4) projects whose supporting documents including project management committee minutes, project proposals, architectural drawings, bill of quantities, procurement procedures followed, measurement of work done, certificates of works done and bank statements were not provided for audit review.

In the circumstance, the value for money on the Kshs.8,400,000 incurred on security projects could not be confirmed.

2.2 Electricity Projects

Note 7 to the financial statements reflects Kshs.43,007,720 in respect to other grants and transfers which includes Kshs.3,000,000 in respect to electricity projects. However, physical verification carried out in the month of November, 2020 revealed that the electricity had not been installed and no explanation was provided as to why the project is incomplete contrary to Regulation 15(4) of the National Government Constituencies Development Regulations, 2016 which stipulates that a project management committee through assistance from relevant government officers shall prepare budgets, bills of quantities and work plans showing how it intends to utilize the funds given to it for implementing the project, which shall be approved by a Constituency Committee before the funds are released.

In the circumstance, the value for money on the Kshs.3,000,000 incurred on electricity projects for the year under review could not be confirmed.

3.0 Untagged Fixed Assets

Annex 4 to the financial statements reflects Kshs.33,044,945 in respect to historical cost of fixed assets as at 30 June, 2020. However, review of the fixed assets registers and physical verification of the assets revealed that the assets were not tagged for ease of identification and movement contrary to Regulation 139(1)(2) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that the Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse by ensuring that movement and conditions of assets can be tracked by putting in place processes and procedures both electronic and manual for the effective, efficient, economical and transparent use of the government entity's asset.

In the circumstances, the security, location and condition of the Kshs.33,044,945 in respect to fixed assets as at 30 June, 2020 could not be confirmed.

4.0 Failure to Allocate 25% of Budgeted Expenditure to Bursary

The statement of appropriation: recurrent and development combined reflects Kshs.207,454,714 in respect to total approved expenditure budget. However, the budget execution by programmes and sub-programmes on page 18 to the financial statements reflects Kshs.47,580,455 in respect to bursaries to various institution which translates to 23% of the total budget contrary to Regulation 21(5) of the National Government Constituencies Development Fund Regulations, 2016 which stipulates that constituency committee shall allocate not less than twenty-five percent of the funds allocated to a constituency for bursaries.

In the circumstances, the Management was 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 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, and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 abolish 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 Fund's 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 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 audit 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.

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 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 noncompliance. 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's 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 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 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

08 February, 2022

Appendix 1

Project	Total Allocation (Kshs)	Disbursement (Kshs)	No of Projects	Implementation Status
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Project	Total Allocation (Kshs)	Disbursement (Kshs)	No of Projects		
Emergency	13,937,233	10,883,000	19	Completed	
Security	7,500,000	7,500,000	9		
Sub-Total	21,437,233	18,383,000	28		
Bursary	47,580,455	18,286,000	3	Ongoing	
Sports	3,355,808	2,438,720	1		
Primary Schools Projects	13,980,000	700,000	16		
Secondary Schools Projects	4,950,000	4,000,000	4		
Security	7,950,000	-	15		
Tertiary projects	9,225,000	-	1		
Rural electrification project	6,000,000	3000000	1		
ICT Hub and Others	7,016,312	4,853,892	3		
Acquisition of Assets	4,872,758	790,000	1		
Sub-Total	104,930,333	34,068,612	45		
Primary Schools Projects	41,520,000	19,400,000	100		Not Started
Secondary Schools Projects	16,700,000	0	12		
Environment	2,125,010	0	50		
Security	4,900,000	900,000	20		
Sub-Total	65,245,010	20,300,000	182		
Total	191,612,576	72,751,612	255		