

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KAJIADO WEST 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 - Kajiado West Constituency set out on pages 19 to 52, which comprise the statement of assets and liabilities as at 30 June, 2020, the statement of receipts and payments, statement of cash flows for the year then ended, statement of appropriation - recurrent and development combined, 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 matter 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 - Kajiado West 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

### **Basis for Qualified Opinion**

#### **1.0 Inaccuracy of the Cash Balance**

The statement of assets and liabilities as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.7,449,779 as disclosed in Notes 10A and 10B to the financial statements. However, the balance indicates nil cash balance while the respective Note 10B to the financial statements reflects cash in hand balance of Kshs.1,652,691 resulting to a difference of Kshs.1,652,691.

In the circumstance, the accuracy of cash and cash equivalent could not be confirmed.

#### **2.0 Unsupported Expenditure on Bursaries**

The statement of receipts and payment for the year ended 30 June, 2020 reflects other grants and other payments balance of Kshs.35,051,727 as disclosed in Note 7 to the financial statements. Included in the balance is an expenditure of Kshs.21,500,000 in respect to bursaries to secondary schools and tertiary institutions. However, a review of the bursary files availed for audit revealed that only Kshs 2,648,000 was fully supported with acknowledgement letters while Kshs.18,852,000 was not acknowledged. Further, a

review of the bank reconciliation statements revealed that bursary cheques totaling Kshs.3,052,710 had not been presented as at 30 June, 2020 and had become stale but were not written back to the cash book as at the time of audit carried out in the month of February, 2021.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Kajiado West constituency 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 budgeted expenditure of Kshs.201,163,994 against the actual expenditure amounting to Kshs.124,346,491 resulting to under-expenditure of Kshs.76,817,503 or 38 % of the budget. Similarly, the Fund budgeted to receive Kshs.201,163,994 against actual receipts of Kshs.131,796,270 resulting to under collection of Kshs.69,367,724 or 34% of the total budgeted receipts.

Based on the approved estimates, under funding and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

## **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 Emergency Expenditure on Covid-19**

The statement of receipts and payments reflects expenditure on other grants and transfers of Kshs.36,051,727 as disclosed in Note 7 to the financial statements. Included in the expenditure is an amount of Kshs.3,000,000 incurred on purchase of sanitizers, installation of hand washing containers, face masks, soaps and detergents. Review of procurement records revealed that, the method of procurement used was Request for Quotation. No justification has been given on why the Fund used this method contrary to requirements of Section 105 of the Public Procurement and Asset Disposal Act, 2015 and First Schedule threshold Matrix for class A entity. Request for Quotation for Goods which requires that maximum level of expenditure under this method of procurement be Kshs.2,000,000. Further, invoice and delivery note on expenditure for Committee Allowances for seven (7) members totaling to Kshs.140,000 was irregularly paid.

Further review of tender documents revealed inconsistency in dates with regards to Invoice and delivery note, as the invoice was dated 22 June, 2020 and delivery note dated 9 June, 2020. Further, among the items procured were ten (10) pieces of thermal guns and 5 (2000-Litres) hand-washing tanks. However, there was no distribution list of the items and evidence that they were received by the end users.

Consequently, validity of Kshs.3,000,000 expenditure for emergency project for the year ending 30 June, 2020 could not be ascertained.

### **2.0 Poor Workmanship of Projects Implemented**

The statement of receipts and payments reflects transfers to other government units expenditure of Kshs.79,291,956 as disclosed in Note 6 to the financial statements. During the year under review, the Fund disbursed Kshs.1,298,200 to the school project management committee for the construction of an administration block with an extra staffroom to completion at Enchoro-Elerai Primary School. However, an audit inspection carried out in the month of February, 2021 revealed that the door locks were broken, the project had not been labelled and the contractor was not on site.

Further, the Fund disbursed Kshs.2,500,000 to the School Project Management Committee for the renovation of six classrooms at Ildooriak Secondary School which included plastering, flooring, roofing, fixing doors and windows and painting to completion. An audit inspection carried out in the month of February 2021 revealed that the fume chamber, Cupboard doors and terrazzo floor had not been completed while student stools had not been bought and the contractor was also not on site.

In addition, the Fund gave out Kshs.2,400,000 to the School Project Management Committee for the renovation of six classrooms at Ildooriak Primary School including plastering, flooring, roofing, painting, fixing doors, windows and painting. An audit inspection carried out in the month of February 2021 revealed that the fitted window panes were falling off and no painting of the wall keys was carried out on the back side. The

fascia board was also not repaired and there were visible cracks on the floors. It was further noted that the old roof was painted contrary to the bill of quantities which required that a new roof was to be put up.

In the circumstances, the value for money for the expenditure on transfer to other government units of Kshs.79,291,956 could not be confirmed.

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.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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, risk management and governance.

In preparing the Financial Statements, Management is responsible for assessing the Constituency's ability to continue to sustain 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 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 Constituency'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 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 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 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**

**11 February, 2022**