

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KAPSERET 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 - Kapseret Constituency set out on pages 1 to 32, 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 - Kapseret 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. Understatement of Bank Balances – Stale Cheques

The statement of assets and liabilities as at 30 June, 2020 reflects a bank balance figure of Kshs.9,076,069. A review of the bank reconciliation statement for the month of June, 2020 indicated unrepresented cheques amounting to Kshs.6,033,835 out of which cheques amounting to Kshs.712,000 had become stale as at the time of audit in February 2020 but had not been reversed in the cash book. This means that the cash and cash equivalents balance has been understated by Kshs.712,000.

Consequently, the accuracy and completeness of the bank balance of Kshs.9,076,069 as at 30 June, 2020 could not be confirmed.

2. Unsupported Project Management Committee Account Balances

Note 17.4 to the financial statements reflects project management committee (PMC) account balances of Kshs.17,088,397 in respect of funds disbursed to PMCs which remained unutilized as at 30 June, 2020 and which are further analyzed in Annex 5 to the financial statements. However, Management did not provide bank reconciliation statements and cashbooks in support of the balances.

Consequently, the accuracy, completeness and existence of the project management committee account balances of Kshs.17,088,397 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 - Kapseret 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. Budget Control and Performance

The summary statement of appropriation: recurrent and development combined shows that the Fund has total budgeted receipts of Kshs.205,246,696 against actual receipts of Kshs.135,751,972 thereby resulting in under collection of Kshs.69,435,724 or 34%. Further, the statement shows a total budgeted expenditure of Kshs.205,246,696 against an actual expenditure of Kshs.127,068,889 which results in an under expenditure of Kshs.78,177,807 or 38% of the budgeted expenditure.

The under-collection of receipts and under expenditure by the Fund implies that some planned projects or activities were not undertaken during the year under review.

Consequently, the residents of Kapseret constituency were denied the benefits or services that would have accrued from the projects or activities that were to be implemented.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues.

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/Qualified Opinion 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. Purchase of Land for Schools

The statement of receipts and payments shows an amount of transfers to other government entities of Kshs.55,145,024 which includes an amount of Kshs.1,200,000 paid to St. John Kabongo Primary School and Chepkongi Primary School being additional funds for the purchase of land and payment of the balance for purchase of land respectively.

However, in both cases, valuation reports, minutes of the tender sub-committee and the ownership documents in respect of the land purchased were not provided for audit review.

Consequently, the propriety and ownership of the purchased land valued at Kshs.1,200,000 could not be confirmed.

2. Delay in Project Implementation

According to the project status report provided for audit review indicated that Kshs.136,922,244 was allocated to one hundred and three (103) projects out of which Kshs.68,007,556 had been disbursed to seventy-four (74) projects as at 30 June, 2020. Out of these, forty-eight (48) projects which received an amount of Kshs.49,690,327 were complete, twenty-six (26) projects with an allocated amount of Kshs.30,293,037 but which received an amount of Kshs.18,317,229 were ongoing while the remaining twenty-nine (29) with an allocation of Kshs.56,938,881 had not received any funds and had not started.

The delay in implementation of the projects resulted from late disbursement of funds by the National Government Constituencies Development Fund (NGCDF) Board and partial funding of the entire approved budget for the financial year in which a total of Kshs.69,435,724 had not been received at the end of the year.

Consequently, the residents of Kapseret constituency were denied the benefits that would have accrued from the completion of the fifty-five (55) projects.

3. Unsatisfactory Implementation of Projects

During the audit, twenty eight (28) projects with total disbursements amounting to Kshs.32,935,326 were inspected and several observations made regarding unsatisfactory performance as shown in **Appendix I**.

In the circumstances, it could not be confirmed whether value for money was obtained from the projects.

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

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 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, 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 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 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'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 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

09 February, 2022

Appendix I - Unsatisfactory Implementation of Projects

No.	Project Name	Project Activity	Allocation (Kshs.)	Disbursed Amount (Kshs.)	Findings
1.	Kiambaa Secondary School	Construction of one classroom to completion	650,000	650,000	Activity is complete and the classroom is in use.
2.	Kiambaa Primary School				Activity is complete and latrines are in use. - 3 door latrines and 1 changing room. - Floor has tiles. -Labelling is done -Roofing done - Walling and painting done.
3.	Kermetio Primary School	One classroom to completion and purchase of 25 desks	712,500	712,500	Activity is complete and the classroom is in use. (Roofing, walling, plastering, windows, doors, glasses and labelling is complete). Painting is only one coat. 25 desks exist.
4.	Nandi Gaa Primary School	Construction of one classroom (Ksh.650,000) and three door boys pit latrine (Kshs.400,000) and Purchase of 30 Desks (Kshs.75,000)	1,125,000	1,125,000	Activity is complete and the project is in use. 30 desks were delivered and are also in use.
5.	Kimuri Primary School	Renovation of ten classrooms (Flooring, walling, roofing, door, windows panes, painting and labelling).	1,000,000	1,000,000	Activity is complete and the project is in use. (Flooring, walling, roofing, doors, windows panes and painting is complete). However, there is no labelling.
6.	Kipsamoo Primary School	Construction of one classroom to completion	650,000	650,000	Activities are complete and the classroom is in use by teachers and not pupils. (Flooring, walling, roofing, doors, windowpanes, glasses and painting are complete). However, there is no labelling.
7.	Chepyakwai Secondary School	Completion of laboratory (walling, roofing, plastering, painting, doors and windows and labelling)	1,000,000	1,000,000	Activities are not complete and the laboratory is not in use. (Walling, roofing, doors, and windows are complete) while painting and labelling is incomplete.

No.	Project Name	Project Activity	Allocation (Kshs.)	Disbursed Amount (Kshs.)	Findings
8.	Koibasui Primary School	Construction of administration block to completion.	1,500,000	1,500,000	Activities of the project are complete and the Administration block is in use. (Painting, flooring, walling, plastering, windows, doors, glasses and labelling are complete).
9.	Kanetik Primary School	Construction of 3 classrooms to completion, purchase of 75 desks	2,137,500	2,137,500	Activities of the project are incomplete and classes are not in use. (Walling, slab and roofing complete while windows, doors, flooring, plaster and 75 desks are incomplete.)
10.	Ngara Falls Secondary School	Renovation of 4 classrooms (flooring, painting, labelling and external finishes)	1,000,000	1,000,000	Activities of the project are complete and the classes are in use. (Flooring, painting, labelling and external finishes are complete.)
11.	Ngara Falls Secondary School	Completion of 72 students' capacity dormitory to completion (bathrooms and pit latrines, mechanical works.)	823,310	823,310	Activities of the project are complete and the bathrooms and pit latrines are in use. (2 door pit latrines, 4 door bathrooms with tiles on the floor, soak pit and plumbing works are complete.)
12.	Ngeria Primary School	Renovation of 4 classrooms (flooring, painting and labelling)	1,000,000	1,000,000	Activities of the project are complete and the classes are in use. (Flooring, painting, roofing, pillars and labelling is complete).
13.	Kingwal Primary School	Construction of administration block to completion	1,300,000	1,300,000	Activities of the project are incomplete and the administration block is not in use. (Glasses, ceiling, external finishes, plastering, painting and labelling incomplete.)
14.	Ochemina Primary School	Construction of administration block to completion	1,300,000	1,300,000	Activities of the project are incomplete and the administration block is not in use. (Glasses, painting and ceiling incomplete.)
15.	AIC Ngeria Girls High School	Completion of purchase of 62-seater school bus.	6,819,000	6,819,000	Activity is complete and the 62-seater bus is in use. Logbook reads Ngeria Prison High School and not AIC Girls High School.

No.	Project Name	Project Activity	Allocation (Kshs.)	Disbursed Amount (Kshs.)	Findings
16.	AIC Ngeria Girls High School	Completion of Multipurpose Hall, Roofing and Painting.	2,325,061	2,325,061	Activities of the project are complete and Multipurpose Hall is in use. (Roofing and painting are complete.)
17.	Davies Secondary School	Construction of laboratory to completion	2,000,000	2,000,000	Activities of the project are incomplete and the laboratory is not in use. (Plastering, fitting of glasses, painting and labelling are incomplete.)
18.	Songoliet Secondary School	Completion of a co-funded administration block comprising of 14 offices to completion; ceiling at kshs.650,000, plastering of walls, fixing doors and windows at Kshs.1,492,955.	2,142,955	2,142,955	Activities of the project are complete and the administration block is in use. (Ceiling, plastering of walls, fixing of doors and windows are complete while flooring and painting is incomplete.)
19.	Songoliet Secondary School	Completion of administration block, ceiling, painting and plastering.)	550,000	550,000	Painting is incomplete but the administration block is in use.
20.	Kapkenduiwo Primary School	Construction of lined drainage system to completion	800,000	800,000	Works not complete. Gravelling incomplete and spillway require concrete finishes.
21.	St.James Leberio Primary School	Construction of 4 door girls PH latrines and 3 door boys PH latrines with urinal	1,000,000	1,000,000	Activities of the project are incomplete and the pit latrines are not in use. (Painting, doors and labelling not done).
22.	Nganiat Primary School	Construction of 4 classrooms to completion (Kshs.2,600,000) and purchase of 200 desks(Kshs.500,000).	3,100,000	3,100,000	Activities of the project are complete and the 4 classrooms are in use. 200 desks have not been completed. The metal frames for the desks are too narrow and the contractor has been advised by the locals to redo the work
23.	Aturei Adventist primary school	Construction of dormitory, Four (4) door ablution block, three (3) door showrooms and Purchase of 200 desks	2,800,000 (Emergency)	2,800,000	Ongoing. Construction of dormitory, Four (4) door ablution block, three (3) door showrooms on going. 200 desks not delivered

No.	Project Name	Project Activity	Allocation (Kshs.)	Disbursed Amount (Kshs.)	Findings
24.	Lemook primary school	Four door pit latrine boys & girls	900,000 (Emergency)	900,000	Ongoing. Super structure complete, roofed and plastered but without doors and paint
25.	ACK Aturei primary school	Construction of five (5) door pit latrine	600,000 (Emergency)	600,000	Ongoing. Super structure complete, roofed and plastered but without doors and paint
26.	St. John Kabongo Primary School	Construction of four (4) door pit latrine	400,000 (Emergency)	400,000	Ongoing. Super structure complete, roofed and plastered but without doors and paint
27.	St. Anne Simat Primary School	Construction of four (4) boys door pit latrine	500,000 (Emergency)	500,000	Ongoing. Super structure complete, roofed and plastered but without doors and paint
28.	Pioneer Chief's office	Completion of Pioneer Chief's office comprising of seven (7) offices	521,986	521,986	Funds not utilised.
	Total		38,657,312	38,657,312	