

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KEIYO SOUTH 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 - Keiyo South Constituency set out on pages 16 to 57, 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 effects 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 National Government Constituencies Development Fund - Keiyo South 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 the National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

1.0 Project Management Committee Account Balances

Note 17.4 to the financial statements reflects Kshs.61,757,823 in respect to project management committee account balances as at 30 June, 2020. However, cash books, bank confirmation certificates and bank reconciliation statements from the project management committees were not provided for audit review.

Consequently, the accuracy, completeness, validity and existence of project management committee account balances of Kshs.61,757,823.41 as at 30 June, 2020 could not be ascertained.

2.0 Unsupported Expenditure

The statement of receipts and payments reflects Kshs.58,361,144 in respect to transfers to other government units. However, acknowledgement letters from institutions that received the funds were not provided for audit verification.

In the circumstances, the receipt and proper utilization of the transfers to other government units balance of Kshs.58,361,144 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 - Keiyo South 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 are no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs.203,914,985 and Kshs.135,198,468 respectively resulting to an under-funding of Kshs.68,716,517 or 34% of the budget. Similarly, the Fund expended Kshs.118,332,863 against an approved budget of Kshs.203,914,985 resulting to an under-expenditure of Kshs.85,582,121 or 42% of the approved budget of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Keiyo South 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 Projects Implementation Status

A review of the projects implementation status as at 30 June, 2020 indicated that a total of fifty-eight (58) projects were budgeted for at an estimated cost of Kshs.84,246,162 out of which thirteen (13) project with an estimated value of Kshs.17,998,241 were ongoing, forty (40) projects with estimated cost of Kshs.58,247,920 were yet to receive funds, five (5) projects with an estimated cost of Kshs.8,000,000 were not approved as detailed in **Appendix I**.

Failure to complete the funded projects in time is an indication that programs or activities were not implemented as planned thus intended objectives of improving service delivery to the people of Keiyo South Constituency was not achieved.

2.0 Delay in Completion of a Laboratory at Kimwogo Secondary School

Note 6 to the financial statements reflects Kshs.20,834,117 in respect to transfers to secondary schools which included Kshs.2,000,000 transferred to Kimwogo Secondary School for construction of a laboratory. However, as at 30 June, 2020, the project had not started and the funds remained unutilized in the bank.

The management did not explain what caused the delay which implies that service delivery to residents of Keiyo South Constituency will be delayed and may lead to loss of public funds due to cost escalation of materials.

3.0 Failure to Insure Funds' Assets

Annex 4 to the financial statements indicates summary of fixed asset register historical cost balance of Kshs.20,712,425. However, no evidence was provided to show that the listed assets were insured. Failure to insure assets may lead to losses in case of accidents and fire.

In the circumstances, the security of the Fund's assets could not be ascertained.

4.0 Unresolved Prior Year Audit Matters

The progress on follow up of auditor recommendations details issues that were raised in the audit report for 2018/2019 financial year but which remained unresolved contrary to Section 68(2)(l) of the Public Finance Management Act, 2012 which require accounting officers to take appropriate measures to resolve any issues arising from audit.

Management has not given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

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, 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 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 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 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

04 February, 2022

Appendix I

Project Implementation Status Report

SNO	Financial Year	Project Name	Project activity	Amount Allocated	Implementation Status
1	2019/2020	Kabawa Primary School	Construction of two classrooms to completion. The school located at the escapement with poor road network and the place is prone to landslides because of loose soil and topography challenges.	2,200,000.00	Not approved
2	2019/2020	Kapkosom Primary School	Construction of one classroom to completion. The school is located at the Kerio valley basin the place is faced with water shortage and transportation and topography challenges.	1,100,000.00	Not approved
3	2019/2020	Kimoloi Primary School	Construction of one classroom to completion. The school is located at the Kerio valley basin, the place is faced with water shortage and transportation and topography challenges.	1,100,000.00	Not approved
4	2019/2020	St. Benedict Teber Mixed day Secondary School	Construction of One classroom to completion attaching to existing classroom. Located at the escarpment with topography challenges.	1,100,000.00	Not approved
5	2019/2020	Mencheiwa Primary School	Construction of two classrooms to completion. Located at the escarpment the place is very steep making accessibility very difficult, poor road network and topography challenges.	2,500,000.00	Not approved
6	2019/2020	NG-CDF Office Furniture	Purchase of office furniture (100 plastic chairs at Kshs.100,000 15 office chairs at Kshs.125,000 and 2 large tables for NGCDF hall at Kshs.50,000 and one	400,000.00	Ongoing

SNO	Financial Year	Project Name	Project activity	Amount Allocated	Implementation Status
			conference table at Kshs.125,000)		
7	2019/2020	Emergency	To cater for any unforeseen occurrences in the constituency during the financial year	3,098,241.38	Ongoing
8	2019/2020	Kimoloi primary school	Kimoloi primary school (Emergency)	3,600,000.00	Ongoing
9	2019/2020	Kitany primary school	Construction of 4 door pit latrine and urinal to completion (Emergency)	500,000.00	Ongoing
10	2019/2020	Munyek Primary School	Construction of one classroom to completion at Kshs.1,000,000 and purchase of 40 desk at Kshs.100,000.	1,100,000.00	Ongoing
11	2019/2020	Kapsamich Primary School	Construction of two classrooms to completion at Kshs.2,000,000 and purchase of 40 desk	2,200,000.00	Ongoing
12	2019/2020	Kibonge Primary School	Construction of one classroom to completion at Kshs.1,000,000 and purchase of 40 desk at Kshs.100,000.	1,100,000.00	Ongoing
13	2019/2020	Kamwosor Primary School	Construction of one classroom to completion at Kshs.1,000,000 and purchase of 40 desk at Kshs.100,000.	1,100,000.00	Ongoing
14	2019/2020	Kapchebelel Secondary School	Construction of one classroom to completion. Located at the highlands with topography challenges	1,200,000.00	Ongoing
15	2019/2020	Biwott Mixed Day Secondary School	Construction of one classroom to completion attaching to existing classroom. Located at the highlands and the road network is good.	1,000,000.00	Ongoing

SNO	Financial Year	Project Name	Project activity	Amount Allocated	Implementation Status
16	2019/2020	Kaptilol Mixed Day Secondary School	Construction of one classroom to completion attaching to existing classroom. Located at the highlands and the road network is good but faced with topography challenges.	1,100,000.00	Ongoing
17	2019/2020	Turesia Mixed day Secondary School	Construction of 5 door pit latrines and urinal to completion	600,000.00	Ongoing
18	2019/2020	Turesia Mixed day Secondary School	Construction of One classroom to completion attaching to existing classroom. Located at the escarpment with no transport and topography challenges.	1,000,000.00	Ongoing
19	2019/2020	Flax primary school	Construction of 4doors washroom and 4 doors bathroom ablution block and Septic tank	1,549,054	Yet to receive funds
20	2019/2020	Kitany primary school	Construction of 2 Bio digester Toilets of 4 doors each	1,200,000	Yet to receive funds
21	2019/2020	NG-CDF Office Motorcycle	Purchase of one 125CC Yamaha Motorcycle revise: price is based on the current Government contract with duty paid	511,415.00	Yet to receive funds
22	2019/2020	Ngobisi Primary School	Construction of 5 door pit latrine and urinal to completion	600,000.00	Yet to receive funds
23	2019/2020	Sesia Primary School	Construction of 5 door pit and urinal to completion	600,000.00	Yet to receive funds
24	2019/2020	Kowochii Primary School	Construction of 5 door pit latrine and urinal to completion	600,000.00	Yet to receive funds
25	2019/2020	Chop Primary School	Renovation of one classroom; flooring and painting to completion	200,000.00	Yet to receive funds
26	2019/2020	Chepsirei Primary School	Renovation of two classrooms (flooring, erection of pillars and painting) to completion.	400,000.00	Yet to receive funds
27	2019/2020	Kapkosom Primary School	Construction of 5 door pit latrine and urinal to completion.	600,000.00	Yet to receive funds
28	2019/2020	Kapletingi Primary School	Renovation of 9 classrooms (plastering, flooring and painting) to completion	1,500,000.00	Yet to receive funds
29	2019/2020	Simotwo Primary School	Construction of 4 door pit latrine and urinal to completion	500,000.00	Yet to receive funds

SNO	Financial Year	Project Name	Project activity	Amount Allocated	Implementation Status
30	2019/2020	Tambul Primary School	Construction of 4 door pit latrine and urinal	500,000.00	Yet to receive funds
31	2019/2020	Chepkosom Primary School	Construction of 4 door pit latrine and urinal to completion	500,000.00	Yet to receive funds
32	2019/2020	Tulwobei Primary School	Construction of 4 door pit latrine and urinal to completion	500,000.00	Yet to receive funds
33	2019/2020	Kipkabus Downs Primary School	Renovation of 5 classrooms to completion (plastering, flooring, replacement of window frames and painting)	600,000.00	Yet to receive funds
34	2019/2020	Kapsowek Primary School	Construction of one classroom to completion at Kshs.1,000,000 and purchase of 40 desk at Kshs.100,000.	1,100,000.00	Yet to receive funds
35	2019/2020	Kapsergong Primary School	Construction of two classrooms to completion	2,000,000.00	Yet to receive funds
36	2019/2020	Kibomet Primary School	Construction of three classrooms to completion at Kshs.3,000,000 and purchase of 120 desks at Kshs.300,000	3,300,000.00	Yet to receive funds
37	2019/2020	Mokwo Primary School	Completion of PTA funded classroom (plastering, fixing of doors and windows and painting)	400,000.00	Yet to receive funds
38	2019/2020	Kapchorwa Primary school	Construction of 4 door pit latrine and urinal to completion	500,000.00	Yet to receive funds
39	2019/2020	Kamosong Primary school	Construction of 4 door pit latrine to completion	400,000.00	Yet to receive funds
40	2019/2020	Kaptagat DEB primary School	Construction of 4 door pit latrine and urinal to completion	500,000.00	Yet to receive funds
41	2019/2020	Kimoloi Primary School	Construction of 4 door pit latrine to completion.	487,451.40	Yet to receive funds
42	2019/2020	Lelboinet Secondary School	Construction of two classrooms to completion at Kshs.2,000,000 and purchase of 160 lockers	2,800,000.00	Yet to receive funds
43	2019/2020	Ketigoi Secondary School	Construction of 4 door pit latrine to completion	400,000.00	Yet to receive funds
44	2019/2020	Kipsaos Secondary School	Construction of 200 student capacity boys dormitory Co-Funded with PTA (Plastering, fixing of doors & windows, flooring and painting)	1,700,000.00	Yet to receive funds

SNO	Financial Year	Project Name	Project activity	Amount Allocated	Implementation Status
45	2019/2020	Chepsigot Secondary School	Construction of administration block of five rooms (Principal office, Deputy principal office, staffroom, Bursar's office and Head of departments office) to completion	3,200,000.00	Yet to receive funds
46	2019/2020	Muskut Mixed Day Secondary School	Construction of science laboratory of 40 students capacity to completion	4,000,000.00	Yet to receive funds
47	2019/2020	St. Mary's Kitany Secondary School	Construction of two classrooms to completion attaching to existing classroom. Located at the highlands and the road network is good.	2,000,000.00	Yet to receive funds
48	2019/2020	Kiptulos Secondary School	Construction of administration block of four rooms (Principal office, Deputy principal office, Bursar's office and staffroom) to completion	2,600,000.00	Yet to receive funds
49	2019/2020	Kapletingi Mixed Day Secondary school	Purchase of 51 seater school bus; the price is based on the current existing Government contract, the funds will be sufficient to purchase the bus without any additional borrowing by the school committee excluding comprehensive insurance.	7,000,000.00	Yet to receive funds
50	2019/2020	Kapchorwa Mixed Day secondary	Purchase of 51 seater school bus; the price is based on the current existing Government contract, the funds will be sufficient to purchase the bus without any additional borrowing by the school committee excluding comprehensive insurance.	7,000,000.00	Yet to receive funds
51	2019/2020	Chepsirie Technical and Vocational College	Construction of 10 door pit latrine to completion	1,000,000.00	Yet to receive funds
52	2019/2020	Kapcheptek Assistant Chief's Office	Construction of Chief's Office to completion at Kshs.1,200,000, two door pit latrine at Ksh.200,000 and Purchase of office furniture (2 office desks at Kshs.40,000, three office chairs at Kshs.35,000and one filing cabinet at Kshs.25,000)	1,500,000.00	Yet to receive funds

SNO	Financial Year	Project Name	Project activity	Amount Allocated	Implementation Status
53	2019/2020	Kabimmit Chief's Office	Construction of 2 door pit latrine to completion at Kshs.200,000 and Purchase of office furniture (2 office desks at Kshs.40,000, seven office chairs at Kshs.35,000 and one filing cabinet at Kshs.25,000)	300,000.00	Yet to receive funds
54	2019/2020	Kapsogom Assistant Chief's Office	Purchase of office furniture; 2 office desks at Kshs.40,000, seven office chairs at Kshs.35,000 and one filing cabinet at Kshs.25,000	100,000.00	Yet to receive funds
55	2019/2020	Kibargoi Chief's Office	Renovation of 6 offices (Erection of pillars, replacement of roof ceiling, Plastering, fixing of tiles and painting) at Kshs.2,339,000, installation of electricity and wiring at Kshs.100,00 and purchase of 6 office desks at Kshs.120,000, six office chairs at Kshs.30,000, twelve visitors chairs at Kshs.36,000 and 5 metal filing cabinets at Kshs.75,000	2,700,000.00	Yet to receive funds
56	2019/2020	Kaptagat Chief's Office	Construction of Chief's office to completion	1,100,000.00	Yet to receive funds
57	2019/2020	Keiyo South Sub County Police Headquarters Offices	Renovation of Sub County Police Headquarters Offices.7 offices; report office, secretary office, SOP office, SOA office, SCC office, DSCC office and store (Replacement of roof, replacement of ceiling, Plastering, painting and flooring)	1,400,000.00	Yet to receive funds
58	2019/2020	Keiyo South Sub County Deputy Commissioner Headquarters	Purchase of office furniture (one twenty- seater Conference table at Kshs.100,000, twenty conference chairs at Kshs100,000, two executive tables at Kshs.100,000 (revise) two executive chairs at Kshs.40,000 and 5 seater low back executive leather seat at Kshs.60,000)	400,000.00	Yet to receive funds
			Total	84,246,161.78	

