

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - NANDI HILLS 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 Constituency Development Fund - Nandi Hills Constituency set out on pages 13 to 55, 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 Constituency Development Fund - Nandi Hills Constituency as at 30 June, 2020, and 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 Constituency Development Fund Act, 2015.

### **Basis for Qualified Opinion**

#### **1.0 Accuracy of the Financial Statements**

The statement of receipts and payments reflects total expenditure of Kshs.122,387,031 which is in agreement with the total shown in the budget execution by programmes and sub-programmes. However, casting of the actual expenditure figures as presented under the budget execution by programmes and sub-programmes revealed that the correct figure was Kshs.129,180,155 instead of Kshs.122,387,031 as stated resulting to unexplained and unreconciled variance of Kshs.6,793,124.

Consequently, the accuracy and completeness of the financial statements could not be confirmed.

## **2.0 Cash and Cash Equivalents**

### **2.1 Cash and Bank Balances**

The statement of assets and liabilities as at 30 June, 2020 reflects cash and cash equivalents figure of Kshs.6,643,384. However, an audit examination of the cash book revealed a cash book balance of 7,072,090 as at 30 June, 2020 resulting to unexplained and unreconciled variance of Kshs.428,706.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.6,643,384 as at 30 June, 2020 could not be confirmed.

### **2.2 Bank Reconciliation Statement**

The statement of assets and liabilities as at 30 June, 2020 reflects bank balances of Kshs.6,643,384. However, the bank reconciliation statement for the month of June, 2020 reflected the following observations: -

#### **(i) Unpresented Cheques**

The bank reconciliation statement showed payments in the cash book not yet recorded in bank statement (unpresented cheques) of Kshs.12,337,412. However, cheques totalling to Kshs.2,687,302 were stale as at 30 June, 2020 and it was not clear why the same had not been reversed in the cash book. Further, no information was provided for audit review showing the dates when the remaining cheques totalling Kshs.9,650,110 were subsequently cleared in the bank.

#### **(ii) Receipts in the Bank Statement not yet Recorded in the Cash Book**

Receipts in cash book not in bank statement as at 30 June, 2020 amounted to Kshs.20,000 which was made up of two unpaid cheques Nos.6622 dated 02 March, 2020 and 7864 dated 08 June, 2020 each of Kshs.10,000. However, the drawers of the two cheques had not been traced and the cash book had not been updated accordingly.

#### **(iii) Payments in the Bank Statement not in Cash Book**

Payments in bank statement not yet recorded in cash book as at 30 June, 2020 amounted to Kshs.391,445. Included were bank charges amounting to Kshs.37,860 and paid cheques not posted in cash book amounting to Kshs.353,585. Further, the bank charges were not adjusted in the cash book and the cheques paid have not been traced and posted in the cash book.

Consequently, the accuracy and completeness of the cash and cash equivalents figure of Kshs.6,643,384 as at 30 June, 2020 could not be confirmed.

## **2.3 Project Management Committee Balances**

Annex 5 of the financial statements reflect Project Management Committee (PMC) bank balances totalling to Kshs.935,316 as at 30 June, 2020. However, cash books, bank statements and bank reconciliation statements were not provided for audit review.

Consequently, the existence, accuracy and completeness of the Project Management Committee bank balances of Kshs.935,316 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 Constituency Development Fund - Nandi Hills 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**

The summary statement of appropriation - recurrent and development combined shows that the Fund had an approved budget of Kshs.198,398,139 during the financial year 2019/2020. During the same period, the Fund recorded expenditure of Kshs.122,387,031 or approximately 62% of the budgeted amount resulting to under expenditure of Kshs.76,011,108 or approximately 38% of the budgeted amount.

Failure to utilize all the funds as budgeted for is an indication that programs or activities were not implemented as planned thus not achieving the intended objective of improving service delivery to the people of Nandi Hills Constituency.

#### **2.0 Projects Implementation Status**

During the financial year ended 30 June, 2020, National Government Constituency Development Fund - Nandi Hills Constituency budgeted to implement eighty-six (86) projects at a cost of Kshs.128,050,388. However, only fifty-nine (59) projects costing Kshs.70,210,000 were implemented while twenty-seven (27) projects with a total budget of Kshs.59,840,388 were not funded.

As at 30 June, 2020 according to the Projects Implementation Status report, no project had been completed and put into use. All the funded projects were ongoing at different stages of completion with works going on or awaiting further funding from NG-CDF Board.

Further, one project (Mogobich Secondary School) which was not budgeted for received a funding of Kshs.350,000 which was contrary to the law.

Failure by the NGCDF Board to release funds on time may lead to delays in completion of planned projects, and may deny the people of Nandi Hills Constituency the services they deserve.

## 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 Transfers to Other Government Units**

##### **1.1 Purchase of Land**

During the year under review, the Fund purchased several parcels of land for various schools in the constituency at a cost of Kshs.12,650,000. However, procurement records such as opening minutes, evaluation, award, official title deeds were not provided for audit verification.

Under the circumstances, the ownership and propriety of the land purchased costing Kshs.12,650,000 could not be confirmed.

##### **1.2 Purchase of School Buses**

The statement of receipts and payments and as disclosed in Note 6 to the financial statements, reflects transfers to other government units amounting to Kshs.64,210,000 which includes Kshs.38,340,000 transfers to secondary schools. Out of this amount is Kshs.16,733,793 paid to a firm for the supply of five (5) school buses. However, documents relating to procurement of the buses such as advertisement, tender opening minutes, tender register, technical and financial evaluation report, letters of award and regret to winning and unsuccessful tenderers bidders respectively, letters of offer and acceptance, contract agreement, delivery notes, mechanical inspection reports. Further, copies of log books were not provided for audit verification.

Under the circumstances, the propriety of the school buses expenses of Kshs.16,733,793 for the year under review could not be confirmed.

## **2.0 Other Grants and Transfers**

### **2.1 Emergency Projects**

As disclosed in Note 7 to the financial statements, the statement of receipts and payments and Note 7 to the financial statements reflects other grants and transfers of Kshs.47,394,467 which includes emergency projects payments amounting to Kshs.6,793,124. However, an examination of the documents in respect of the projects revealed that projects costing Kshs.6,371,394 did not meet the required threshold for emergency funding and could have been budgeted for under normal circumstances.

In the circumstance, the Fund risks inability to respond to emergencies in case of an occurrence due to utilization of emergency funds on normal projects.

### **2.2 Bursaries to Special Schools**

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and transfers of Kshs.47,394,467 which includes bursary disbursements to special schools of Kshs.770,000. An examination of expenditure records relating to the bursary payments to special school revealed that payment of Kshs.770,000 was made to a driving school being part payment for driving/rider course for 45 drivers and 277 motor bike riders. However, minutes of the bursary subcommittee indicating how the beneficiaries were identified and to confirm two co-opted members as required by Constituency Development Fund circular reference No. Voll 1/111 dated 13 September, 2010, were not provided for audit review.

In addition, the list of the beneficiaries, attendance register and evidence of the trainees having received their driving/ rider's licenses upon successful training was not provided for audit verification.

Under the circumstances, the propriety of the special schools' bursary disbursements Kshs.770,000 could not be confirmed.

## **3.0 Projects Verification**

During the year under review, twenty-five (25) projects with total disbursements of Kshs.39,403,793 were verified. Seven (7) projects with a total disbursement amounting to Kshs.3,340,000 were found to be complete and in use, three (3) projects with a total disbursement amounting to Kshs.6,500,000 had not been started, twelve (12) projects with a disbursement of Kshs.18,950,000 were partially completed and three (3) school buses costing Kshs.10,613,793 had been delivered as shown in **Appendix 1**.

Under the circumstances, the incomplete projects have not achieved the intended objectives and no benefits or value have been derived by the citizens of Nandi Hills Constituency.

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 INTERNAL CONTROLS EFFECTIVENESS, 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 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 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 ability of the Fund 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 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**

**07 February, 2022**

## Appendix 1

S/No.	Project Name	Project Activity	Amount Disbursed During the year Kshs.	Remarks
1	Kaptien Primary School	Construction of latrines	200,000	One toilet with six (6) doors constructed. Project complete and in use.
2	Jean Marie Day Secondary School	Ongoing construction of a storeyed tuition block of 9 classrooms	4,000,000	Construction works not started. Materials not on-sight. Bank statement not availed for confirmation of funds availability.
3	Kaplelmet Day Secondary School	Construction of a storeyed tuition block of 9 classrooms	1,600,000	Construction works not started. Materials not on-sight. Bank statement not availed for confirmation of funds availability.
4	Keteng Day Secondary	Construction of one classroom to completion	900,000	Construction works not started. Materials not on-sight. Bank statement not availed for confirmation of funds availability.
5	AIC Chesirgan Primary School	Purchase of land	1,000,000	Ownership documents not availed.
6	Nukiat Primary School	Construction of latrines	200,000	One six (6) doors toilet complete and in use.
7	Choimin Primary	Supply & installation of 10liters water tank and tree seedlings.	370,000	Water tank installed and in use. Tree seedlings planted. Project complete.
8	Alfred Keter Choimin Secondary	Purchase of land for the school	1,400,000	Land acquired, valuation report and sales agreement for the purchased land provided. However, ownership documents not provided.
9	Nukiat Primary School	Construction of 1 classroom to completion	700,000	Complete and in use. However, the ceiling was loosely hanging and needs to be fixed.
10	Chepngetuny Secondary School	Purchase of land	1,000,000	Land acquired but ownership documents not yet obtained.
11	Lelwak Boys High School	Ongoing construction of a dining hall	2,000,000	Pillars erected, walling not done, slabbing not done, roofing done. Project incomplete and still requires additional funding.
12	St. Mary's Soyiet Secondary School	Completion of science laboratory	1,400,000	Floors, fittings, plastering, ceiling and painting not done and not in use. Materials not on site.
13	Kaputi Secondary School	Complete construction of a classroom: foundations slabbing, walling and roofing.	750,000	Painting, fittings, plasterworks and ceiling not done. Project incomplete and not in use.

<b>S/No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Amount Disbursed During the year Kshs.</b>	<b>Remarks</b>
14	Chepkunyuk Primary School	Complete construction of a classroom: foundations slabbing, walling and roofing.	750,000	Completed and in use
15	St. John Mixed Secondary School	Complete construction of a classroom: foundations slabbing, walling and roofing.	750,000	Completed and in use.
16	Lengubei Primary School	Complete construction of a classroom: foundations, slabbing, walling and roofing.	700,000	Windows, painting and ceiling not done. In use.
17	Oll'lessos primary School	Supply & installation of 10 liters water tank and tree seedlings.	370,000	Supplied and installed. In use.
18	Oll'lessos Stima	Purchase of land	6,000,000	Ownership documents not obtained
19	Koilot Secondary School	Completion of 1 classroom: roofing, plastering, painting fixing of windows and doors	1,300,000	Construction Ongoing. Contractor on site
20	Keben Day Secondary School	Purchase of land	2,000,000	Ownership documents not obtained
21	Kapchumba Primary School	Complete construction of a classroom: foundations, slabbing, walling and roofing.	700,000	Fittings, Plasters, Ceiling, Painting not done. Not in use
22	Ogirgir Primary School	Complete construction of a classroom: foundations, slabbing, walling and roofing.	700,000	Fittings, plasters, ceiling, painting not done. Not in use
23	Kaptien Sec,	Purchase of 3 (three) 51 seater School buses.	10,613,793	Buses delivered and in use. However, only Oll'lessos Secondary availed its Logbook.
24	Sirwa Secondary School	Purchase of 3(three) 51 seater School buses.	Included under Kaptien	Buses delivered and in use. However, only Oll'lessos Secondary availed its Logbook.

<b>S/No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Amount Disbursed During the year Kshs.</b>	<b>Remarks</b>
25	Oll'lessos mixed day Secondary	Purchase of 3(three) 51 seater School buses.	Included under Kaptien	Oll'lessos Secondary availed its Logbook.
		<b>Total</b>	<b>39,403,793</b>	