

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - NORTH IMENTI 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 - North Imenti Constituency set out on pages 14 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 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 - North Imenti 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 Accuracy of the Financial Statements**

#### **1.1 Accuracy of the Summary Statement of Appropriation: Recurrent and Development Combined**

##### **1.1.1 Variance with Re-Casted Balances**

The summary statement of appropriation: recurrent and development combined for the year ended 30 June, 2020 reflects Kshs.198,376,894 in respect to total final budget expenditure. However, a recast of the balances arrived at Kshs.198,384,712 on the same items resulting to an unexplained variance of Kshs.7,818.

In addition, the same statement reflects Kshs.61,009,171 in respect to adjustments which should be the unutilized funds for 2018/2019 financial year. However, Note 17.3 to the financial statements reflects unutilized fund comparative balance of Kshs.60,588,691 resulting to unexplained variance of Kshs.420,480.

Further, the same statement reflects Kshs.4,248,821 in respect to final budget on compensation of employees. However, cross casting of the same arrived at Kshs.4,240,821 resulting to unreconciled variance of Kshs.8,000.

### 1.1.2 Variance with the Approved Budget

The summary statement of appropriation: recurrent and development combined reflects total receipts and expenditure original budget of Kshs.137,367,723 each for the financial year ended 30 June, 2020. However, a review of the budget approved by the National Government Constituencies Development Fund Board revealed Kshs.139,641,993 on the same items each resulting to unexplained variance of Kshs.2,274,270.

In the circumstances, the accuracy and completeness of the summary statement of appropriation: recurrent and development combined for the year ended 30 June, 2020 could not be confirmed.

## 1.2 Accuracy of the Budget Execution by Programs and Sub-programs

### 1.2.1 Variance with Re-Casted Balances

The budget execution by programmes and sub-programmes for the year ended 30 June, 2020 reflects grand total balances on five (5) items that are at variance with the re-casted balances as shown below:

Items	Balances in the Budget Execution by Program and Sub-program (Kshs.)	Re-casted Balances (Kshs.)	Variance (Kshs.)
Original Budget	137,367,723	137,267,223	100,500
Adjustments	61,009,171	61,109,171	(100,000)
Final Budget	198,376,894	198,176,894	200,000
Actual on Comparable Basis	125,860,704	126,230,704	(370,000)
Budget Utilization Difference	72,516,190	71,526,190	990,000

### 1.2.2 Unsupported Balances

The budget execution by programmes and sub-programmes reflects Kshs.198,376,894 in respect to final budget for the financial year ended 30 June, 2020 which includes Kshs.984,751, Kshs.2,331,620 and Kshs.1,051,201 in respect to allocation awaiting, previous years' balances and allocation awaiting funding respectively all totaling to Kshs.4,367,572. However, supporting documents including approval from the National Government Constituencies Development Fund Board were not provided for audit review.

In the circumstances, the accuracy and completeness of the budget execution by programs and sub-programs for the year ended 30 June, 2020 could not be confirmed.

## 1.3 Summary of Fixed Assets Register

Annex 4 to the financial statements reflects Kshs.37,779,986 in respect to assets' historical cost balance brought forward from 2018/2019 financial year which includes Kshs.598,578 in respect to office equipment, furniture and fittings. However, the 2018/2019 financial statements reflects Kshs.444,378 in respect to closing balance on the same item resulting to an unexplained variance of Kshs.154,200. In addition, the

same annex reflects Kshs.444,378 in respect to historical cost of office equipment, furniture and fittings as at 30 June, 2020. However, documents availed for audit review reflects Kshs.598,578 on the same item similarly resulting to an unexplained variance of Kshs.154,200.

In the circumstances, the accuracy and completeness of the Kshs.444,378 in respect to office equipment, furniture and fittings comparative balance as at 30 June, 2020 could not be confirmed.

#### **1.4 Accuracy of Unutilized Funds**

Disclosed under Note 17.3 to the financial statements is a balance of Kshs.72,516,190 in respect to unutilized funds balance for the year under review. However, a recast of the balances arrived at Kshs.72,515,790 on the same item resulting to an unexplained variance of Kshs.400.

Further, Annex 3 to the financial statements reflect Kshs.72,516,190 in respect to unutilized funds balance. However, a recast of the balances gave Kshs.69,768,566 on the same item resulting to an unexplained variance of Kshs.2,747,624.

In the circumstances, the accuracy of the unutilized funds of Kshs.72,516,190 for the year ended 30 June, 2020 could not be confirmed.

#### **1.5 Accuracy of Other Grants and Other Payments**

Disclosed under Note 7 to the financial statements is a balance of Kshs.49,913,793 in respect to other grants and other payments. However, a recast of the balances arrived at Kshs.49,913,354 resulting to an unexplained variance of Kshs.439.

In the circumstances, the accuracy of other grants and other payments of Kshs.49,913,793 for the year ended 30 June, 2020 could not be confirmed.

#### **2.0 Cash and Cash Equivalents – Stale Cheques**

Disclosed under Note 10A to the financial statements is a figure of Kshs.3,568,946 in respect to cash and cash equivalents as at 30 June, 2020. However, review of the respective bank reconciliation statement indicated Kshs.2,922,497 in respect to unrepresented cheques which further includes Kshs.2,633,733 in respect to stale cheques and which had not been replaced or reversed in the cashbook as at 30 June, 2020 therefore understating the cash and cash equivalents by the same amount.

In the circumstances, the accuracy and completeness of the Kshs.3,568,946 in respect to cash and cash equivalents as at 30 June 2020 could not be confirmed.

#### **3.0 Project Management Committee's (PMC) Account Balances**

Disclosed under Note 17.4 to the financial statements is a figure of Kshs.4,653,069 in respect to PMC account balances held by various institutions. However, the respective cashbooks, bank statements and bank balance confirmation certificates were not provided for audit review contrary to Section 90(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that accounting officers shall ensure bank accounts reconciliations are completed for each bank account held by that accounting officer, every month and submit a bank reconciliation statement not later than

the 10<sup>th</sup> of the subsequent month to the National Treasury with a copy to the Auditor-General and Section 100 of the same Regulations which stipulate 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 maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts.

In the circumstances, the accuracy and completeness of the Kshs.4,653,069 in respect to PMC account balances as at 30 June, 2020 could not be confirmed. In addition, the Fund is in breach of the law.

#### **4.0 Other Grants and Other Payments**

##### **4.1 Unsupported Bursaries**

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.49,913,793 in respect to other grants and other payments which includes Kshs.15,600,000 and Kshs.11,676,000 in respect to bursaries disbursed to secondary schools and bursaries disbursed to tertiary institutions respectively, all totaling to Kshs.27,276,000. However, the list of applicants and applications letters/forms were not provided for audit review. Further, only bursaries totaling to Kshs.23,169,480 (85%) were acknowledged by the respective beneficiary schools and institutions through issuance of acknowledgement receipts while bursaries totaling Kshs.4,106,520 (15%) were not acknowledged or accounted for by the recipient schools and institutions.

In the circumstance, it was not possible to ascertain whether the Kshs.4,106,520 bursaries were received by the respective schools and institutions and whether the same was expended as appropriated during the year ended 30 June, 2020.

##### **4.2 Lack of Supporting Documents - Sports Projects**

Similarly, disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.49,913,793 in respect to other grants and other payments which includes Kshs.4,327,354 in respect to sports projects. However, supporting documents were not provided.

In the circumstances, the accuracy and value for money for the Kshs.4,327,354 incurred during the year under review could not be confirmed.

##### **4.3 Construction Materials not as per Bills of Quantities - Mwirine Police Post**

Disclosed under Note 7 to the financial statements is a figure of Kshs.49,913,793 in respect to other grants and other payments which includes Kshs.8,400,000 in respect to security projects which further includes Kshs.600,000 transferred to Mwirine Police Post for staff houses painting, power connection (allocated Kshs.200,000) and fencing of the 0.5 acres compound using concrete posts and Chain link (allocated Kshs.400,000). This was as per the bills of quantities provided for review. However, physical verification carried out in December, 2020 revealed that the materials used and work done was not as per the bills of quantities. Wooden post and not concrete posts were used, barbed wire fence was used instead of chainlink both of unknown value contrary to Section 48(4)(b) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the inspection and acceptance committee shall ensure that the goods, works or services meet the technical standards defined in the contract.

In the circumstances, the accuracy and value for money for the Kshs.400,000 expenditure incurred during the year under review could not be confirmed.

## **5.0 Use of Goods and Services**

### **5.1 Unsupported Expenditure**

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects Kshs.10,387,671 in respect to use of goods and services which includes Kshs.500,000 and Kshs.1,450,000 in respect to office and general supplies and services and training expenses respectively both totaling to Kshs.1,950,000. However, supporting documents were not provided.

In the circumstances, the validity and value for money for the Kshs.1,950,000 expenditure for the year ended 30 June, 2020 could not be confirmed.

### **5.2 Excess Meetings - Committee Allowances**

Similarly, the balance of Kshs.10,387,671 in respect to use of goods and services includes Kshs.2,050,500 and Kshs.2,047,400 in respect to committee expenses and other committee expenses respectively both totaling to Kshs.4,097,900. However, a review of documents provided revealed that the Fund Committee was paid Kshs.2,020,400 for thirty-four (34) meetings contrary to Section 43(11) of the National Government Constituencies Development Fund Act, 2015 which stipulates that the Constituency Committee shall meet at least six times and not more than twenty-four (24) meetings in the same financial year, including sub-committee meetings. Documents provided for audit review revealed that the said committee should have been paid Kshs.1,489,400 for twenty-four (24) meetings resulting to an overpayment of Kshs.531,000.

In the circumstances, the accuracy, validity and value for money for the Kshs.531,000 expenditure for the year under review could not be confirmed. In addition, the Fund is in breach of the law.

## **6.0 Transfers to Primary Schools**

### **6.1 Kaaga School for the Hearing Impaired**

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.61,870,000 in respect to transfers to other government entities which includes Kshs.35,740,000 in respect to transfers to primary schools which further includes Kshs.1,000,000 transferred to Kaaga School for the Hearing Impaired for construction of a four-door toilet and four bathrooms. However, physical verification carried out in December, 2020 revealed that the project was not complete and appeared stalled as no works was ongoing. Further, relevant supporting documents were not provided.

In the circumstances, the value for money for the Kshs.1,000,000 expenditure for the year ended 30 June, 2020 could not be confirmed.

## **6.2 Kinoru Primary School**

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.61,870,000 in respect to transfers to other government entities which includes Kshs.35,740,000 in respect to transfers to primary schools which further includes Kshs.1,600,000 transferred to Kinoru Primary School for construction of a ten-door toilet at Kshs.800,000, completion of computer classes including paint, benches and electrical works at Kshs.200,000 and Kshs.600,000 for renovation of 6 classrooms. However, physical verification carried out in December, 2020 revealed that the computer classes were not painted and the benches were not fitted. Further, bank statements for the project and certificates of payment from the Ministry of Public Works detailing the quantity of works done relating to the computer classes, benches and electrical works were not provided.

In the circumstances, the value for money for the Kshs.1,600,000 expenditure incurred during the year ended 30 June, 2020 could not be confirmed.

## **7.0 Other Payments - Irregular Procurement of a Strategic Plan**

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.1,495,000 in respect to other payments which was spent in procurement of a strategic plan. However, initial and relevant procurement documents were not provided.

In addition, the opening and evaluation committee signed the minutes on 19 July, 2019 while the lowest bidder was notified of the award on 17 July, 2019 two days before the bids were opened.

Further, the contract between the firm and the National Government Constituencies Development Fund - Imenti North Constituency was signed on 22 July, 2019 which is five (5) days after notification of award contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which requires that the written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification.

In the circumstances, validity of the other payments of Kshs.1,495,000 as at 30 June, 2020 could not be ascertained. In addition, the Fund is in breach of the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - North Imenti 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**

### **1.0 Budgetary Control and Performance**

#### **1.1 Receipt Analysis**

The Fund's summary statement of appropriation: recurrent and development combined for the year ended 30 June, 2020 reflects Kshs.198,376,894 in respect to final receipt budget and actual receipts of Kshs.129,429,650 resulting to budget shortfall of Kshs.68,947,244.

In overall, the Fund underabsorbed it's budget by Kshs.68,947,244 or 35% an indication that some programs and activities had been planned but not implemented.

In addition, the National Government Constituencies Development Fund (NGCDF) Board approved a budget of Kshs.191,988,119 which was to be transferred to North Imenti Constituency Fund but only transferred Kshs.123,040,875 resulting to Kshs.68,947,244 in respect of funds approved by the Board but not transferred to the Fund. Failure to transfer the Kshs.68,947,244 by the Board results to the Fund not being able to deliver on planned activities therefore negatively affecting service delivery.

#### **1.2 Expenditure Analysis**

The Fund's summary statement of appropriation: recurrent and development combined reflects a final budgeted expenditure of Kshs.198,376,894. However, only Kshs.125,860,704 (63%) was spent resulting to an under-expenditure of Kshs.72,516,190. However, a recast of the under expenditure arrived at Kshs.72,524,008 resulting to unexplained variance of Kshs.7,818.

In overall, the National Government Constituencies Development Fund - North Imenti Constituency under spent its budget by Kshs.72,524,008 or 37% of the total budgeted allocation.

Further, included in the Kshs.72,524,008 under expenditure for the year under review was Kshs.3,568,946 in respect to cash at bank, being funds released by the Board but not utilized. Failure to spend funds already released by the Board denied the residents of North Imenti Constituency equivalent services.

### **2.0 Project Implementation Status**

The Fund's summary statement of appropriation: recurrent and development combined reflects Kshs.94,045,000, Kshs.87,991,547 and Kshs.308,400 in respect to transfer to other government units, other grants and transfers and acquisition of assets respectively all totaling to Kshs.182,344,947 which was meant for various projects within the year under review. However, the project implementation status availed for audit review reflects Kshs.180,236,028 resulting to unexplained variance of Kshs.2,108,919.

A review of the project implementation status revealed that one hundred and eighty-four (184) projects worth Kshs.180,236,028 were planned for implementation during the year under review. However, only two (2) projects with a budget of Kshs.4,490,354 had been completed while one hundred and eighty-two (182) projects worth Kshs.175,745,674 were ongoing as at 30 June, 2020.

Therefore, there is need for the Constituency Development Fund Management to review its project planning mechanism with a view to prioritizing those projects which are more deserving to the citizens of North Imenti 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 Presentation of the Financial Statements**

A review of the Fund's financial statements submitted for audit review revealed that the summary statement of appropriation: recurrent and summary statement of appropriation: development have not been included in the Fund's financial statements for the year ended 30 June, 2020 contrary to the Public Sector Accounting Standard Board (PSASB) template issued in June, 2020.

In the circumstances, the Fund's financial statements are not prepared in accordance with the PSASB prescribed format.

#### **2.0 Transfers to Secondary Schools**

##### **2.1 Abandoned project - Mbirikine Day Secondary School**

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.61,870,000 in respect to transfer to other government entities which includes Kshs.26,130,000 in respect to transfers to secondary schools which further includes Kshs.1,000,000 transferred to Mbirikine Day Secondary School for the roofing, plastering and putting of windows to the dining hall. However, physical inspection carried out in December, 2020 revealed that the project was not complete and the contractor was not on site.

In the circumstances, the value for money for the Kshs.1,000,000 expenditure for the year ended 30 June, 2020 could not be confirmed.



## **2.2 Nthimbiri Secondary School - Undelivered Works**

Similarly, the balance of Kshs.61,870,000 in respect to transfer to other government entities includes Kshs.26,130,000 in respect to transfers to secondary schools which further includes Kshs.1,000,000 transferred to Nthimbiri Secondary School for roofing, tiling, electricity connection and painting of a dormitory. However, physical verification carried out in December 2020 revealed that the project was not complete and the contractor was not on site.

In the circumstances, the value for money for the Kshs.1,000,000 expenditure for the year ended 30 June, 2020 could not be confirmed.

## **2.3 Abandoned project - Giaki Girls Secondary School**

Further, the balance of Kshs.61,870,000 in respect to transfer to other government entities includes Kshs.26,130,000 in respect to transfers to secondary schools which further includes Kshs.1,500,000 transferred to Giaki Girls Secondary School for the construction of dining hall/kitchen to roofing level during the year. However, physical verification carried out in December, 2020 revealed that the project was incomplete and appeared to have stalled as no work was on going.

Further, documents provided for audit review revealed that the Ministry of Education also co-funded the project by contributing Kshs.2,000,000. However, the defined phase to be funded by each party was not provided for audit review contrary to Section 49 of the National Government Constituencies Development Fund Act, 2015 which stipulates that for the purposes of this Act, the Board may consider part funding of a project financed from sources other than the Fund so long as the other financiers or donors of that project have no objection and provided that the part funding for the project availed pursuant to this Act shall go to a defined unit or any part thereof or phase of the project in order to ensure that the particular portion defined in the allocation is completed with the funds allocated under this Act.

In the circumstances, the value for money for the Kshs.3,500,000 comprising of Kshs.1,500,000 and Kshs.2,000,000 expenditure for the year ended 30 June, 2020 could not be confirmed. In addition, the Fund is in breach of the law.

## **2.4 Kirige Boys Secondary School**

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects a balance Kshs.61,870,000 in respect to transfer to other government entities which includes Kshs.26,130,000 in respect to transfers to secondary schools which further includes Kshs.1,000,000 transferred to Kirige Boys Secondary School for plastering and painting of classrooms. Documents provided for audit review revealed that the Parent Association also co-funded the project by contributing Kshs.857,475. However, the defined phase to be funded by each party was not provided for audit review contrary to Section 49 of the National Government Constituencies Development Fund Act, 2015 which stipulates that for the purposes of this Act, the Board may consider part funding of a project financed from sources other than the Fund so long as the other financiers or donors of that project have no objection and provided that the part funding for the project availed pursuant to this Act shall go to a defined unit or any part thereof or

phase of the project in order to ensure that the particular portion defined in the allocation is completed with the funds allocated under this Act.

Further, a review of documents provided for audit and physical verification carried out in December, 2020 revealed that the construction of the project started in the financial year 2016/2017 and is still ongoing in 2019/2020, which is an indication of delayed benefit to the beneficiaries.

In the circumstances, the value for money for the Kshs.1,857,475 comprising of Kshs.1,000,000 and Kshs.857,475 expenditure for the year ended 30 June, 2020 could not be confirmed. In addition, the Fund is in breach of the law.

### **3.0 Other Grants and Other Payments – Incomplete Igoki Chiefs Camp**

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.49,913,793 in respect to other grants and other payments which includes Kshs.7,730,000 in respect to emergency projects which further includes Kshs.200,000 transferred to Igoki Chiefs Camp for constructing of a two (2) door toilet. However physical verification carried out in December, 2020 revealed that a three (3) door toilet was constructed and not the approved two (2) door toilet. In addition, the project was incomplete and appeared stalled after funds were said to have been exhausted. There was no authority from the Constituency Development Fund Board for the change from the original plan of a two (2) door toilet to three (3) door toilet, which may have resulted to the project being incomplete.

In the circumstances, the value for money for the Kshs.200,000 expenditure for the year ended 30 June, 2020 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, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else 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, 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 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 National Government Constituencies Development Fund - North Imenti Constituency or 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 National Government Constituencies Development Fund - North Imenti Constituency'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 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 National Government Constituencies Development Fund - North Imenti Constituency'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 going concern 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

National Government Constituencies Development Fund - North Imenti Constituency 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 National Government Constituencies Development Fund - North Imenti Constituency 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**

**08 February, 2022**