

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SHINYALU 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 - Shinyalu Constituency set out on pages 14 to 39, 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 - Shinyalu 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Un-accounted for Funds

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects Kshs.42,822,344 in respect to other grants and transfers which include Kshs.11,018,235 in respect to emergency projects. The emergency projects expenditure includes a transfer of Kshs.1,100,000 for the construction of collapsed toilet at Ihondolo Primary School. However, information provided for audit review indicated that the transfer was for a project which had previously been done by a contractor in July, 2019 and paid Kshs.1,681,190 vide payment voucher No.5 dated 10 July, 2019. Further, the same supporting documents used to support the payment in 2019 were used to support transfer of the Kshs.1,100,000 to the school account vide payment voucher No.159 dated 09 April, 2020. In addition, audit inspection at the school revealed that apart from the toilets, no other work had been carried out at the school and the money was not in the school bank account.

Consequently, the emergency funds amounting to Kshs.1,100,000 transferred to Ihondolo Primary School during the year ended 30 June, 2020 could not be accounted for.

2. Cash and Cash Equivalents

As disclosed in Note 7A to the financial statements, the statement of assets and liabilities reflects Kshs.5,611,614 in respect to cash and cash equivalents and relating to cash held at cooperative bank. However, review of respective bank reconciliation statement for June, 2020 revealed unrepresented cheques totalling Kshs.10,673,719 out of which cheques totalling Kshs.9,823,864 were dated between 27 February, 2015 and 20 December, 2019 and were, therefore, stale and no reason was provided for not reversing the cheques.

Further, the bank reconciliation statement reflects Kshs.26,000 in respect to receipts in the bank statement not recorded in cashbook relating to the period between 13 October, 2018 and 17 September, 2019 and for which no reason was provided.

In addition, the bank reconciliation statement reflects Kshs.4,284,038 in respect to receipts in cashbook not recorded in bank out of which Kshs.4,277,558 relate to the period 17 March, 2017 and earlier and no reason has been provided for not depositing the receipts in bank.

The bank reconciliation statement also reflects Kshs.465,844 in respect to payments in bank statement not recorded in cashbook relating to bank charges and commissions for the period between 06 September, 2016 and 25 June, 2020 and which should have been recorded in the cashbook.

Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.5,611,614 as at 30 June, 2020 could not be confirmed.

3. Summary Statement of Appropriation and Budget Information

The summary statement of appropriation: recurrent and development combined reflects Kshs.262,657,995 in respect to final budget after budget adjustment of Kshs.125,290,271. However, the unutilized funds arising from the operations of the Fund for the year ended 30 June, 2019 amounted to Kshs.117,590,269 resulting to a variance of Kshs.7,700,003 which has not been explained or reconciled.

The statement, further, reflects actual receipts amounting to Kshs.185,752,533 while the statement of receipts and payments reflects Kshs.157,082,447 in respect to receipts which when summed with the opening cash and cash equivalents balance of Kshs.27,170,085 as at 01 July, 2019 totals to Kshs.174,822,618. The resulting variance of Kshs.10,929,915 has not been explained or reconciled.

In addition, as disclosed in Note 11.2 to the financial statements, the summary statement of appropriation reflects Kshs.82,517,076 in respect to budget underutilization difference. However, Annex 2 to the financial statements only supports

unutilized funds amounting to Kshs.75,258,955 resulting to unsupported balance of Kshs.7,258,121.

Consequently, the accuracy of the summary statement of appropriations: recurrent and development combined for the year ended 30 June, 2020 could not be confirmed.

4. Fixed Assets of the Fund

Annex 3 to the financial statements reflects Kshs.12,414,530 in respect to fixed assets as at 30 June, 2020. However, as reported previously, the value of the assets includes two office laptops, HPI5 500GB purchased at a cost of Kshs.111,070 on 30 August, 2017 but which were not in the custody of the Fund Account Manager as at the time of audit in March, 2019 and a review of the position in March, 2021 reconfirmed the same and no explanation was provided as to their where about.

Further, motor vehicle registration no. GKA083U Land Rover Defender 110 TDI S/W said to have undergone a major overhaul at CMC Motors (Kitale) in July, 2019 at a cost of Ksh.156,252 and paid vide payment voucher no.123 dated 15 February, 2020, was not at the Fund offices as at the time of audit in March, 2021 and no evidence, including the vehicle's work ticket, was produced to establish the location of the vehicle.

Consequently, the existence and value of the laptops and motor vehicle as at 30 June, 2020 could not be confirmed.

5. Presentation and Disclosure of the Financial Statements

A review of the financial statements for the Fund revealed the following inadequacies:

- (i) As disclosed in Note 10 to the financial statements, the statement of assets and liabilities, and statement of cash flows reflect Kshs.1,500,000 in respect to prior year adjustment balance and relating to bank account balance adjustment which has, however, not been explained or supported.
- (ii) The statement of budget execution by programmes and sub-programmes reflects balances that are at variance with those reflected in the summary statement of appropriation: recurrent and development combined and for which no explanation/reconciliation has been provided for audit review as detailed below:

Item	Summary Statement of Appropriation Kshs.	Budget Execution by Programmes Kshs.	Variance Kshs.
Original Budget	137,367,724	90,174,904	47,192,820
Budget Adjustment	125,290,271	107,260,645	18,029,626
Approved Budget	262,657,995	192,993,669	69,664,326
Actual Expenditure	180,140,919	120,697,811	59,443,108

Item	Summary Statement of Appropriation Kshs.	Budget Execution by Programmes Kshs.	Variance Kshs.
Budget Utilization Difference	82,517,076	71,737,738	10,779,338

- (iii) The progress on follow up of auditor recommendations has also not been included in the financial statements as required by the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB).

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained.

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

1. Budgetary Control and Performance

The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.262,657,995 and Kshs.185,752,533 respectively resulting to an under-funding of Kshs.76,905,462 or 31% of the budget. Similarly, the Fund expended Kshs.180,140,919 against an approved budget of Kshs.262,657,995 resulting to an under-expenditure of Kshs.82,517,076 or 31% 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.

2. Project Implementation Status

The management of Fund did not provide an updated and current Project Implementation Status (PIS) report as at 30 June, 2020 for audit review.

Consequently, the status of the projects funded by the budget could not be established and constituents may not have obtained value from the amounts disbursed towards the implementation of the planned projects for the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the 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 money has not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregular Payment for Legal Services

Note 3 to the financial statements reflects Kshs.4,057,000 in respect to committee allowances which includes a payment of Kshs.369,420 paid to a law firm to represent the Chairman of the Constituencies Development Fund Committee accused together with the National Board and area MP in Kakamega Constitutional Petition Number 9 of 2020 for undertaking development projects in secret without public participation and for failure to follow procurement procedures. However, the details of how the law firm was identified and contracted evidence of advice from the Office of the Attorney-General, as the principal legal advisor for the Fund, to engage a private advocate and were not provided for audit review. Further, no information has been provided of the outcome or progress of the case.

Consequently, the procurement and payment of the legal services amounting to Kshs.369,420 was irregular and public resources may have been applied unlawfully.

2. Project Implementation Review

Physical verification of seven (7) sampled projects implemented by the Fund at a total cost of Kshs.31,282,000 in March, 2019 revealed anomalies attributed to poor project management and monitoring as summarised in Appendix 1.

Consequently, the constituents of Shinyalu Constituency may not have obtained value for the Kshs.31,282,000 disbursed towards project implementation during the year ended 30 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, except for the matter described in the Basis for Conclusion on Effectiveness on Internal Controls, Risk Management and Governance 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.

Basis for Conclusion

Staff Management

Staff establishment provided by the National Constituencies Development Fund Board indicate the position of a project coordinator whose duties are to provide technical evaluation of construction projects and thereby provide supervisory role in the ongoing projects. However, audit review of the staffing of the Fund revealed that the Fund did not have a project coordinator as at 30 June, 2020. Although records provided indicated that a clerk of works was employed and maintained on the payroll, there was no evidence that the officer was working for the Fund and provided any service to the Fund during the year under review as he was said to have deserted duty. Management has, therefore, failed to enforce the terms of employment and human resource management regulations to obtain value and services expected of the position.

Consequently, the salaries paid to the officer during the year ended 30 June, 2020 did not constitute a proper charge to public funds.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 the management either intends 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 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 scepticism 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 1 – Schedule of Projects Implemented

No.	Project	Amount Kshs.	Observations
1.	Construction of eight (No.) Classrooms at Muraka Primary School	4,830,000	An audit verification to the school to ascertain the status of the construction revealed the following: <ul style="list-style-type: none"> i. The building had been painted with three (No.) classrooms on ground floor but without doors and windows while the fourth classroom on the same floor had windows but no door. ii. The floor and staircases were poorly done. Also, the floor had not been tiled with ceramic tiles as per the BQs. iii. Doors on the classrooms physically counted were eight while the BQs provided for eleven doors at unit cost of Kshs.28,000 per door. The three doors valued at Kshs.168,000 had no place to be fitted iv. Each classroom was supposed to have four windows each costing Kshs.13,300 as per the BQs. However, two classrooms did not have windows and therefore eight windows valued at Kshs.106,400 had not been fitted.
2.	Construction of four (No.) Classrooms at Friends Shamiloli Secondary School	4,000,000	The classrooms were complete and in use. However, the floors whose total cost as per the BQs was Kshs.115,700 was noted to be pilling-off due to workmanship. In addition, no skirting was done although the same was provided for in the BQs for Kshs.24,200.
3.	Construction of four (No.) Classrooms at Lirhandia Girls Boarding Primary School	1,952,000	Physical verification of the classrooms revealed that the ceiling board was fitted with cardboards. The roof leaks and has already destroyed the ceiling boards. As a result, of the poor work, Kshs.732,840 that was incurred on the roof is likely to go to waste.
4.	Construction of eight (No.) Classrooms at Shanderema Primary School	4,000,000	Physical verification revealed that the iron bars (T5) used to partition the windows are not strong enough for the size of the windows fitted. There was also no skirting in the only classroom, which had been floored.

No.	Project	Amount Kshs.	Observations
5.	Construction of eight (No.) Classrooms at Makuchi Primary School	7,500,000	Physical verification revealed that the iron bars (T5) used to partition the windows are not strong enough for the size of the windows fitted. Also skirting had not been done although was provided for in the BQs at a cost of Kshs.11,556.
6.	Construction of eight (No.) Classrooms at Shanda Primary School	8,000,000	The iron bars (5T and flat) used in partitioning of the windows are weak for the kind/size of windows fitted and the windows do not have grills. As such, Kshs.823,782.00 (<i>as per the BQs</i>) spent on the windows is likely to be a wasteful expenditure. In addition, skirting costing Kshs10,800 as per the BQs had not been done.
7.	Construction of Administration Block at Shagungu Primary School	1,000,000	The external doors were supposed to be made of heavy-duty mild steel at a cost of Kshs32,000. However, the two doors fitted were grills. Also skirting provided for Kshs.14,700 had not been done.
	Total	31,282,000	

ary 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 - Shinyalu 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

6. Un-accounted for Funds

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects Kshs.42,822,344 in respect to other grants and transfers which include Kshs.11,018,235 in respect to emergency projects. The emergency projects expenditure includes a transfer of Kshs.1,100,000 for the construction of collapsed

toilet at Ihondolo Primary School. However, information provided for audit review indicated that the transfer was for a project which had previously been done by a contractor in July, 2019 and paid Kshs.1,681,190 vide payment voucher No.5 dated 10 July, 2019. Further, the same supporting documents used to support the payment in 2019 were used to support transfer of the Kshs.1,100,000 to the school account vide payment voucher No.159 dated 09 April, 2020. In addition, audit inspection at the school revealed that apart from the toilets, no other work had been carried out at the school and the money was not in the school bank account.

Consequently, the emergency funds amounting to Kshs.1,100,000 transferred to Ihondolo Primary School during the year ended 30 June, 2020 could not be accounted for.

7. Cash and Cash Equivalents

As disclosed in Note 7A to the financial statements, the statement of assets and liabilities reflects Kshs.5,611,614 in respect to cash and cash equivalents and relating to cash held at cooperative bank. However, review of respective bank reconciliation statement for June, 2020 revealed unrepresented cheques totalling Kshs.10,673,719 out of which cheques totalling Kshs.9,823,864 were dated between 27 February, 2015 and 20 December, 2019 and were, therefore, stale and no reason was provided for not reversing the cheques.

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Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.5,611,614 as at 30 June, 2020 could not be confirmed.

8. Summary Statement of Appropriation and Budget Information

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9. Fixed Assets of the Fund

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Consequently, the existence and value of the laptops and motor vehicle as at 30 June, 2020 could not be confirmed.

10. Presentation and Disclosure of the Financial Statements

A review of the financial statements for the Fund revealed the following inadequacies:

- (iv) As disclosed in Note 10 to the financial statements, the statement of assets and liabilities, and statement of cash flows reflect Kshs.1,500,000 in respect to prior year adjustment balance and relating to bank account balance adjustment which has, however, not been explained or supported.
- (v) The statement of budget execution by programmes and sub-programmes reflects balances that are at variance with those reflected in the summary statement of appropriation: recurrent and development combined and for which no explanation/reconciliation has been provided for audit review as detailed below:

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- (vi) The progress on follow up of auditor recommendations has also not been included in the financial statements as required by the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB).

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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

3. Budgetary Control and Performance

The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.262,657,995 and Kshs.185,752,533 respectively resulting to an under-funding of Kshs.76,905,462 or 31% of the budget. Similarly, the Fund expended Kshs.180,140,919 against an approved budget of Kshs.262,657,995 resulting to an under-expenditure of Kshs.82,517,076 or 31% 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.

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REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the 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 money has not been applied lawfully and in an effective way.

Basis for Conclusion

3. Irregular Payment for Legal Services

Note 3 to the financial statements reflects Kshs.4,057,000 in respect to committee allowances which includes a payment of Kshs.369,420 paid to a law firm to represent the Chairman of the Constituencies Development Fund Committee accused together with the National Board and area MP in Kakamega Constitutional Petition Number 9 of 2020 for undertaking development projects in secret without public participation and for failure to follow procurement procedures. However, the details of how the law firm was identified and contracted evidence of advice from the Office of the Attorney-General, as the principal legal advisor for the Fund, to engage a private advocate and were not provided for audit review. Further, no information has been provided of the outcome or progress of the case.

Consequently, the procurement and payment of the legal services amounting to Kshs.369,420 was irregular and public resources may have been applied unlawfully.

4. Project Implementation Review

Physical verification of seven (7) sampled projects implemented by the Fund at a total cost of Kshs.31,282,000 in March, 2019 revealed anomalies attributed to poor project management and monitoring as summarised in Appendix 1.

Consequently, the constituents of Shinyalu Constituency may not have obtained value for the Kshs.31,282,000 disbursed towards project implementation during the year ended 30 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, except for the matter described in the Basis for Conclusion on Effectiveness on Internal Controls, Risk Management and Governance 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.

Basis for Conclusion

Staff Management

Staff establishment provided by the National Constituencies Development Fund Board indicate the position of a project coordinator whose duties are to provide technical evaluation of construction projects and thereby provide supervisory role in the ongoing projects. However, audit review of the staffing of the Fund revealed that the Fund did not have a project coordinator as at 30 June, 2020. Although records provided indicated that a clerk of works was employed and maintained on the payroll, there was no evidence that the officer was working for the Fund and provided any service to the Fund during the year under review as he was said to have deserted duty. Management has, therefore, failed to enforce the terms of employment and human resource management regulations to obtain value and services expected of the position.

Consequently, the salaries paid to the officer during the year ended 30 June, 2020 did not constitute a proper charge to public funds.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 the management either intends 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 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 scepticism 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 1 – Schedule of Projects Implemented

No.	Project	Amount Kshs.	Observations
8.	Construction of eight (No.) Classrooms at Muraka Primary School	4,830,000	An audit verification to the school to ascertain the status of the construction revealed the following: v. The building had been painted with three (No.) classrooms on ground floor but without doors and windows while the fourth classroom on the same floor had windows but no door. vi. The floor and staircases were poorly done. Also, the floor had not been tiled with ceramic tiles as per the BQs. vii. Doors on the classrooms physically counted were eight while the BQs provided for eleven doors at unit cost of Kshs.28,000 per door. The three doors valued at Kshs.168,000 had no place to be fitted viii. Each classroom was supposed to have four windows each costing Kshs.13,300 as per the BQs. However, two classrooms did not have windows and therefore eight windows valued at Kshs.106,400 had not been fitted.
9.	Construction of four (No.) Classrooms at Friends Shamiloli Secondary School	4,000,000	The classrooms were complete and in use. However, the floors whose total cost as per the BQs was Kshs.115,700 was noted to be pilling-off due to workmanship. In addition, no skirting was done although the same was provided for in the BQs for Kshs.24,200.
10	Construction of four (No.) Classrooms at Lirhanda Girls Boarding Primary School	1,952,000	Physical verification of the classrooms revealed that the ceiling board was fitted with cardboards. The roof leaks and has already destroyed the ceiling boards. As a result, of the poor work, Kshs.732,840 that was incurred on the roof is likely to go to waste.
11	Construction of eight (No.) Classrooms at Shanderema Primary School	4,000,000	Physical verification revealed that the iron bars (T5) used to partition the windows are not strong enough for the size of the windows fitted. There was also no skirting in the only classroom, which had been floored.
12	Construction of eight (No.) Classrooms at Makuchi	7,500,000	Physical verification revealed that the iron bars (T5) used to partition the windows are not strong enough for the size of the windows fitted. Also skirting had not been done although was provided for in the BQs at a cost of Kshs.11,556.

No.	Project	Amount Kshs.	Observations
	Primary School		
13	Construction of eight (No.) Classrooms at Shanda Primary School	8,000,000	The iron bars (5T and flat) used in partitioning of the windows are weak for the kind/size of windows fitted and the windows do not have grills. As such, Kshs.823,782.00 (<i>as per the BQs</i>) spent on the windows is likely to be a wasteful expenditure. In addition, skirting costing Kshs10,800 as per the BQs had not been done.
14	Construction of Administration Block at Shagungu Primary School	1,000,000	The external doors were supposed to be made of heavy-duty mild steel at a cost of Kshs32,000. However, the two doors fitted were grills. Also skirting provided for Kshs.14,700 had not been done.
	Total	31,282,000	