

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TAVETA 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 - Taveta Constituency set out on pages 24 to 48, which comprise the statement of financial assets and liabilities as at 30 June, 2020, 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 - Taveta 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 National Government Constituencies Development Fund Act No. 30 of 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1.0 Outstanding Imprest**

As previously reported, Note 11 to the financial statements reflects an outstanding imprest of Kshs.88,600 which was issued in the year 2017. Available records indicated that the imprest was issued to an employee who has since been transferred to another Government department outside Taveta Sub-County. The management has prepared a loss report on the same for consideration to write-off as a result of fruitless recovery efforts.

Consequently, the recoverability of outstanding imprest of Kshs.88,600 as at 30 June, 2020.

#### **2.0 Cash and Cash Equivalents**

The statement of assets and liabilities as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.21,284,080. Bank reconciliation statement provided for audit reflected unpresented cheques totalling to Kshs.227,660 out of which cheques amounting to Kshs.148,087 had not cleared in the bank for more than six months and were therefore stale as at 30 June, 2020. No explanation was provided for non-reversal of the stale cheques in the cashbooks.

Consequently, the accuracy and completeness of cash and cash equivalents balance of kshs.21,284,080 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 National Government Constituencies Development Fund – Taveta 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. Budgetary Control and Performance**

The summary statement of appropriation – recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.145,813,894 and Kshs.110,813,894 respectively resulting to shortfall of Kshs.35,000,000 or 24% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs.145,813,894 and Kshs.89,529,814 respectively, resulting in underperformance amounting to Kshs.56,284,080 or 39% of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to residents of Taveta 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. I confirm that, nothing 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**

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 Conclusion on Effectiveness of 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

### 1. Projects

#### 1.1 Projects Implementation Status

The projects implementation status report as at 30 June, 2020 provided for audit review indicates that fifty-four (54) projects with a total budget of Kshs.69,256,388 received the entire allocation. Further, analysis of the report revealed that thirty-eight (38) projects with a budget of Kshs.36,150,000 and disbursements of the same amount were completed, fifteen (15) projects which had a budget of Kshs.31,006,387 were ongoing while one (1) project with a budget of Kshs.2,100,000 and received the amount had not started.

The Management needs to strengthen monitoring and evaluation of development projects as it provides crucial feedback on areas that require urgent and continuous improvement. In the circumstances, service delivery to the residents of Taveta Constituency and the intended purpose of the projects may not be realized.

#### 1.2 Projects Inspection

An audit inspection of fourteen (14) projects with total allocation of Kshs.24,906,388 in the month of January 2020 indicated the following state of affairs:

No.	Project Name	Approved Activity	Amount Allocated (Kshs.)	Amount Disbursed (Kshs.)	Comments on physical Verifications
1	Timbila Boys High School	Construction of two classrooms	2,200,000	2,200,000	Project complete but the one classroom not being used
2	Sowene Secondary School Project	Completion of a 60-student laboratory (plastering, wiring, sockets,	2,200,000	2,200,000	Lab preparation room used as staff room, Lab assistant

No.	Project Name	Approved Activity	Amount Allocated (Kshs.)	Amount Disbursed (Kshs.)	Comments on physical Verifications
		bulbs, flooring, plumbing, gas system, ceiling).			office used as the principal office
3	Abori Primary School Project	Construction of administration block (Phase I) For (Head teacher, deputy head teacher, senior teacher, clerk, guiding and counseling room, staff room and store).	2,000,000	2,000,000	Plastering, floor, windows, doors not yet done. contractor not on site
4	Sowene Secondary School Project	Construction of two classroom to completion.	2,200,000	2,200,000	No chalk rails on blackboard, cracks on walls and floor
5	Kiwalwa Secondary School Project	Construction of laboratory (Phase I) for 60 students.	3,000,000	3,000,000	Huge cracks on the ramp. Plastering, floor, windows, doors not yet done. contractor not on site
6	Kiwalwa Secondary School Project	Renovation of Two classrooms (walling, roofing, plastering, wiring, sockets, bulbs flooring and painting) to completion.	1,200,000	1,200,000	Huge cracks on walls and floor. Floors not done with coloured cement
7	Timbila Secondary school Project	Construction of Dormitory (Phase I ) for 112 students to completion.	5,000,000	5,000,000	Plastering, floor, windows, doors not yet done. contractor not on site
8	Taveta Sub-County Police Headquarters	Pavement slabs, and fire exit door.	500,000	500,000	Project Complete

No.	Project Name	Approved Activity	Amount Allocated (Kshs.)	Amount Disbursed (Kshs.)	Comments on physical Verifications
9	Taveta Sub-County Police Headquarters	Tiling of the two storey office block.	1,200,000	1,200,000	Project Complete
10	Taveta Sub-County Police Headquarters	Fencing (Concrete posts and chainlink, gate and gate house) 400 Meters.	1,406,388	1,406,388	Fencing complete, works at gate and gate house ongoing
11	Taveta Sub-County Police Headquarters	Construction of 3 door public pit latrine to completion.	500,000	500,000	Plastering and fixing of ventilation pipes on going
12	Taveta Sub-County Police Headquarters	Construction of parking (cabro paved and car shed)	1,000,000	1,000,000	Laying of cabro Ongoing
13	Timbila Chiefs Office	Construction of chiefs office and four door pit latrine. Chiefs offices, 2 assistant chiefs offices, clerk office, store and meeting room for 300 people.	2,000,000	2,000,000	Foundation, walling and roofing done. Finishes not complete and the contractor not on site
14	Taveta Deputy County Commissioners Official Residence.	construction of 3 door pit latrine	500,000	500,000	Project complete, two manholes constructed instead of three as per Bills of Quantities
<b>Total</b>				<b>24,906,388</b>	

The above observations are indications of poor workmanship which casts doubt on project supervision of the fourteen projects for the year ended 30 June, 2020.

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 ability of the Fund to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to 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 Fund 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 Fund's 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 Fund's 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 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 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 sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**10 February, 2022**