

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TINDERET CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Government Constituencies Development Fund - Tinderet Constituency set out on pages 21 to 63, which comprise the statement of 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 effects of the matter 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 - Tinderet 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

1.0 Unutilized Fund

Note 15.3 to the financial statements reflects a Nil balance of unutilized fund while the annex 3 shows a figure of Kshs.79,277,451 resulting to unexplained/unreconciled variance of Kshs.79,277,451.

Consequently, the accuracy and completeness of the unutilized Nil fund balance as at 30 June, 2020 could not be confirmed.

2.0 Bursary to Tertiary Institutions

The statement of receipts and payments reflects other grants and other transfers figure of Kshs.39,550,531 which according to Note 7 to the financial statements includes bursary-tertiary institutions figure of Kshs.15,477,567. Included in this amount is phase 1 bursary disbursements of Kshs.7,387,500 made to Tinderet Technical and Vocational College for full scholarship of 500 students each getting Kshs.14,775. However, a scrutiny of NG-CDF minutes, correspondence from the college, fee structure, approved code list for financial year 2019-2020 revealed the following:

- i) According to NG-CDF meeting held on 12 March, 2020, the College was allocated Kshs.10,210,000 for full scholarship of 500 students each getting

Kshs.20,420. Therefore the variance of Kshs.2,822,500 resulting from the disbursement of Kshs.7,387,500 and the approved amount of Kshs.10,210,000 could not be explained.

- ii) A visit to the institution established that out of the total 500 students on sponsorship from Tinderet NGCDF, only 470 students reported to the institution leading to an excess bursary disbursement of Kshs.612,600 which has not been refunded to Tinderet NGCDF account by the beneficiary institution.

Consequently, the accuracy and completeness of bursary-tertiary figure of Kshs.15,477,567 for the year ended 30 June, 2020 could not be confirmed.

3.0 Cash and Cash Equivalents

The statement of assets and liabilities as at 30 June, 2020 reflects cash and cash equivalents figure of Kshs.9,797,400. Audit review of the cash book, bank reconciliation and bank statement reflected unrepresented cheques amounting to Kshs.2,097,235 as at 30 June, 2020. A scrutiny of the unrepresented cheques revealed that cheques totalling to Kshs.706,035 had gone stale as at the time of audit in February, 2021. No explanation was provided for failure to reverse the cheques to the cash book.

Consequently, the accuracy and completeness of cash and cash equivalents figure of Kshs.9,797,400 as at 30 June, 2020 could not be confirmed.

4.0 Project Management Committee Account Balances

Note 15.4 to the financial statements reflects project management committee accounts balances figure of Kshs.22,132,618 relating to disbursed funds to the projects during the year which had not been utilized by the end of the year. However, the respective cash books and bank reconciliation statements were not provided for audit review. In addition, the Management did not explain how the previous year's cash balances totaling to Kshs.22,459,631 were utilized and whether the unspent balances were returned to the constituency account as stipulated in Section 12(8) of the National Government Constituencies Development Fund Act, 2015 which states that "all unutilized funds of the project management committee shall be returned to the constituency account".

Consequently, the accuracy, completeness and existence of project management committee accounts balances of Kshs.22,132,618 as at 30 June, 2020 could not be confirmed.

5.0 Fixed Assets Register

Annex 4 to the financial statements reflects total assets worth Kshs.19,858,648. However, the fixed assets register was not provided for audit verification.

Consequently, the accuracy and completeness of the assets balance of Kshs.19,858,648 for the year ended 30 June, 2020 could not be confirmed including their nature, number, physical location and fair value.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Tinderet Constituency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

During the year under review, the Fund had a budget of Kshs.198,098,403 comprising of 2019/2020 allocation of Kshs.137,479,724 and unspent balance brought forward from 2018/2019 of Kshs.60,618,679.

During the same period, the Fund recorded actual expenditure of Kshs.118,821,278 or approximately 60% of the budget resulting to an under expenditure of Kshs.79,277,124 or approximately 40% of the budgeted amount.

Failure to utilize the funds as budgeted is an indication that services and approved programs were not delivered, and therefore the budget did not meet the intended objectives of improving service delivery to the residents of Tinderet Constituency. The Management should therefore re-look into its budgeting mechanism to ensure only priority programmes are budgeted for, or redirect the funds to other needy projects.

Tinderet Constituents did not get value for money from the budgeted funds.

3.0 Budget Underfunding

During 2019/2020 financial year, the constituency had an original budget of Kshs.137,479,724 as detailed in the summary statement of appropriation-recurrent and development combined, of this amount only Kshs.68,000,000 or 49% was disbursed from the NGCDF Board to the constituency as per the statement of receipts and payments resulting to underfunding by Kshs.69,479,724 or 51%.

The underfunding negatively affected the implementation of the planned projects and programs thus denying the residents of Tinderet Constituency the services they are entitled to.

4.0 Projects

4.1 Projects Implementation

During the financial year ended 30 June, 2020, the Constituency had an approved budget of Kshs.116,266,000 to be spent on two hundred thirty-nine (239) projects out of

which an amount of Kshs.61,916,000 was disbursed to seventy (70) projects. One hundred and sixty-nine (169) projects with a total budget of Kshs.54,350,000 were not funded during the year. As at 30 June, 2020, according to the Projects Implementation Status report, not all projects had been completed and put into use since most of them were ongoing at different stages of completion with works going on or awaiting further funding from NG CDF Board.

Projects	Number Budgeted	Number Funded	Budget Amount (Kshs.)	Actual Expenditure (Kshs.)	Utilization Difference (Kshs.)
Primary Schools	199	48	65,500,000	31,500,000	34,000,000
Secondary Schools	34	16	46,650,000	26,800,000	19,850,000
Security	6	6	4,116,000	3,616,000	500,000
Total	239	70	116,266,000	61,916,000	54,350,000

Failure to fund or complete the projects as budgeted may lead to delay on their completion, implementation and may deny the people of Tinderet Constituency the benefits accrued from the projects.

3.2 Projects Verification

During the year under review, twenty-two (22) projects with a total funding of Kshs.22,859,000 were verified. Fourteen (14) projects with a total disbursement of Kshs.6,795,000 were found to be complete and in use, eight (8) projects with a disbursement of Kshs.13,800,000 were ongoing and one (1) school project under purchase of buses with a total disbursement of Kshs.3,264,000 had the bus delivered.

The ongoing projects are as detailed in the table below;

S/No.	Project Name	Project Activity	Amount Disbursed (Kshs.)	Results of Verification
1	Tinderet Technical Teachers Training College	Construction of a two (2) storey administration, tuition, lecture theatres and workshops block	9,500,000	Ongoing roofing in progress
2	Metetei Adventist Primary School	Construction of one classroom to completion	500,000	Ongoing. Windows and door not fitted, plastering not started.
3	Tachasis Primary School	Completion of 100 student capacity dormitory; Roofing, plastering and painting	500,000	Ongoing. Not painted, floor not plastered.
4	St. Andrews Seretwo Secondary	Completion of one classroom from slab level	400,000	Ongoing. Not painted, window pens and ceiling not fitted.

S/No.	Project Name	Project Activity	Amount Disbursed (Kshs.)	Results of Verification
5	Kamelilo Chief Office	Completion of Chiefs Office-comprising of 3 offices (Plastering and Painting)	700,000	Ongoing. Doors and windows not fitted, plastering not done.
6	Kimwani Secondary School	completion of laboratory	500,000	Ongoing. Project in use
7	Kimwani Primary School	Renovation of 9 classrooms	1,000,000	5 classrooms were completed and in use while 4 classrooms were not completed
8	Kapteldon Primary	Foundation, walling, roofing, plastering and painting of 1 classrooms	700,000.00	Roofing on going
		Total	13,800,000	

Incomplete projects did not meet the expectations of the stakeholders and the Tinderet constituents did not get value for money.

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 Construction of Tinderet Technical Teachers Training College

Note 6 to the financial statements reflects transfers to tertiary institutions figure of Kshs.9,500,000 which relates to construction of a two (2) storey administration, tuition, lecture theatres and workshops block at the College which started in September, 2019. The amount was credited to Project Management Committee (PMC) of the college account in the month of April, 2020.

The tender for construction works Tender No. TTC/NG-CDF/PRO/01/2019 was advertised on 22 February, 2019 in the Daily Nation. It was then awarded to the winning bidder at a contract sum of Kshs.50,310,437 as per the letter of notification dated 7 May, 2019 from the Project Management Committee (PMC). However, a Contract agreement of Kshs.36,000,000 was signed on 16 May, 2019 after negotiation between the PMC and the contractor.

Audit inspection of the project carried out in the month of February, 2021, revealed that the construction was still in progress and roofing was going on. However, the following anomalies were noted from the site visit and review of project file;

- i) A sub-contractor was paid Kshs.337,662 by the PMC of the College for landscaping which was however supposed to be done by the contractor as indicated on page 99 of the bills of quantities provided during the audit.
- ii) Acceptance letter for tender award from contractor was not provided for audit verification.
- iii) A performance bond from the contractor was not provided for audit verification contrary to the letter dated 10 May, 2019 from the PMC which required the contractor to give a performance bond.
- iv) The contract agreement availed was not witnessed by a legal representative hence might not hold in case of a law suit.

In the circumstances, the Fund Management was in breach of the law.

2.0 Emergency Expenditure

2.1 Renovation of Kimwani Primary School

The statement of receipts and payments reflects other grants and other transfers balance of Kshs.39,550,531 which includes an emergency figure of Kshs.4,763,464 as disclosed in Note 7 to the financial statements. Included in that emergency figure is an amount of Kshs.1,000,000 disbursed to Kimwani Primary School vide Payment voucher no.665 and cheque no.3008 for renovation of 9 classrooms. The works to be done included roofing, flooring, shatters, plastering and painting walls. Audit inspection of the project carried out in the month of February, 2021 revealed that only five (5) classrooms were renovated, the receipts had no ETRs, all the floors had large pot holes, 85 percent of the roofing timber were recycled, an indication of poor workmanship, therefore there was no value for money spent on the project.

Consequently, the validity of the expenditure of Kshs.1,000,000 incurred on renovation of the classrooms could not be confirmed.

2.2 Emergency Projects

The statement of receipts and payments reflects other grants and other transfers figure of Kshs.39,550,531 for the year ended 30 June, 2020 which according to Note 7 to the financial statements included emergency projects figure of Kshs.4,763,464. Included in the emergency figure were payments totaling to Kshs.3,436,464 made to various projects. The projects did not meet the threshold of being emergency in nature. Further, the Management did not provide the reports submitted to the board after emergency payments were made which is contrary to Section 20(2) of the National Government Constituencies Development Fund Regulations, 2016.

The legality of the emergency expenditure of Kshs.3,436,464 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 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 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 policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

28 January, 2022