

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - BUMULA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

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## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Bumula Constituency set out on pages 7 to 23, which comprise the statement of financial assets as at 30 June 2017, 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 National Government Constituencies Development Fund - Bumula Constituency as at 30 June 2017, 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.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the basis for Qualified Opinion section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective manner.

### Basis for Qualified Opinion

1. The statement of receipts and payments reflects a figure under transfers to other Government units of Kshs.39,434,753 which includes an amount of Kshs.15,900,000 being the cost of purchase of three 33 seater institutional buses for three schools as shown below:

Date	Project Title	Details	Supplier	Amount Kshs.
January 2017	St Kizito Mayanja Secondary school	Purchase of 33 seater institutional mini bus	Kenya Coach Industries	5,300,000.00
January 2017	St. Mary Magdalene Kimatuni Sec School	Purchase of 33 seater institutional mini bus	Kenya Coach Industries	5,300,000.00
December 2017	St Stephen Chiliba secondary school	Purchase of 33 seater institutional mini bus	Kenya Coach Industries	5,300,000.00
	<b>Total</b>			<b>15,900,000.00</b>

However, the procurement documents and payment records were not availed for audit verification. In the circumstances, it was not possible to ascertain propriety and

completeness of the acquisition of these buses costing Kshs.15,900,000 during the year under review.

## 2. Unsupported Land Acquisition

Included under other grants and transfers figure of Kshs.40,780,197 is an amount of Kshs.2,100,000 for acquisition of various parcels of land as detailed below. However, no title deed was availed for audit verification.

<b>Project Title</b>	<b>Institution</b>	<b>Amount Kshs.</b>
Purchase of land	Nakhwana Chief's Office	300,000
Purchase of land	Kabubero Secondary School	400,000
Purchase of land	Manani Secondary School	400,000
Purchase of land	Nangata Secondary School	400,000
Purchase of land	St. Paul Wamunyinyi Sec School	600,000
<b>Total</b>		<b>2,100,000</b>

In the circumstances, it was not possible to ascertain the ownership of the parcels of land acquired for the respective institutions.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Bumula Constituency in Accordance with ISSAI 30 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 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. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

### Other Matter

#### 1. Budgetary Control and Performance

During the year under review, the Fund spent Kshs.94,414,401 against a budgeted amount of Kshs.96,400,081 resulting into an under-absorption of Kshs.1,985,679 representing 6% as highlighted below.

Receipt/Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilisation Difference Kshs.	% of Utilisation
<b>Receipts</b>				
Transfers from NG-CDF Board	96,400,081	96,400,081	-	100.00%
<b>Total</b>	<b>96,400,081</b>	<b>96,400,081</b>	<b>-</b>	<b>100.00%</b>
<b>Payments</b>				
Compensation of Employees	1,500,000	1,520,449	(20,449)	101.36%
Use of goods and services	10,415,247	12,623,534	(2,208,287)	121.20%
Transfers to Other Government Units	44,306,897	39,434,753	4,872,144	89.00%
Other grants and transfers	40,177,937	40,780,197	(602,260)	101.50%
Other Payments	-	55,469	(55,469)	-100.00%
<b>Total</b>	<b>96,400,081</b>	<b>94,414,401</b>	<b>(1,985,679)</b>	<b>97.94%</b>

## 2. Project Implementation Status

The CDF was to implement a total of 119 projects/programmes through different PMCs during the year under review. Further analysis indicated that 2 or 2% of projects had not started, 77 or 65% of the projects were ongoing and 40 or 34% of the projects had been completed as at the time of audit.

<b>Bumula NG-CDF Project Implementation Status for the Year Ended 30 June 2017</b>					
	<b>Not Started</b>	<b>Ongoing</b>	<b>Complete</b>	<b>Total</b>	<b>Complete Percentage</b>
Education Primary	1	58	14	73	19%
Education Secondary	1	6	8	15	53%
Education Tertiary	-	1	1	2	50%
Security	-	12	5	17	29%
Sports	-	-	1	1	100%
Environment	-	-	1	1	100%
CDF Office	-	-	8	8	100%
Bursary Secondary	-	-	1	1	100%
Bursary Tertiary	-	-	1	1	100%
<b>Total</b>	<b>2</b>	<b>77</b>	<b>40</b>	<b>119</b>	<b>34%</b>
<b>%</b>	<b>2%</b>	<b>65%</b>	<b>34%</b>		

Consequently, the Fund may not have achieved its projects completion targets and could therefore not provide its constituents with all the services planned and budgeted for the year ended.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 such 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's 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 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**05 July 2018**