

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Bura Constituency set out on pages 6 to 25, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and a 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- Bura 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 and Other Matter sections of my report, 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 way.

Basis for Qualified Opinion

1. Presentation of financial statements

The financial statements for the year ended 30 June 2017 presented for audit had the following anomalies:-

- i. Page 20 has not been numbered and the subsequent pages are not numbered in order.
- ii. The statement of receipts and payment reflects nil balance for other receipts, while Note 3 reflects a balance of Kshs.29,000.

In the circumstances, the financial statements presented for the year ended 30 June 2017 do not comply with International Public Sector Accounting Standards (Cash

Basis) No.1 on presentation of financial statements as prescribed by the Public Sector Accounting Standards Board.

2. Cash and cash equivalent

2.1 Bank Balance

Note 10A to the financial statement reflects bank balance of Kshs.430,201 as at 30 June 2017. However, the bank reconciliation statement as at 30 June 2017 reflects payments in cash book not in bank statement (un-presented cheques) amounting to Kshs.4,103,489.45. Included in the un-presented cheques are stale cheques amounting to Kshs.2,592,873.45 which should have been reversed in the cash book. No explanation has been provided by the management why the cheques were not reversed while subsequent bank statements were not availed to confirm when the unrepresented cheques were cleared.

In addition, included in the bank reconciliation statement are payment in the bank not recorded in the cash book of Kshs.917,000 which have been long outstanding. Management have not explained the failure not to record the transactions in the cash book. Further, bank charges of Kshs.64,696 were reflected in the bank reconciliation statement instead of being expensed and therefore excluded in these financial statements.

Further, the bank reconciliation statement as at 30 June 2017 reflects balance as per bank certificate of Kshs.5,385,993.99 while the actual certificate of bank balance as at 30 June 2017 reflects a balance of Kshs.6,530,903.49 resulting to unexplained nor reconciled variance of Kshs.1,144,929.50.

Consequently, the accuracy, completeness and validity of cash and cash equivalent balance of Kshs.430,200.65 as at 30 June 2017 could not be Confirmed.

2.2 Cash Balance

The statement of assets as at 30 June 2017 reflects a nil balance. However, board of survey certificate on cash was not availed for audit review.

As a result, the accuracy of the nil balance as at 30 June 2017 could not be confirmed.

3. Outstanding Imprest

The statement of assets reflects outstanding imprest balance of Kshs.233,794 as at 30 June 2017. However, the imprest balance have been outstanding for more than six months contrary to Section 92(5) of The Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

Consequently, Bura CDF is in breach of the law and the accuracy and completeness of outstanding imprest balance of Kshs.233,794 as at 30 June 2017 could not be confirmed.

4. Transfers to Other Government Entities

Note 6 to the financial statements reflects transfers to other government entities balance of Kshs.70,563,469 for the year ended 30 June 2017. Included in this balance is Kshs.57,559,471.60 in respect to transfers to primary school. Out of this, the Constituency Development Fund Committee (CDFC) transferred Kshs.7,000,000 to Koti Primary School to facilitate the purchase of 2 acres parcel of land in Bangale ward. However, a scrutiny of the payment documents indicated that the school management fully paid for the land but ownership document was not availed for audit review.

Consequently, the propriety of the payment and ownership of the land, valued at Kshs.7,000,000 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- Bura 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 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. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there were no other Key Audit Matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

The summary statement of appropriations: recurrent and development combined reflects final expenditure budget of Kshs.171,921,397 while the actual expenditure was Kshs.130,309,126 resulting in under absorption of Kshs.41,612,271 or 24% of the funds allocated as detailed below:

Expenditure Item	Final Budget (Kshs)	Actual Expenditure (Kshs)	Budget Utilization	% Budget Utilization

			Difference (Kshs)	
Compensation of Employees	2,661,890.00	2,157,140.00	504,750.00	19
Use of Goods and Services	14,591,679.15	10,409,882.30	4,181,796.85	29
Transfers to Other Government Units	93,285,400.00	70,563,468.95	22,721,931.05	24
Other Grants and Transfers	58,482,427.52	44,278,634.80	14,203,792.72	24
Acquisition of Assets	2,900,000.00	2,900,000.00	-	0
Total	171,921,396.67	130,309,126.05	41,612,270.62	24

The underutilization of Kshs.41,612,271 or 24% indicate that the residents of Bura Constituency did not receive the planned goods and services.

2.0 Project Implementation

According to the project implementation status report as at 30 June 2017, Kshs.81,896,551.72 was allocated for forty one (41) projects while disbursements to these projects amounted to Kshs.40,948,276 resulting in an absorption rate of 50%. Out of the 41 projects 11 projects amounting to Kshs.28,612,069 were not completed during the year under review and 3 projects amounting to Kshs.2,188,965.12 had not been started as detailed table 1 and 2 below;

1. Projects Ongoing as at 30 June 2017

Project No.	Project Name	Activity	Project Costs (Amount spent)	Status as at 30 June 2017	Current Status as at time of Audit
1	Bursary Secondary Schools	Payment of bursary to needy students	11,000,000.00	Ongoing	Complete
2	Bursary Tertiary Institutions	Payment of bursary to needy students	9,474,138.00	Ongoing	Complete

3	Bura Environ. Activities Project	For environmental conservation activities (purchase and planting of tree seedlings) in Bura NGCDF Office Kshs.400,000.00;H uruma Primary School Kshs.206,321.00;B alenegha Primary School Kshs.206,321.00;B ula Sukele Primary School Kshs.206,321.00;M ororo Primary School Kshs.206,321.00;M aramtu Primary School Kshs.206,323.50 and Madogo, Secondary School Kshs.206,323.50	1,637,931.00	Ongoing	Complete
4	Maramtu Primary School	Purchase of 40 No. desks	200,000.00	Ongoing	Complete
5	Kamaguru Primary School	Purchase of 40 No. desks	200,000.00	Ongoing	Complete
6	Sala Primary School	Purchase of 40 No. desks	200,000.00	Ongoing	Complete
7	Kuriti Primary School	Purchase of 40 No. desks	200,000.00	Ongoing	Complete
8	Tula Primary School	Purchase of 40 No. desks	200,000.00	Ongoing	Complete
9	Bura DEO's Office	Purchase of printing machine for mock examinations in the constituency	500,000.00	Ongoing	Ongoing

10	Huruma Secondary School	Completion works of a laboratory (walling, painting, roofing, plastering)	2,000,000.00	Ongoing	Complete
11	Madogo Police Station	Construction of an administration block to completion	3,000,000.00	Ongoing	Complete
	Total		28,612,069.00		

2. PROJECT NOT YET STARTED AS AT 30 JUNE 2017

Project No.	Project Name	Activity	Project Costs	Status as at 30 June 2017	Current Status as at Time of Audit
1	Constituency sports tournament	Carry out Constituency Sports tournament and the winning teams/schools to be awarded with trophies, balls, and games kits	1,588,965.12	Not yet started	Complete
2	Wolesonrea Primary School	Renovation of 8 No. classrooms (flooring, fixing of door & windows, plastering and painting)	1,500,000.00	Not yet started	Complete
3	Bula Sukele Primary School	Construction of 2 No. toilets to completion	600,000.00	Not yet started	Complete
	Total		3,688,965.12		

None implementation of development projects affects delivery of goods and service to the public and the intended purpose of the project may not be realized. It also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC).

Project Inspection

A total of seven (7) were inspected in the month of May 2018. However, two (2) projects with a budget of Kshs.2,600,000.00 were not fully complete. The following state of affairs was noted;

	Project Name	Project Activity	Project Costs	Observations
1	Bula Sukele Primary School	Construction of 2 No. toilets to completion	600,000.00	Though the project status indicate the project has not yet started, the project was observed to be complete but its not in use and has not been handed over to the school. Further it was observed that branding has not been done
2	Huruma Secondary School	Completion works of a laboratory (walling, painting, roofing, plastering)	2,000,000.00	Though the project is complete and in use no branding and handing over was done
	Total		2,600,000.00	

Failure to complete project in time is an indication of lack of proper planning and implementation of projects by the Constituency Development Fund Committee.

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 National Government Constituencies Development Fund – Bura Constituency’s ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting.

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 National Government Constituencies Development Fund – Bura Constituency’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 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.
- 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 National Government Constituencies Development Fund – Bura Constituency’s ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the National Government Constituencies Development Fund – Bura Constituency to cease to continue as a going concern or to sustain its services.

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

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

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



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

Nairobi

06 July 2018