

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – CHUKA IGAMBA NG’OMBE 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 the National Government Constituencies Development Fund – Chuka Igamba ng’ombe Constituency set out on pages 5 to 27, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation 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 – Chuka Igamba ng’ombe 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, based on the procedures performed, 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 Qualified Opinion

#### 1.0 Irregularities in Roads Projects

During the financial year under review, the Fund disbursed Kshs.2,500,000 and Kshs.2,000,000 all totaling to Kshs.4,500,000 for rehabilitation of access roads of Kiamukuria - Kiarithia and Njuri - Kidiga respectively. The invitation for tenders for the works on the two roads was done on 3 May 2016 with a closing date of 23 May 2016. The tenders were opened on 23 May 2016 and four (4) bidders were purported to have bid as follows;

Contractor	Njuri – Kibiga Road (Kshs)	Kiamukuria – Kiaritha Road (Kshs)
Zabloxy Enterprises Ltd	2,032,640	2,587,620
Gee Two Talents Co. Ltd	2,157,340	2,622,790
Pplebiz Ventures Ltd	1,989,000	2,489,000
Trinidad Ventures Ltd	2,069,620	2,646,040

The two tenders were awarded to M/S Pplebiz Ventures Limited as per the Project Management Committee (PMC) Minutes dated 23 May 2016. However, the tender evaluation minutes and constitution of tender evaluation panel and the final completion certificates were not made available for audit verification.

In view of the foregoing, the propriety and value for money of Kshs.4,500,000 expenditure on the two roads as at 30 June 2017 could not be confirmed.

## **2.0 Irregularities in Schools Projects**

### **2.1 Classroom Completion – Mungoni and Makanyanga Primary Schools**

During the financial year under review, Mungoni and Makanyanga Primary Schools were funded with Kshs.500,000 each in respect of construction of a class room to completion. However, physical verification done on 26 April 2018 revealed that funds were diverted to fencing, framing of windows, painting and building of a dormitory respectively without approval of the Board contrary to Section 6 (2) of National Government Constituency Development Fund Act (NG-CDF) 2015.

Further, bills of quantities and drawings of the structure and interim certificates from the public works office were not made available for audit verification.

In addition, procurement records, invoices, local purchase orders, bank statements, inspection reports and minutes authorizing withdrawal of funds were not made available for audit verification.

As a result, the propriety and value for money of the Kshs.1000,000 expenditure could not be confirmed as at 30 June 2017.

### **2.2 Gitumbi Primary School**

During the financial year under review, Gitumbi Primary School was funded Kshs.300,000 for plastering, painting, window fixing, door fixing and painting of the school. However, a physical inspection carried out on 26 April 2018 revealed that the project was not done and the premises were deserted. Even though, the money was still intact in the PMC account, the same ought to have been surrendered to the NG-CDF Chuka Igamba ng'ombe to be used in other needy projects since the school was no longer operational.

In the circumstance, the Fund did not receive value for money for the Kshs.300,000 unutilized disbursements as at 30 June 2017.

### **2.3 Construction of Classroom at Makanyanga Secondary School**

During the financial year under review, Makanyanga secondary school was allocated Kshs.300,000 for the construction of a class room. However, the project activity was not budgeted for during the year under review and no Board's approval for reallocation was made available for audit verification.

Further, bills of quantities and drawings of the structure and interim certificates from the public works office were not made available for audit verification.

In the circumstances, the propriety and value for money of the Kshs.300,000 expenditure as at 30 June 2017 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 – Chuka Igamba ng’ombe 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 are no other Key Audit Matters to communicate in my report.

### **Other Matter**

#### **1. Budgetary Control and Performance**

During the financial year under review, the Fund had budgeted to spend Kshs.116,060,201 made up Kshs.81,896,552 for the year under review and an opening cash balance of Kshs.34,163,649 from the financial year 2015/2016. Records made available including Authority to Incur Expenditure (AIEs) showed that the whole allocation of Kshs.116,060,201 was received during the year. However, out of the Kshs.116,060,201 receipts during the year, only Kshs.113,981,049 was spent while Kshs.2,079,152 remained unspent as at 30 June 2017.

As a result, the residents of Chuka Igambang’ombe Constituency did not receive planned and expected services equivalent to the unspent funds totaling to Kshs.2,079,152.

#### **2. Project Implementation Status**

The Fund had an approved budget of Kshs.81,896,552 for the year under review comprising of both Recurrent and Development expenditure of Kshs.11,508,631 (14%) and Kshs.70,387,921 (86%) respectively. The approved budget for development projects was apportioned among 198 projects in various sectors within the Constituency namely bursary-secondary and tertiary institutions, primary schools, secondary schools, health, water, agriculture, security, roads, emergency, market sheds and environment for a total of 198 projects.

Review of the project implementation status report revealed that 137 projects worth Kshs.44,347,921 were completed, 6 projects worth Kshs.2,700,000 had not started and 53 projects worth Kshs.23,300,000 were ongoing as shown below;

<b>Sector</b>	<b>Project Status</b>	<b>Amount Allocated (Kshs)</b>	<b>Amount Disbursed (Kshs)</b>	<b>No of Projects</b>
Education	Completed	14,281,035	14,281,035	52
	Ongoing	15,850,000	15,850,000	34
	Not Started	1,700,000	1,700,000	04
	<b>Sub-Total</b>	<b>31,831,035</b>	<b>31,831,035</b>	<b>90</b>
Emergency	Completed	4,094,827	4,094,827	15
	Ongoing	-	-	-
	Not Started	-	-	-
	<b>Sub-Total</b>	<b>4,094,827</b>	<b>4,094,827</b>	<b>15</b>
Security	Completed	2,900,000	2,644,913	08
	Ongoing	5,450,000	5,150,000	18
	Not Started	1,000,000	1,000,000	02
	<b>Sub-Total</b>	<b>9,350,000</b>	<b>8,794,913</b>	<b>28</b>
Roads	Completed	1,000,000	1,000,000	01
	Ongoing	-	-	-
	Not Started	-	-	-
	<b>Sub-Total</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>01</b>
Environment	Completed	1,637,921	1,637,921	60
	Ongoing	-	-	-
	Not Started	-	-	-
	<b>Sub-Total</b>	<b>1,637,921</b>	<b>1,637,921</b>	<b>60</b>
Bursary-Secondary & Tertiary	Completed	20,474,138	20,474,138	01
	Ongoing	-	-	-
	Not Started	-	-	-
	<b>Sub-Total</b>	<b>20,474,138</b>	<b>20,474,138</b>	<b>01</b>
Market Sheds	Complete	-	-	-
	Ongoing	2,000,000	2,000,000	01
	Not Started	-	-	-
	<b>Sub-Total</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>01</b>
<b>Grand Total</b>		<b>70,387,921</b>	<b>69,832,834</b>	<b>196</b>

The residents of Chuka Igamba ng'ombe Constituency did not therefore get promised and expected services equivalent to Kshs.23,300,000 and Kshs.2,700,000 for on-going projects and projects not started respectively all totaling Kshs.26,000,000 as at 30 June 2017.

In the circumstance, it was not possible to ascertain that the Fund would implement all projects as budgeted and achieve its stated objectives.

### **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's 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.

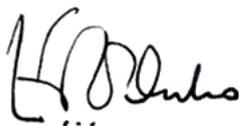
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 Fund'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 Fund's 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 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**

**13 July 2018**