

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - DAGORETTI SOUTH 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- Dagoretti South Constituency set out on pages 6 to 23, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and 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 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 National Government Constituencies Development Fund- Dagoretti South 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Other Matter section of my report, based on 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 way.

### **Basis for Qualified Opinion**

#### **Net Financial Position**

The statement of assets as at 30 June 2017 reflects net liabilities instead of net financial position of Kshs.1,617,772.05, being the difference between the brought forward fund balance of Kshs.19,700,324.93 and the deficit for the year of Kshs.18,082,552.88. No explanation has been provided for this anomaly.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Dagoretti South 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 judgement, are of most significance in the audit of the financial statements. Except for matters described in the Basis for Qualified Opinion and Other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

### **Other Matter**

#### **1. Budget and Budgetary Controls**

During the year under review, the Fund budgeted to spend Kshs.156,036,464.65. However, overall actual expenditure for the year amounted to Kshs.68,769,176.48 resulting in an under expenditure of Kshs.87,267,288.17 which is equivalent to 44% of the total budget. Further analysis of the budget indicates that transfers to other government units and other grants and transfers were budgeted at Kshs.45,300,000 and Kshs.95,576,650.48 respectively. However, only Kshs.19,300,000 and Kshs.41,020,857.47, respectively was put to use resulting in budget under-utilization of Kshs. 26,000,000 (57%) and Kshs.54,555,793 (57%), respectively. The significant under-utilization of the budget is an indication that most approved programmes were not fully implemented thereby impacting negatively on the delivery of services to the residents of Dagoretti South.

#### **2. Projects Implementation**

Projects included in the 2016/17 approved budget with a total budget of Kshs. 36,567,243 had not started as at the time of audit as detailed below:

<b>Project Location</b>	<b>Project Description</b>	<b>Budgeted Amount (Kshs)</b>
Dagoretti South Constituency	Buy trophies, balls and games kits for Constituency sports tournament. Purchase of school games uniform for schools in the constituency	1,637,931
Dagoretti South Constituency	To purchase 20 water tanks for 15 public schools	1,637,931
Dr. Muthiora Primary School	Renovation of 4 classrooms and staff offices	2,000,000
Mutuini Primary School	Rehabilitation of 10 classrooms	3,000,000
Ruthimitu Girls high School	Construction of multipurpose hall (first phase)	2,000,000

Ruthimitu Mixed Secondary School	Construction of perimeter wall (first phase)	1,000,000
Mutuini High School	Construction of dining hall (first phase)	2,000,000
Wanyee Chief's Office - Dagoretti District	Construction of one block Githembe Chiefs office	3,000,000
Riruta Police Station	Construction of six staff house for police officers	3,000,000
Ndwaru Administration Police Post	Construction of four staff house for police officers	2,000,000
Waithaka Location Assistant Chief's Office	Construction of one block Assistant Chiefs office	3,000,000
Riruta Administration Police and Chief's Office	Construction of one block Administration police and Chiefs office	3,000,000
Matini Administration Police Post	Construction of one block Administration Police Post	2,991,381
Assistant Chief's Office - Ndunyu Location	Construction of one block Assistant Chiefs office	3,000,000
Waithaka Administration Police	Construction of four floor story building	3,300,000
<b>Total</b>		<b><u>36,567,243</u></b>

Consequently, the budget did not fully meet the expectations of Dagoretti South Constituents.

### **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 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 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 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 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**

**19 September 2018**