

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

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## REPORT ON THE FINANCIAL STATEMENTS

### Disclaimer of Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Emgwen Constituency set out on pages 5 to 31 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: 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.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

### Basis for Disclaimer of Opinion

#### 1.0 Accuracy of the Financial Statements

The statement of receipts and payments submitted for audit revealed various variances between financial statements figures and supporting schedules balances as summarized below:

		<b>Financial Statements Figure</b>	<b>Supporting Schedules Figure</b>	<b>Variance</b>
No	Item	Kshs	Kshs	Kshs
1	Transfers from NGCDF board	94,754,662	94,751,661	
2	Use of goods and services	13,741,372	14,068,961	(327,589)
	<b>Total</b>	<b>108,496,034</b>	<b>108,820,622</b>	<b>(324,588)</b>

Consequently, the accuracy of the financial statements could not be confirmed.

## **2.0 Cash and Cash Equivalents**

### **2.1 Bank Balance**

The statement of financial assets as at 30 June 2017 reflects bank balance of Kshs.11,287,924. A review of the bank reconciliation statement for the month of June 2017 revealed that unpresented cheques totaling to Kshs.3,136,704 out of which cheques amounting to Kshs.287,788 were stale but had not been reversed in the cash book contrary to Section 90(3) of the Public Finance Management (National Government) Regulations, 2015.

Under the circumstances, accuracy and completeness of bank balance of Kshs.11,287,924 could not be confirmed.

### **2.2 Outstanding Imprest**

The statement of assets as at 30 June 2017 reflects outstanding imprest figure of Kshs.1,379,400 which has been outstanding since 2015/2016 financial year. Further no supporting documents were availed for audit review to confirm who was issued with this imprest and the purpose of the imprest.

Consequently, the accuracy and regularity of outstanding imprests balance of Kshs.1,379,400 could not be confirmed.

## **3.0 Transfers to Other Government Entities**

### **3.1 Unsupported Expenditure**

The statement of receipts and payments reflect transfers to other government units balance of Kshs.53,000,000 as disclosed in note 6 to the financial statements relating to funds disbursed to various project management committees. However, actual expenditure returns and acknowledgement letters from institutions that received the funds were not availed for audit verification contrary to Section 15(1) (d) of the National Constituency Development Fund Regulations, 2016.

Under the circumstances, it was not possible to confirm whether the funds totalling Kshs.53,000,000 was actually received and utilized for the budgeted projects in the year under review.

### **3.2 Purchase of Land**

The statement of receipts and payments reflect transfers to other government units expenditure of Kshs.53,000,000 and out of which Kshs.1,000,000 was for purchase of land. Available information indicates that, funds were disbursed to A.IC. Kaptumoo primary School vide payment voucher 112. However, official search reports from the Ministry of Lands Office, valuation reports tender/quotations, tender evaluation and award minutes, land sale agreements and lease or allotment letters/ title deeds were not availed for audit verification.

Under the circumstances, the ownership and regularity of the parcels of land costing Kshs.1,000,000 could not be confirmed.

#### 4.0 Other Grants and Other Payments

##### 4.1 Bursary

The statement of receipts and payments reflects other grants and transfers expenditure of Kshs.37,003,141, out of which Kshs.17,505,291 and Kshs.16,197,850 were for bursaries of secondary schools and tertiary institutions respectively. However, as reported in the previous year, the criteria on how the needy cases were identified and amount of bursaries determined was not availed.

In addition, there was no report that, the National Government Constituency Development Fund committee ratified the list of beneficiaries forwarded by the bursary committee as required by the Constituencies Development Fund circular reference No.Vol.1/111 dated 13 September 2010. Further, the list of bursary subcommittee members including two co-opted members and one who must be the area education officer seconded from the ministry was not availed.

Under the circumstances, it was not possible to confirm whether the bursaries amounting to Kshs.33,703 were awarded to needy students equitably and if the funds were used to achieve the intended objective.

##### 4.2 Emergency Projects

Included in other grants and transfers expenditure of Kshs.37,003,141 is emergency projects amount of Kshs.3,300,000, whose actual expenditure returns were not provided for audit review as indicated below.

No	Date	PV No	Chq No	Payee	Particulars	Amount 'Kshs'
1	23.2.2017	190	EFT	Kipture Primary School	Construction of Toilets	400,000
2	23.2.2017	191	EFT	Kiptenden Primary School	Construction of Toilets	400,000
3	31.1.2017	145	EFT	AIC Kiborgok Girls Sec	Construction of Admin Block	600,000
4	1.2.2017	147	EFT	Chepkumia Secondary School	Construction of Toilets	400,000
4	31.1.2017	146	EFT	Tulon Primary School	construction of Toilets	500,000
6	1.2.2017	115	EFT	Kiptilalon Primary School	Purchase of Land	1,000,000
				<b>Total</b>		<b>3,300,000</b>

Under the circumstances, regularity of the emergency projects expenditure of Kshs. 3,300,000 could not be confirmed.

## 5.0 Use of Goods and Services

Included in use of goods and services expenditure of Ksh14,068,962 is an amount of Kshs. 1,003,563 for domestic travel and subsistence. However, supporting documents such as imprest requisition, imprest warrants and work tickets/travel receipts were not availed for audit verification.

Consequently, the regularity of Kshs.1,003,563 expenditure on domestic travel and subsistence could not be confirmed.

## 6.0 Project Management Committee Bank Balances

Annex 5 to the financial statements reflects total project management committee bank balance of Kshs.11,962,927 as at 30 June 2017 in respect of unutilized funds. However, cash books, bank confirmation certificates and bank reconciliation statements for the project management committee bank balance were not availed for audit review.

Under the circumstances, the accuracy, existence and completeness of the total project management committee bank balance of Kshs.11,962,927 as at 30 June 2017 could not be confirmed.

## 7.0 Budgetary Control and Performance

### 7.1 Budget Performance

During the year under review, the Fund had a budget of Kshs.159,947,691 against expenditure of Kshs.108,039,084 or 68 % resulting in under expenditure of Kshs.51,908,607 or approximately 32.4 % of the approved budget as shown below:

No	Expenditure	Approved budget	Actual expenditure	Under/Over expenditure	Under utilization
		Kshs	Kshs	Kshs	%
1	Compensation of Employees	5,220,111	3,639,389	1,580,722	30
2	Transfer to other Government units	98,800,000	53,000,000	45,800,000	46
3	Other Grants and transfers	49,770,684	37,003,141	12,767,543	25
4	Acquisition of Assets	-	327,590	(327,590)	100
5	Use of Goods & Services	6,156,896	14,068,962	(7,912,066)	128.5
	<b>Total</b>	<b>159,947,691</b>	<b>108,039,084</b>	<b>51,908,607</b>	<b>32.4</b>

Funds not utilized is an indication of approved programs not implemented, hence an indication that, the budget has not fully met the intended objectives of improving

delivery of goods and services to the residents of Emgwen constituency or management may be over budgeting on activities, hence need to relook in its budgeting mechanism to ensure priority areas are budgeted.

## 7.2 Project Implementation

During the financial year 2016/2017, the fund budgeted to disburse Kshs.67,000,000 to finance fifty-six (56) projects and out of which an amount of Kshs. 65,000,000 was disbursed to the projects as detailed below.

No	Project name	Details of the project	Allocation Amount	Disbursement 2015/2016	Status
			Kshs	Kshs	
1	Sasimon primary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
2	St.philiphs kamatargui Primary School	Purchase of half an acre of land	1,000,000	1,000,000	Complete
3	ACK St Andrews Chepkoiyo	construction of 2 classrooms	1,000,000	1,000,000	Complete
4	Kiptilalon Primary School	construction of 4 classrooms	2,000,000	2,000,000	Complete
5	Sirwa Yala Pry Sch	Construction of 2 classrooms	1,000,000	1,000,000	Complete
6	Kabwareng Pry School	Construction of 2 classrooms	1,000,000	1,000,000	Complete
7	Kapchepsir Pry School	Construction of 2 classrooms	1,000,000	1,000,000	Complete
8	Kaibeiyu Pry School	Construction of 2 classrooms	1,000,000	1,000,000	Complete
9	Mombor pry School	Construction of 2 classrooms	1,000,000	1,000,000	Complete
10	Chepsonoi pry School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
11	Sinendo primary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
12	Kapchumba primary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
13	Kaplonyo primary school	Construction of administration block.	1,000,000	1,000,000	ongoing
14	Kapkilel primary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
15	kapkesengin primary school	Constructions of 2 classrooms	1,000,000	1,000,000	Complete
16	chebonge primary school	construction of 2 classrooms	1,000,000	1,000,000	Complete
17	SDA Tendwet primary school	construction of 2 classrooms	1,000,000	1,000,000	Complete

18	cheliliat primary school	construction of 2 classrooms	1,000,000	1,000,000	Complete
19	Songoliet primary school	Plaster of walls, repair of floors, painting and replacing window vanes of 8 classrooms.	1,000,000	1,000,000	Complete
20	Chebarus border primary school	Plastering, painting, window vanes of 2 classrooms and construction of 1 classroom.	1,000,000	1,000,000	Complete
21	Kaptumoo primary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
22	Kiptamuk primary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
23	Pr.misoi kapsirichoi primary school	purchase of 2 acres of land	1,000,000	1,000,000	Complete
24	Fr Kuhn Sec School	Painting, window vanes, and finishing of dormitory	1,000,000	1,000,000	Complete
25	AIC Kiborgok Girls Sec Sch	construction of Dormitory	1,000,000	1,000,000	Complete
26	Chesuwe Sec School	Roofing, plastering, windows, doors and painting of laboratory	1,000,000	1,000,000	Complete
27	Chepkumia Sec School	Construction of 4 classrooms	2,000,000	2,000,000	Complete
28	Mosobecho Sec School	Construction of 2 classrooms	1,000,000	1,000,000	Complete
29	Tulon sec school	Roofing, plastering and window vanes of dining hall	1,000,000	1,000,000	ongoing
30	Arwos secondary school	Construction of library	1,000,000	1,000,000	Complete
31	Simteret secondary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
32	Kabwareng secondary school	Painting, furnishing of laboratory	1,000,000	1,000,000	Complete
33	ACK Emmanuel Kiropkt secondary school	purchase of 1 acre of land	1,000,000	1,000,000	Complete
34	ACK kipsugur mixed secondary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
35	Kimnyoasis secondary school	Construction of laboratory	1,000,000	1,000,000	ongoing
36	Holy Rosary koibem girls secondary school	Construction of laboratory	1,000,000	1,000,000	ongoing
37	St.barnabas Togat secondary school	Roofing, plastering, flooring and doors of dining hall	1,000,000	1,000,000	ongoing

38	Kabikwen secondary school	plastering, flooring, windows and doors of dining hall	1,000,000	1,000,000	ongoing
39	Kapkagaon secondary school	Construction of dining hall	1,000,000	1,000,000	ongoing
40	Ndubeneti secondary school	Construction of Dormitory	1,000,000	1,000,000	Complete
41	Tiryo secondary school	Construction of 2 classrooms	1,000,000	1,000,000	Complete
42	Kipsigak secondary school	Construction of 4 classrooms storey of 2 classrooms.	1,000,000	1,000,000	ongoing
43	Kipsotoi secondary school	Construction of laboratory	1,000,000	1,000,000	ongoing
44	Kipture secondary school	Plastering, painting, furniture and finishing of library	1,000,000	1,000,000	Complete
45	Koibem Primary School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
46	Kalyet Primary School	Construction of Dormitory	1,000,000	1,000,000	Complete
47	Ngerek Primary School	Construction of Two classrooms	1,000,000	1,000,000	Complete
48	Kiminda Primary School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
49	St.Joseph Kiptarei Primary School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
50	Ngomwo Primary School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
51	Kabirirsang Primary School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
52	Aic Pastor Misoi Kapsirichoi Primary School	Construction of Two classrooms	1,000,000	1,000,000	ongoing
53	Kosgei-Irimis Primary School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
54	Kapsumbeiywo Primary School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
55	Aic Kiptaragon Academy	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	1,000,000	Complete
56	Kipkeibon Secondary School	Completion of one storey Building of Administration Block and 8 classrooms; Roofing, plastering,	10,000,000	8,000,000	ongoing

		windows and doors			
	<b>TOTALS</b>		<b>67,000,000</b>	<b>65,000,000</b>	

However, according to the projects status report availed for audit review, forty-six (46) projects with a budget of Kshs.46,000,000 were complete while eleven (11) projects with a budget of Kshs.21,000,000 were on going. No reasons were provided as to why the eleven (11) projects were not complete when funds for the same had been disbursed. As a result, the residents of Emgwen constituency failed to benefit from the incomplete projects.

### 7.3 Project Verification

During the year under review, sixteen (16) projects with a budget of Kshs.25,000,000 were verified and the following observations were made.

No	Project name	Details of the project	Amount 'Kshs'	Remarks
1	Kiptilalon Primary School	construction of 4 classrooms	2,000,000	Complete
2	Sirwa Yala Pry Sch	Construction of 2 classrooms	1,000,000	Complete
3	Kabwareng Pry School	Construction of 2 classrooms	1,000,000	Complete
4	Songoliet primary school	Plaster of walls, repair of floors, painting and replacing window vanes of 8 classrooms.	1,000,000	Complete
5	Chebarus border primary school	Plastering, painting, window vanes of 2 classrooms and construction of 1 classroom.	1,000,000	Complete
6	Chepkumia Sec School	Construction of 4 classrooms	2,000,000	Complete
7	Tulon sec school	Roofing, plastering and window vanes of dining hall	1,000,000	complete
8	Arwos secondary school	Construction of library	1,000,000	Complete
9	Kimnyoasis secondary school	Construction of laboratory	1,000,000	Complete
10	Kipsotoi secondary school	Construction of laboratory	1,000,000	Ongoing
11	Kipture secondary school	Plastering, painting, furniture and finishing of library	1,000,000	Complete



12	Koibem primary school	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	Complete
13	Ngerek primary school	Construction of Two classrooms	1,000,000	Complete
14	Kapsumbeiywo primary School	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	Complete
15	Aic Kiptaragon academy	Plaster of walls, repair of floors, painting and replacing doors of 8 classrooms.	1,000,000	Complete
16	Kipkeibon Secondary School	Completion of one storey Building of Administration Block and 8 classrooms; Roofing, plastering, windows and doors	8,000,000	Ongoing
	<b>Total</b>		<b>25,000,000</b>	

Out of the sixteen (16) projects verified, fifteen (15) were complete and in use while one project was on going. The citizens of Emgwen constituency therefore did not get the benefits from the project which had not been completed.

### **Management’s Responsibility for the Financial Statements 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 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.

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**

My responsibility is to conduct an audit of the National Government Constituencies Development Fund - Emgwen Constituency financial statements in accordance with

International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of National Government Constituencies Development Fund - Emgwen 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.



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

**Nairobi**

**31 July 2018**