

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - JOMVU 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 – Jomvu Constituency set out on pages 5 to 26, 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, 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 -Jomvu 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 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**

The financial statements for the year ended 30 June 2017 presented for audit review contained the following anomalies;

- a) The financial statement had Annex 4 repeated twice as; Summary of Fixed Assets and PMC bank balances as at 30 June 2017 thus not in line with the Public Sector Accounting Standards Board requirement.

- b) Annex 4 – Summary of Fixed Assets did not have comparative figures for the year 2015/2016 despite the Fund having fixed assets brought forward from year 2015/2016.
- c) Annex 4 – PMC bank balances as at 30 June 2017 did not have comparative figures for the year ended 30 June 2016 from year 2015/2016. The same did not have the aggregate amount for the balances.

Consequently, the financial statements presented for the year ended 30 June 2017 did not comply with the International Public Sector Accounting Standards No 1 on presentation and prescribed by the Public Sector Accounting Standards Board.

## 2. Inaccuracies in the Financial Statements

The financial statement presented for audit for the year ended 30 June 2017 had a deficit of Kshs.58,971,693 in the statement of receipt and payments wrongly casted down. The correct amount should have been Kshs.59,055,693 resulting to under casting of Kshs.84,000.

Consequently, the accuracy and completeness of the deficit of Kshs.58,971,693 could not be confirmed.

## 3. Transfer to Other Government Entities

The statement of receipts and payments for the year ended 30 June 2017 reflect a transfer to other government entities balance of Kshs.59,500,000. The amount includes Kshs.47,500,000 transfer to primary schools and Kshs.12,000,000 transfers to secondary schools for implementation of various projects through project management committees (PMCs)

However, a review for 2 projects with a total of Kshs.18,070,299.80 revealed the following issues;

	<b>Project Name</b>	<b>Project Amount (Kshs)</b>	<b>Anomalies noted</b>
1	Proposed construction of 4 classrooms and 10 toilets at Aldina Primary School	8,422,980	<ul style="list-style-type: none"> <li>• The contractor was paid a total of Kshs.8,574,707 against the contract sum of Kshs.8,422,980 resulting to over payment by Kshs.171,702</li> <li>• Certificates number 1 to 4 were not supported by measured works details</li> <li>• Details of how provisional sums amount of Kshs.300,000 was spent not provided</li> <li>• No title deed was availed as evidence of</li> </ul>

			<p>ownership of land.</p> <ul style="list-style-type: none"> <li>• The Project was not in use</li> <li>• 1000 liters pvc tank worth Kshs.10,000 was not seen</li> <li>• Balustrading and guardrails 18lm at Kshs.5,000 per meter not done</li> <li>• 7 toilets verified while BOQ provided for 10</li> </ul>
2	Proposed construction of Social Hall at St. Mary's Bangladesh Primary School	9,647,319.80	<ul style="list-style-type: none"> <li>• Hall done with one storey with the social hall on first floor.</li> <li>• Contractor was not on site although works were not complete.</li> </ul>
	<b>Total amount</b>	<b>18,070,299.80</b>	

Under the circumstances, it has not been possible to confirm the propriety of Kshs.18,070,229.80 incurred on transfer to other government entities for the year ended 30 June 2017.

#### 4. Other Payments

The statements of receipts and payments reflects other payments of Kshs.734,798 disclosed as cashbook under cast in note 9 to the financial statement. However, no schedule or reconciliation was availed to support this payment.

Consequently, the propriety of Kshs.734,798 reflected as other payments for the year ended 30 June 2017 could not be confirmed.

#### 5. Bank Balance

The statement of assets as at 30 June 2017 reflects a bank balance of Kshs.12,766,040. Bank reconciliation availed for audit revealed that there were unrepresented cheques amounting to Kshs.3,615,395 out of which, Kshs.105,400 were stale cheques. However, the management did not provide explanation for not writing back the stale cheques in the cash book.

In addition, the bank reconciliation statement reflected payments in bank statement not recorded in the cash book amounting to Kshs.171,385 which related to bank charges but no explanation was provided why the same had not been recorded in the cashbook and expensed.

Consequently, the accuracy and completeness of bank balance of Kshs.12,766,040 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 - Jomvu 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 section of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

## Other Matter

### 1.0 Budgetary Control and Performance

During the year under review National Government Constituencies Development Fund - Jomvu constituency had a final budget of Kshs.153,634,286.19 and spent Kshs.144,097,519 resulting to a net over absorption of Kshs.9,536,767.95 or 57% as summarized below;

Expense Item	Budget (Kshs)	Actual Expenditure (Kshs)	Over Absorption (Kshs.)	Under Absorption (Kshs.)	% Over-Utilisation	% Under-Utilisation
Compensation of Employees	3,085,711.00	2,439,951.00		645,760.00		21%
Use of goods and services	11,049,163.14	6,026,374.00		5,022,789.14		45%
Transfers to Other Government Units	64,300,000.00	59,500,000.00		4,800,000.00		7%
Other grants and transfers	67,799,412.05	75,052,811.00	(7,253,398.95)		-11%	
Acquisition of Assets	6,900,000.00	343,585.00		6,556,415.00		95%
Other Payments	500,000.00	734,798.00	(234,798.00)		-47%	
<b>TOTAL</b>	<b>153,634,286.19</b>	<b>144,097,519.00</b>	<b>(7,488,196.95)</b>	<b>17,024,964.14</b>	<b>-4.8%</b>	<b>11%</b>

The under absorption of Kshs.17,024,064 is an indication that projects have not been implemented as planned. As a result the citizens of Jomvu Constituency may not have got the goods and services needed.

Further, approval for the excess expenditure or reallocation of Kshs.7,488,196.95 was not availed for audit review.

## 2.0 Project Implementation Status

The projects status report as at 30 June 2017 availed for audit review reflected 59 projects with a total allocation of Kshs.153,250,619 at various implementation stages. Included in the report were eighteen (18) projects for the year 2016/2017 with a budget of Kshs.54,051,724 out of which Kshs.26,356,897 for eight (8) projects had not been released by the Board. The report also reflected forty-one (41) projects allocated Kshs.134,805,521 relating to financial years 2013/2014, 2014/2015 and 2015/2016 which were at different implementation stages as detailed below;

	Financial Year	Project Name	Activity	Project Cost (K)	Remarks	Status
1	2016/2017	Emergency	To cater for any unforeseen occurrences in the constituency during the financial year	4,094,827.60	Kshs. 3,980,000 grant to Kwa Jomvu Primary School to renovate 3 classrooms Ongoing	Ongoing
2	2016/2017	Sports	Organize football and Volley ball tournaments in Mikindani, Miritini and Jomvu	1,356,896.64	Funds Not Yet Release by the board	Continuous exercise
3	2016/2017	Environment	Construction of Gabions and Terraces in Mikindani, Miritini and Jomvu wards	1,500,000.00	Funds Not Yet Release by the board	Continuous exercise
4	2016/2017	NG-CDF Offices	Construction of NG-CDF office and toilets in same block.	5,000,000.00	Funds Not Yet Release by the board	Not Started
5	2016/2017	Aldina Primary School	Construction of 2 storey classrooms and offices.	5,000,000.00	Funds Not Yet Release by the board	Not Started
6	2016/2017	Maganda Primary School	Construction of 2 classrooms and 4 toilets	4,500,000.00	Funds Not Yet Release by the board	Not Started
7	2016/2017	Kwashee Primary School	Construction of a Classroom for students with special needs.	2,000,000.00	Tendering stage	Not Started

8	2016/2017	Miritini World Bank Primary School	Removing asbestos and replacing with iron sheets and painting flooring of 3 classrooms	2,000,000.00	Tendering stage	Not Started
9	2016/2017	Amani Primary School	Removing asbestos and replacing with iron sheets and painting flooring of 3 classrooms	2,800,000.00	Tendering stage	Not Started
10	2016/2017	Kwashee Primary School	Removing asbestos and replacing with iron sheets and painting flooring of 3 classrooms	2,800,000.00	Tendering stage	Not Started
11	2016/2017	KwaJomvu Primary School	Removing asbestos and replacing with iron sheets and painting flooring of 3 classrooms	2,800,000.00	Tendering stage	Not Started
12	2016/2017	St. Mary's Primary School	Removing asbestos and replacing with iron sheets and painting flooring of 3 classrooms	2,800,000.00	Tendering stage	Not Started
13	2016/2017	Miritini Primary School	Removing asbestos and replacing with iron sheets and painting flooring of 3 classrooms	2,800,000.00	Tendering stage	Not Started
14	2016/2017	Miritini WorldBank Primary School	Removing asbestos and replacing with iron sheets and painting flooring of 3 classrooms	2,800,000.00	Tendering stage	Not Started
15	2016/2017	Mreroni Primary School	Removing asbestos and replacing with iron sheets and painting flooring of 3 classrooms	2,800,000.00	Tendering stage	Not Started
16	2016/2017	Miritini ACC & AP Units	Construction of ACC office & AP units	3,000,000.00	Funds Not Yet Release by the board	Not Started
17	2016/2017	Jomvu ACC & AP Units	Construction of ACC office & AP units	3,000,000.00	Funds Not Yet Release by the board	Not Started
18	2016/2017	Mikindani ACC & AP Units	Construction of ACC office & AP units	3,000,000.00	Funds Not Yet Release by the board	Not Started
19	2015/2016	Miritini social hall	construction of a social hall	5,000,000.00		Not Started

20	2015/2016	Jomvu Kuu , Miritini and Kwa Shee Social halls	Furniture for the social halls	2,000,000.00		purchased 1500 plastic chairs, 9 tables and 30 conference chairs
21	2015/2016	Bahati Streetlights	Installation of street lights on existing KPLC poles	1,000,000.00		Ongoing
22	2015/2016	Kibarani streetlights	Installation of Streetlights on	1,000,000.00		Ongoing
23	2015/2016	Birikani Streetlight	existing KPLC poles	1,000,000.00		Ongoing
24	2015/2016	Kwa ng'ombe streetlights	Installation of street lights on KPLC existing pole	1,000,000.00		Ongoing
25	2015/2016	Kwa kamau streetlights	Installation of street lights on KPLC existing pole	1,000,000.00		Ongoing
26	2015/2016	Kopa kopa street lights	Installation of street lights on KPLC existing pole	1,000,000.00		Ongoing
27	2015/2016	Kwa Punda Streetlights	Installation of Streetlights on	1,000,000.00		Ongoing
28	2015/2016	Mtaa wa Waswahili Streetlights	Installation of street light on existing KPLC pole	1,000,000.00		Ongoing
29	2015/2016	Mataa ndege streetlights	Installation of street light on existing KPLC pole	1,000,000.00		Ongoing
30	2015/2016	Bendube Streetlights	Installation of street light on existing KPLC pole	1,000,000.00		Ongoing
31	2015/2016	Kwa Zera Streetlights	Installation of street light on existing KPLC pole	1,000,000.00		Ongoing
32	2015/2016	Narcol Streetlights	Installation of street light on existing KPLC pole	1,000,000.00		Ongoing
33	2015/2016	Mikanjuni Streetlights	Installation of street light on existing KPLC pole	2,000,000.00		Ongoing
34	2015/2016	ACK Streetlights	Installation of street light on existing KPLC pole	1,000,000.00		Ongoing
35	2015/2016	Kwa Zera Borehole	Drilling and development. of borehole	650,000.00	Land issue made the project delay	Not Started
36	2015/2016	Miritini madukani Borehole	Drilling and development. of borehole	650,000.00	Land issue made the project	Not Started

					delay	
37	2015/2016	Kwa mwanzia Borehole	Drilling and development. of borehole	650,000.00	Project reallocated to Social hall at St. Marys Hall	Not Started
38	2015/2016	Miritini High School	Construction of Administration block	10,000,000.00		Ongoing
39	2015/2016	Jomvu Girls Secondary School	Construction of classroom	1,400,000.00		Not Started
40	2015/2016	Aldina Primary School	Construction of four classrooms and ten toilets	10,000,000.00		Ongoing
41	2015/2016	Environment	Garbage collection in Jomvu, Mikindani and Mikanjuni, cleaning of drainage systems and trenches and planting of trees at Jomvu Girls Secondary School, Mikanjuni and Mikindani	1,314,836.00		On going
42	2015/2016	Emergency	To cater for any unforeseen occurrences in the constituency during the financial year	5,767,647.00		Ongoing
43	2014/2015	Mikindani Youth Resource centre	Construction of youth resource centre	2,000,000.00	Contract awarded	Ongoing
44	2014/2015	Miritini Madukani Public Toilet	Construction of public toilet	2,000,000.00	Tendering stage	New
45	2014/2015	Narcol – Nursery School Road	Improvement of road using cabro	2,000,000.00		Completed
46	2014/2015	Jomvu Kuu Hospital	Purchase lab equipments	400,000.00	reallocated from Emergency funds	new
47	2014/2015	Owino Uhuru Borehole	Drilling and development. of borehole	650,000.00		stalled
48	2014/2015	Kopa Kopa Borehole	Drilling and development. of borehole	650,000.00	no water extracted	stalled



49	2014/2015	Ganahola Kwa Kenga Borehole	Drilling and development. of borehole	650,000.00	no water extracted	stalled
50	2014/2015	Kwa Punda Borehole	Drilling and development. of borehole	650,000.00	no water extracted	Ongoing
51	2014/2015	Mwamlai Borehole	Drilling and development. of borehole	650,000.00	no water extracted	stalled
52	2014/2015	Mireroni Primary School	Construction of classroom	1,400,000.00	Re-tendering stage	New
53	2014/15	Constituency Vehicle	Purchase of constituency vehicle	5,200,000.00		New
54	2014/15	2% Environment	Garbage collection in Jomvu, Mikindani and Mikanjuni, cleaning of drainage systems, trenches and planting of trees at Jomvu G H school	1,699,235.00		ongoing
55	2013/14	2% Environment	Garbage collection in Jomvu, Mikindani and Mikanjuni, cleaning of drainage systems, trenches and planting of trees at Jomvu G H school	1,192,877.00		Continuous exercise
56	2013/14	Emergency (5% of the Fund)	Emergencies that may occur within the Constituency	3,564,466.00		ongoing
57	2013/14	Jomvu Kuu Social Hall	Partitioning of the hall repairing windows, painting, fixing grills.	1,500,000.00	More funds needed	Not Started
58	2014/15	Bangladesh Social Hall	Additional funds for construction of the Bangladesh social hall	2,000,000.00		Ongoing
59	2013/14	St. Mary's Primary School	Construction of a Hall	2,114,736.00		Ongoing
<b>Total Amount for Projects</b>				<b>153,250,619.24</b>		

A review of the project status report indicated that:

- i) Fifteen (15) projects allocated Kshs.43,389,380 had not been started despite funding. An additional 6 projects allocated Kshs.23,500,000 had also not been

started since funding had not been received. Twenty-one (21) project were ongoing worth Kshs.45,859,564.

- ii) Four (4) projects of Kshs.2,600,000 which were borehole drilling had stalled since no water was extracted after the drilling.

The above state of affairs is an indication of lack of proper planning and prioritizing citizens' needs in the budget making process mechanism. Further, there was indication of wastage expenditure hence no value for money like the boreholes that did not produce water. There is need for the management to be held accountable for the loss incurred.

### **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 National Government Constituencies Development Fund - Jomvu Constituency Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends 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 National Government Constituencies Development Fund-Jomvu Constituency 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

International Standards of Supreme Audit Institutions (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 National Government Constituencies Development Fund-Jomvu Constituency'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 Fund- Jomvu 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 Fund- Jomvu Constituency Fund to cease 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 Fund- Jomvu Constituency 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**

**06 July 2018**