

# REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- KABUCHAI 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- Kabuchai Constituency set out on pages 5 to18, which comprise the statement of financial 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 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 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 matter 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

#### Unsupported Land Acquisitions

Included under transfer to other government entities figure of Kshs.71,940,000 is Kshs.5,300,000 for parcels of land acquired for several projects as highlighted below. However, no title deeds registered in the names of the beneficiary institutions were availed for audit verification and were noted to be still under previous owners.

Project Name	Activity	Amount Kshs.
Chekulo Sub location Office	Purchase of 1 acre of land	500,000
Ngalasia AP Camp	Purchase of 1/2 acre of land.	300,000
Assistant Chief's office – Mukhweya	Purchase of 1/2 acre of land.	400,000

Assistant Chief's office - West Nalondo	Purchase of 1/2 acre land	400,000
Sirare Secondary School	Purchase of 1/2 acre of land.	500,000
Pongola Secondary school	Purchase of 1 acre of land	600,000
Chebunyinyi Mixed Secondary school	Purchase of 1 acre of land	500,000
St.Kizito Girls secondary school	Purchase of 1/2 acre Land	600,000
Lwanda PEFA Primary school	Purchase of 1 acre of land.	600,000
Namosi Primary school	Purchase of 1 acre of land.	500,000
Lubembe Primary school	Purchase of 1/2 acre of land	400,000
<b>Total</b>		<b>5,300,000</b>

In the circumstances, it was not possible to ascertain the beneficial ownership of the acquired parcels of land.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Kabuchai 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 year under review, the Fund spent Kshs.141,112,652 against a budgeted amount of Kshs.144,857,788 resulting to an under-absorption of Kshs.3,745,136 or 3% as highlighted below.

Receipt/Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilization Difference Kshs.	% of Utilization
<b>Receipts</b>				
Transfers from CDF Board	144,857,788	143,257,788	1,600,000	99%

<b>Total</b>	<b>144,857,788</b>	<b>143,257,788</b>	<b>1,600,000</b>	<b>99%</b>
<b>Payments</b>				
Compensation of Employees	4,216,925	3,139,786	1,077,139	74%
Use of goods and services	8,525,894	7,894,969	630,925	93%
Transfers to Other Government Units	72,540,000	71,940,000	600,000	99%
Other grants and transfers	56,414,969	54,977,897	1,437,072	97%
Acquisition of Assets	3,160,000	3,160,000	-	100%
<b>Total</b>	<b>144,857,788</b>	<b>141,112,652</b>	<b>3,745,136</b>	<b>97%</b>

## 2. Project Implementation Status

The CDF was to implement a total of 92 projects/programmes through different Project Management Committees during the financial year under review. Further analysis indicated that 3 or 3% of projects had not started, 39 or 42% of these were ongoing and 50 or 54% had been completed as at the time of audit as indicated below;

<b>Kabuchai NG-CDF Project Implementation Status for the Year ended 30th June 2017</b>							
	<b>Not Started</b>	<b>Not Started Percentage</b>	<b>Ongoing</b>	<b>Ongoing Percentage</b>	<b>Complete</b>	<b>Complete Percentage</b>	<b>Total</b>
Education Primary	-	0%	15	36%	27	64%	42
Education Secondary	1	3%	16	53%	13	43%	30
Education Tertiary	-	0%	-	0%	1	100%	1
Security	2	15%	3	23%	8	62%	13
Sports	-	0%	1	100%	0	0%	1
Environment	-	0%	1	100%	0	0%	1
CDF Office	-	0%	-	0%	1	100%	1
Bursary Secondary	-	0%	1	100%	0	0%	1
Bursary Tertiary	-	0%	1	100%	0	0%	1
Emergency	-	0%	1	100%	0	0%	1
<b>Total</b>	<b>3</b>	<b>3%</b>	<b>39</b>	<b>42%</b>	<b>50</b>	<b>54%</b>	<b>92</b>

Consequently, as at 30 June 2017, the CDF had not achieved its projects completion targets and could therefore not provide the residents with all the services planned and budgeted for the year ended.

## 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 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.

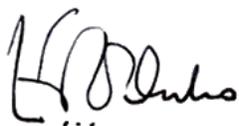
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 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**

**12 July 2018**