

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KAJIADO NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Kajiado North Constituency set out on pages 6 to 25, which comprise the statement of assets and liabilities 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 effect of the matters discussed 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- Kajiado North Constituency as at 30 June 2017, and 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, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion and Other Matters sections of my report, 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. Bank Balance

The statements of assets and liabilities as at 30 June 2017 reflects a bank balance of Kshs. 2,899,324. However, both the cash book and bank reconciliation statement reflects a balance of Kshs. 2,307,268 as at that date, thus resulting in an unexplained difference of Kshs. 592,056. The bank reconciliation as at 30 June 2017 includes unrepresented cheques totalling Kshs. 4,708,447 out of which cheques amounting to Kshs. 2,291,144 had gone stale as at 30 June 2017 but had not been reversed in the cash book. Consequently, the accuracy of the bank balance of Kshs. 2,899,324 as at 30 June 2017 cannot be confirmed.

2. Outstanding Imprests

The statements of assets and liabilities also reflects outstanding imprests totalling Kshs.2,188,100 as detailed below:

Name of the Officer	Date of Issue of Imprest	Amount-Kshs.
Jane Wairimu	19/10/2016	358,000

Jane Wairimu	19/12/2016	867,500
Jane Wairimu	03/1/2017	812,200
Jane Wairimu	03/1/2017	104,400
Peter Ngugi	19/03/2017	46,000
Total		2,188,100

The above analysis indicate that one officer was issued with multiple imprests prior to accounting for the previous ones contrary to regulation 93 of Public Financial Management (County Government) Regulations, 2015. No action has been taken to recover the outstanding imprests as provided for under the said regulations. Consequently, full recoverability of outstanding imprests balance of Kshs. 2,188,100 as at 30 June 2017 cannot be confirmed.

3. Net Financial Position

The statements of assets and liabilities as at 30 June 2017 reflects incorrectly net liabilities instead of net financial position of Kshs.5,087,424, being the difference between the brought forward fund balance of Kshs.20,197,911, prior year adjustment of Kshs.562,321 and the deficit for the year of Kshs.15,672,808. In addition, the nature of prior year adjustment of Kshs.562,321 which is disclosed also at Note 14 to the financial statements has not been fully explained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Kajiado North Constituency management 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, were of most significance to the audit of the financial statements for the current year. Except for matters described in the Basis for Qualified Opinion and Other Matter sections, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Budgetary Performance and Disclosures

(i) Contrary to the requirements of regulation 130 of the Public Finance Management Regulations 2015, no disclosures have been provided by way of footnotes to explain material differences between the budget and actual amounts as detailed below:

Audit Component	Final Budget(Kshs)	Actual expenditure (Kshs.)	Budget Utilisation Difference (Kshs.)	% Utilization

	c=a+b	d	e=c-d	f=d/c%
Receipts				
Transfer from CDF Board	154,176,925	93,030,739	61,146,187	60%
Payments				
Compensation of employees	3,751,991	2,124,298	1,627,694	57%
Other grants and transfers	100,642,651	60,391,916	40,250,736	60%

(ii) The statement of receipts and payments and summary statement of appropriation for the year ended 30 June 2017 reflects total actual receipts of Kshs. 93,030,738 from the National Government Constituency Development Fund (NGCDF) Board against budgeted receipts of Kshs. 154,176,925 in the year under review. The total actual receipts includes Kshs. 52,082,462 for projects budgeted in 2015/2016 as shown in Note 1 to the financial statements, implying that Kshs. 40,948,277 only was received in respect of projects for 2016/2017 financial year. Consequently, the underfunding by the National Government Constituencies Development Fund Board affected projects implementation resulting in failure by the residents of Kajiado North to enjoy benefits that would have accrued from those projects.

2. Project Implementation

The following projects were physically verified and observations made as indicated against each project:

Projects Physically Verified In Kajiado North Constituency								
	Project Name	Description	Start date	Expected Completion Date	Budget (Kshs)	Actual (Kshs)	% of completion	Auditor's comments
1	Kiserian secondary school	Construction of a classroom with slab and procurement of 80 lockers	31/8/2016	30/6/2017	2,000,000	2,000,000	100	Completed and in use
2	Embulbul secondary school	Construction of 3 classrooms and purchase of 120 lockers	27/10/2016	30/6/2017	4,675,000	5,675,000	100	Completed and in use. The extra Kshs. 1 million was used to clear outstanding debt for a project of 2013/2014 financial year.

3	Embulbul secondary school	Construction of toilets under emergency funds	7/12/2015	30/6/2017	1,000,000	400,000	100	Complete and in use. The balance was disbursed in 2016 financial year,
4	Embulbul Primary school	Renovation of seven classrooms	1/3/2016	30/6/2017	2,900,000	2,892,520	100	project complete and in use
5	Olekasasi primary school	Construction of Administration office	27/10/2016	30/6/2017	2,000,000	2,000,000	100	Complete and in use
6	Ngong Technical Training Institute	Construction of lecture halls	10/10/2016	30/6/2017	10,000,000	10,000,000	100	Complete but not in use awaiting equipment from National Government
7	Arap Moi Primary school	Construction of 8 set of toilets	27/10/2016	30/6/2017	2,000,000	2,000,000	100	Complete and in use. 1 disbursed from emergency funds
8	Nkoroi secondary school	Construction of a laboratory	27/10/2016	30/6/2017	1,000,000	1,000,000	100	Complete and in use
9	Kiserian police station	Purchase of land for construction of police station	13/7/2016	30/6/2017	16,000,000	16,000,000	100	Land was procured as per valuer's report
10	Matasia police post	Construction of police post	2/3/2016	30/6/2017	6,881,430	6,881,430	100	Complete and in use
					48,456,430	48,848,950		

Responsibility 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 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 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 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 sustaining 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

18 July 2018