

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KAJIADO WEST 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- Kajiado West Constituency set out on pages 6 to 24, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flow 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 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 West 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 Matter 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. Cash and Cash Equivalents

The statement of assets reflects a bank balance of Kshs. 212,085 as at 30 June 2017. However, monthly bank reconciliation statements have not been provided for audit verification. Consequently, the accuracy of the bank balance of Kshs. 212,085 as at 30 June 2017 cannot be confirmed.

#### 2. Outstanding Imprests

The statements of assets reflect outstanding imprests totaling to Kshs 720,000 as detailed below:

Name of the Officer	Date Imprest Issued	Amount – Kshs.
Jane Wairimu	3 November 2016	673,000
Jane Wairimu	28 October /2016	47,000
<b>Total</b>		<b>720,000</b>

It is indicative from the analysis that the officer was issued with multiple imprests prior to surrender of the previous one 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 the outstanding imprests balance of Kshs. 720,000 as at 30 June 2017 cannot be confirmed.

### **3. Summary of Fixed Assets Register**

The statement of receipts and payments reflects acquisition of assets amounting to Kshs.1,000,000 for the year ended 30 June 2017. However, the summary of fixed assets register at annex 4 does not indicate any movement during the year. Consequently, the accuracy of the summary of fixed assets register cannot be confirmed.

### **4. Transfers to Other Government Units**

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government units totalling Kshs. 79,630,428 and comprising Kshs. 48,680,428 transferred to primary schools, Kshs. 26,950,000 transferred to secondary schools and Kshs. 4,000,000 transferred to tertiary institutions. However, relevant and updated expenditure returns from the project management committees in respect of the transfers have not been provided for audit verification. In the circumstances, the propriety and accuracy of transfers to other government units of Kshs. 79,630,428 for the year ended 30 June 2017 cannot not be confirmed.

### **5. Net Financial Position**

The statement of assets as at 30 June 2017 reflects incorrectly net liabilities instead of net financial position of Kshs.932,085 being the difference between the brought forward fund balance of Kshs. 58,245,807 and the deficit for the year of Kshs. 57,313,722.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Kajiado West 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, were of most significance to 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 other Key Audit Matters to communicate in my report.

## Other Matter

### Budget and Budgetary Control

During the year under review, the fund had an approved expenditure budget of Kshs.175,113,545. However, the actual expenditure for the year was Kshs. 157,497,487 resulting in under expenditure of Kshs.17,616,058. Further, there were significant unexplained variances between the approved budget and actual expenditure under various items as shown below:

Audit Components	Current year Final Budget Figures	Previous year Actual Receipts/ Expenditure	Current year Actual Figures	Absolute Variance Budget-Actual	% Budget Absorption
	Kshs	Kshs	Kshs	Kshs	%
Total Receipts	175,713,545	116,735,721	100,183,765	75,529,780	57%
Compensation of employees	2,490,000	1,524,649	1,744,375	745,625	70%
Use of goods and services	13,542,137	7,165,368	9,704,534	3,837,603	72%
Transfer to other government units	75,481,507	42,239,811	79,630,428	(4,148,921)	105%
Other grants and transfers	82,599,901	14,775,444	65,418,150	17,181,751	79%
Acquisition of Assets NG-CDF office	1,000,000	6,800,000	1,000,000	-	100%
Total Expenditure	175,113,545	72,065,967	157,497,487	17,616,058	90

No satisfactory reasons have been given for failure to provide explanatory notes for the above significant variances.

### 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 National Government Constituencies Development Funds-Kajiado West 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 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 Funds-Kajiado West Constituency 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 Development Funds-Kajiado West Constituency 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 National Government Constituencies Development Funds-Kajiado West Constituency 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 National Government Constituencies Development Funds-Kajiado West Constituency 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**

**17 July 2018**