

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KAMUKUNJI 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 - Kamukunji Constituency set out on pages 6 to 24, 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 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 National Government Constituencies Development Fund - Kamukunji 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 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 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. Net Financial Position

The statement of assets as at 30 June 2017 reflects net liabilities instead of net financial position of Kshs.116,311.53, being the difference between the brought forward fund balance of Kshs.34,281,480.26 and the deficit for the year of Kshs.34,165,168.73. No explanation has been provided for this anomaly.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Kamukunji 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 section, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Construction of Sheds at Maziwa Chicken and Vegetable Market

As reported in the previous year, an amount of Kshs.14,990,664 was irregularly used in construction of sheds at Maziwa chicken and vegetable market in the year 2009/2010. The sheds were subsequently demolished by the then City Council of Nairobi as there were no approvals for the construction. No action has been taken by the management to hold accountable the individuals culpable for the irregular loss of the public.

2. Projects Implementation Status

Eighteen projects budgeted at Kshs.71,945,104 were physically inspected at various dates and observations made as detailed below:

Project Location	Project Description	Commence-ment Date	Expected Completion Date	Budgeted Amount (Kshs)	Actual Amount Spent (Kshs)	% of completion (latest progress report	Auditor's brief comments
Moi Airbase Primary	Rehabilitaion of classrooms and purchase of desks	11/28/2016	1/11/2017	2,060,000	2,060,000	100%	Project Complete and in use
Muthurwa Primary	Construction of Boundary wall	12/7/2016	1/17/2017	1,100,000	1,100,000	100%	Project Complete and in use
Eastleigh Airport Primary	Rehabilitations of 10 classrooms	6/15/2017	8/2/2017	1,000,000	1,000,000	100%	Project Complete and in use
Heshima Primary	Rehabilitations of Main Administation Block, Rehabilitations of 6 classrooms,renovations of toilets and Purchase of 10 Computers	11/18/2016	1/23/2017	9,231,475	9,231,475	100%	Project Complete and in use
Kamukunji Secondary	Renovations of 9 classrooms, Renovations of school and construction of Kitchen	12/16/2016	2/10/2017	8,241,475	8,241,475	100%	Project Complete and in use

Eastleigh High	Construction of School Game Store	10/23/2016	12/8/2016	500,000	500,000	100%	Project Complete and in use
Zawadi Secondary	Construction of 4 classrooms and purchase of desks and office furnitures	12/15/2016	6/20/2017	7,000,000	7,000,000	100%	Project Complete and in use
Ourlady of mercy	Purchase of computers	10/5/2016	11/23/2016	3,200,000	3,200,000	100%	Project Complete and in use
Zawadi Secondary	Construction of toilets			2,050,000	2,050,000	100%	Project Complete and in use
Califronia resource centre	Construction of parking, Construction of boundary wall and machines	8/12/2016	1/17/2017	8,600,000	8,314,450	100%	Project Complete and in use
Pumwani Do offices	Renovation of offices	11/18/2016	1/12/2017	800,000	794,301	100%	Project Complete and in use
	Tiling of offices, partitioning and boundary wall	12/11/2016	2/2/2017	7,100,000	6,674,966	100%	Project Complete and in use
Projects Identified for Funding in 2015/2016 but Funded in 2016/2017							
Project Location	Project Description	Commencement Date	Expected Completion Date	Budgeted Amount (Kshs)	Actual Amount Spent (Kshs)	% of completion (latest progress report)	Auditor's brief comments
Moi Airbase	Renovations of classrooms	11/28/2016	1/11/2017	1,200,000	1,200,000	100%	Project in use
Eastleigh High School	Renovation of school borehole and purchase of electric pump	8/15/2016	9/22/2016	800,000	799,240	100%	Project in use
Zawadi Pry School	Construction of 2 classrooms and renovations of 6 classrooms	6/15/2017	9/30/2016	1,811,873	1,811,873	100%	Project in use
Kamukunji TTI	Construction of KTTI part funding Ministry of education	6/20/2016	03/08/2018	10,000,000	10,000,000	100%	Project in use
Pumwani Ap Camp	Construction of staff houses	2/17/2016	7/18/2017	3,000,000	2,808,798	100%	Project in use
Heshima Primary	Renovations of classrooms, Purchase of desks and upgrading of the school football pitch	2/10/2017	6/2/2017	4,250,280	4,250,280	100%	Project in use

3. Budget and Budgetary Control

During the year under review, the fund's actual total receipts amounted Kshs.84,056,348 against a budget of Kshs.118,337,828 resulting in unrealized allocations of

Kshs.34,281,480 or 29%. Further, the fund actual total expenditure amounted to Kshs.118,221,517 against approved total budget of Kshs.118,337,828 resulting in an under expenditure of Kshs.116,311. The shortfall in funding of Kshs.34,281,480 impacted negatively on delivery of services to residents of Kamukunji Constituency.

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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable 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 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

24 September 2018