

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- KANDUYI 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- Kanduyi Constituency set out on pages 5 to 20, 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 National Government Constituencies Development Fund- Kanduyi 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 matter 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 manner.

Basis for Qualified Opinion

Lack of Land Ownership Documents

The statement of receipts and payments reflects a figure under transfer to other government entities amounting to Kshs.66,950,349 which includes an amount of Kshs.11,800,000 that was incurred on acquisition of parcels of land for several projects as analyzed below.

However, title deeds registered in the names of the respective benefitting institutions were not availed for audit verification as ownership is still under the previous owners.

No.	Date	Payee	Details	Cheque	Amount
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				Number	Kshs.
1	31/08/2016	Kombo primary school	1 acre land	7765	600,000
2	04/11/2017	Maliki primary school	1 acre land	8774	500,000
3	04/11/2017	Maliki primary school	1 acre land	8775	500,000
4		Maocho primary school	1 acre land	8796	500,000
5		Maocho primary school	1 acre land	8797	500,000
6	31/08/2016	Sirende primary school	1 acre land	7766	600,000
7	1.9.2016	Tungelele Primary	1 acre land	7737	600,000
8	04/11/2017	Khaoya secondary school	1 acre land	8753	500,000
9	04/11/2017	Khaoya secondary school	1 acre land	8754	500,000
10	31/08/2016	Kimugui girls secondary school	Land & Dorm	7780	750,000
11	31/08/2016	Kimugui girls secondary school	Land & Dorm	7781	750,000
12	31/08/2016	Kitale secondary school	1 acre land	7762	600,000
13	31/08/2016	Mechimeru secondary school	2 acre land	7730	600,000
14	31/08/2016	Mechimeru secondary school	2 acre land	7731	600,000
15	31/08/2016	Mwikhupo secondary school	1 acre land	7726	500,000
16	31/08/2016	Mwikhupo secondary school	1 acre land	7727	500,000
17	04/11/2017	Nalutiri secondary school	1 acre land	8750	500,000
18	04/11/2017	Nalutiri secondary school	1 acre land	8751	500,000
21	31/08/2016	Tembelela secondary school	1 acre land	7734	600,000
22	31.8.2016	Kongoli sec school	1 acre land	7735	600,000
23	31.8.2016	khakula sec	1 acre land	7732	500,000
					11,800,000

In the circumstances, it has not been possible to ascertain the ownership of the acquired parcels of land by the benefiting institutions.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Kanduyi 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 matter described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

During the year under review, the Fund spent Kshs.158,060,129 against a budgeted amount of Kshs.155,031,512 resulting to an over-absorption of Kshs.3,028,617 or 2% as highlighted below.

Receipt/Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilisation Difference Kshs.	% of Utilisation
Receipts				
Transfers from CDF Board	155,031,512	155,029,512	2,000	100%
Total	155,031,512	155,029,512	2,000	100%
Payments				
Compensation of Employees	2,721,432	1,935,450	785,982	29%
Use of goods and services	10,913,793	11,024,330	-110,537	-1%
Transfers to Other Government Units	81,955,173	78,150,000	3,805,173	5%
Other grants and transfers	59,441,114	66,950,349	-7,509,235	-13%
Total	155,031,512	158,060,129	-3,028,617	-2%

2. Project Implementation Status

The Fund was to implement a total of 60 projects through different project management committee during the year under review. Further analysis indicated that 21 or 35% of the projects were ongoing while 39 or 65% of the projects had been completed as at the time of audit.

Project Implementation Performance-Kanduyi NGCDF			
Sector	Total Project Cost	Budgeted projects	Actual/Implemented Projects

	Kshs.		Not Started	Ongoing	Completed	% of completed projects
Primary School Projects	43,450,000	32	-	12	20	63%
Secondary School Projects	38,200,000	12	-	5	7	58%
Kandy CDF Renovation	2,000,000	1	-	-	1	100%
Security Projects	1,800,000	4	-	4	0	0%
Roads Projects	5,972,255	2	-	-	2	100%
Sports Activities	3,016,047	1	-	-	1	100%
Environmental Projects	4,416,047	1	-	-	1	100%
Emergency	4,094,818	7	-	-	7	100%
Total	102,949,167	60	-	21	39	65%
		100%	-	35%	65%	

Consequently, the Fund did not achieve its projects completion targets and could therefore not provide the constituents 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.

Responsibilities of the Auditor-General for 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

05 July 2018