

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-KANGUNDO 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 Constituency Development Fund-Kangundo Constituency set out on pages 5 to 25, 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 matters 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-Kangundo 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 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. Presentation and Disclosures in the Financial Statements

Pages 10 to 23 of the financial statements are missing. In addition, both the summary of fixed assets and details of bank balances are appearing as Annex 4. The statement of compliance and basis of preparation indicate that all figures have been rounded off to the nearest shilling. However, the figures and balances reflected in the financial statements have not been rounded off. Consequently, the financial statements have not been presented in accordance with the presentation guidelines issued by the Public Sector Accounting Standards Board.

2. Comparative Cash Balance

The statement of assets reflects a comparative cash balance of Kshs. 640,919 under 2015/2016 financial year. However, the corresponding Note 10B reflects a nil balance. No satisfactory explanation has been provided for this anomaly.

3. Bank Balance

The statement of assets reflects a bank balance of Kshs. 9,054,483.90 as at 30 June 2017. However, the following anomalies were noted following an audit review of bank reconciliation statements:

- i. The bank reconciliation statement for June 2017 reflected unrepresented cheques totalling Kshs.1,707,785 out of which cheques amounting to Kshs.528,351.80 were stale but had not been written back to the cash book.
- ii. Receipts amounting to Kshs. 86,386 were reflected in the bank statements and not recorded in the cash book as at 30 June 2017.
- iii. Unexplained payments in the bank statements not recorded in the cash book amounting to Kshs. 266,743 as at 30 June 2017.

Consequently, completeness and accuracy of bank balance of Kshs. 9,054,483.90 as at 30 June 2017 cannot be confirmed.

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

Other Matter

1. Budgetary Control

During the year under review, the Fund incurred expenditure totalling Kshs.133,440,250 against an approved budget of Kshs. 145,990,121 or approximately 91 % of the budget resulting in under expenditure of Kshs. 12,549,871 as shown below:

| Item/Component | Approved Budget Kshs | Actual Kshs | Budget Under-utilization Kshs | % of Realization /Utilization |
|----------------|----------------------|-------------|-------------------------------|-------------------------------|
| Receipts | 145,990,121 | 142,290,733 | 12,549,871 | 97 |

| | | | | |
|------------------------------------|--------------------|--------------------|-------------------|-----------|
| Compensation of Employees | 4,216,728 | 2,046,600 | 2,170,128 | 49 |
| Use of Goods and Services | 8,371,984 | 7,414,808 | 957,178 | 89 |
| Transfer to other Government units | 76,665,324 | 73,782,194 | 2,883,130 | 96 |
| Other grants and transfers | 53,370,020 | 46,857,390 | 6,512,630 | 88 |
| Acquisition of assets | 3,366,064 | 3,339,258 | 26,806 | 99 |
| Total | 145,990,121 | 133,440,250 | 12,549,871 | 91 |

Although the absorption rate was good, the budget did not, however, fully meet the expectations of the constituents of Kangundo as a result of the under-utilization of some funds.

2. Project Implementation Status

During the year under review, the Fund undertook several projects on primary and secondary schools, tertiary and security whose status as at 15 November 2017 was as detailed below:

| Project Name | Project Activity | Allocated Amount-Kshs. | Disbursed Amount-Kshs. | Implementation Status | Remarks |
|------------------------------|---|------------------------|------------------------|-----------------------|------------------------|
| AIC Matungulu primary school | Renovations of 3 No. classrooms(Roofing flooring, plastering, painting) | 1,015,000 | 1,015,000 | Complete | Ready for handing over |
| Kakutha primary school | Construction of an administration Block to completion | 1,522,500 | 1,522,500 | Complete | Ready for handing over |
| Kakuyuni Primary School | Construction of Dormitory (Roofing, flooring, plastering, painting) | 334,950 | 334,950 | complete | handed over |
| Kambai Primary School | Construction of 2No Classrooms completion | 1,624,000 | 1,624,000 | Complete | Ready for handing over |
| Kanzalu Primary school | Construction of 2No Classrooms completion | 1,624,000 | 1,624,000 | Complete | Ready for handing over |

| | | | | | |
|---|--|-----------|-----------|--------------|--|
| Kaseveni ABC katatha maweu Primary School | Purchase of Land 2 Acres (Balance payment) | 304,500 | 304,500 | payment done | transfer and titled deed under process |
| Kawethei SA Primary school | Construction of an administration Block to completion | 1,522,500 | 1,522,500 | Ongoing | at finishes |
| Kikalu Primary school | Completion of construction of Administration block (plastering & painting) Kshs.169,701.00& completion of construction of dormitory (roofing flooring, plastering painting ksh372,110.00 | 549,938 | 549,938 | Complete | handed over more funds needed for variations |
| Kilindiloni Primary School | Construction of 2No Classrooms completion | 1,624,000 | 1,624,000 | Complete | Ready for handing over |
| Kinyungu Primary School | Construction of Administration block (Walling, flooring, plastering, painting) | 1,015,000 | 1,015,000 | Ongoing | at finishes |
| Kithini Primary School | Construction of 1 No Classrooms(Roofing flooring, plastering, painting) | 812,000 | 812,000 | Complete | Ready for handing over |
| Kitwii Girls Primary School | Construction of a Toilet-Balance (Flooring, plastering, painting) | 301,579 | 301,579 | Complete | handed over |
| Kivi Primary School | Construction of 2No Classrooms completion | 1,624,000 | 1,624,000 | Complete | Ready for handing over |
| Kwa mwenze Primary School | Construction of 2No Classrooms completion | 1,624,000 | 1,624,000 | Ongoing | At roofing |
| Manyatta Primary School | Construction of dining Hall (Foundation, walling & Roofing) | 1,522,500 | 1,522,500 | Ongoing | At roofing |
| Mikoikoni Primary School | Construction of 2No Classrooms completion | 1,624,000 | 1,624,000 | Ongoing | At ring beam |

| | | | | | |
|---------------------------------|--|-----------|-----------|----------|------------------------|
| Mukunike AIC primary school | Construction of 2No Classrooms completion Kshs.1,624,000 & completion of Renovations of 6 No. classrooms (Flooring, plastering, painting) | 1,607,615 | 1,607,615 | Complete | Ready for handing over |
| Ngulini Primary school | Construction of 2No Classrooms completion | 1,624,000 | 1,624,000 | Complete | Ready for handing over |
| Syanthi Primary school | Renovations of 3 No. classrooms(Roofing flooring, plastering, painting) | 1,015,000 | 1,015,000 | Complete | Ready for handing over |
| Kathaana Sec School | Completion of Administration block (Roofing flooring, plastering, painting) | 143,115 | 143,115 | Complete | Handed over |
| Katheini Sec School | Construction of Administration block (Roofing flooring, plastering, painting) | 3,230,000 | 3,230,000 | Complete | Handed over |
| Kawethei Sec School | Construction of an Administration Block (roofing, flooring, plastering, painting)Ksh2,030,000 & completion of dining Hall (plastering, painting) Kshs.130,000.00 | 2,160,000 | 2,160,000 | Ongoing | At finishing |
| Kyevaluki Sec School | Completion of dining hall (Plastering, painting) | 259,000 | 259,000 | Complete | Ready for handing over |
| Matetani Sec School | Completion of Laboratory:(mechanical gas installations & working benches) | 507,500 | 507,500 | Complete | Ready for handing over |
| Matungulu boys Secondary School | Completion of Dormitory (roofing plastering, painting) | 204,351 | 204,351 | Complete | In use |

| | | | | | |
|---------------------------------------|--|-----------|-----------|----------|--|
| Mulingana Sec School | Completion of Laboratory: Plastering, , painting) | 355,250 | 355,250 | Complete | complete awaiting bench works and gas installations |
| Unyuani Sec School | Construction of Administration block (Kshs.3,230,000 & Land purchase balance 3 acres Kshs.300,000) | 3,530,000 | 3,530,000 | Complete | Ready for handing over |
| Kamanzi secondary School | Land purchase balance 3/4 acre | 1,246,931 | 1,246,931 | | |
| Masewani polytechnic | Completion of 1No. Classrooms - Roofing ,plastering ,painting | 456,750 | 456,750 | ongoing | at finishes more funds for Variations; - 257,410.00 needed |
| Kenya Medical Training Coll- Kangundo | Multipurpose hall - Floor and paint works / | 2,102,330 | 2,102,330 | complete | Handed over |
| | Construction and completion of two Laboratories and Library=339,000.00 | | | ongoing | at finishes |
| | completion of Construction of storey Administration Block - Ksh.1,763,330.00 | | | complete | Handed over |
| Kangundo Technical Training Inst. | Completion ICT class Roofing ,plastering ,painting | 497,350 | 497,350 | Complete | handed over |
| Kakuyuni Health centre | Completion of construction maternity wing at the health centre (plastering, painting) | 308,964 | 308,964 | Complete | handed over |
| Kakuyuni Police station | Completion of an Administration block(Roofing flooring, plastering, painting) | 1,885,921 | 1,885,921 | complete | ready for handing over |

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|--------------------------|---|-------------------|-------------------|----------|--|
| Ndunduni Chief's Office | Completion of construction AP Camp & chiefs office (Roofing flooring, plastering, painting) | 1,876,999 | 1,876,999 | Complete | handed over more funds for variation Kshs. 441,640 needed. |
| Maiuni Chief's Office | Construction of Asst Chief's office (Foundation, walling, Roofing) | 1,522,500 | 1,522,500 | Ongoing | At finishes |
| Mulingana Chief's Office | Construction of Asst Chief's office (Foundation, walling, Roofing) | 1,522,500 | 1,522,500 | complete | ready for handing over |
| Kyevaluki Chief's Office | Construction of Asst Chief's office (Foundation, walling, Roofing) | 1,522,500 | 1,522,500 | complete | ready for handing over |
| Mbusyani Chief's Office | Construction of Asst Chief's office (Foundation, walling, Roofing) | 1,522,500 | 1,522,500 | Ongoing | At roofing |
| Kathaana Chief's Office | Construction of Asst Chief's office (Foundation, walling, Roofing) | 1,522,500 | 1,522,500 | complete | ready for handing over |
| CDF Office | Completion of NG-CDF Office (Roofing, looring, plastering ,painting) | 3,000,000 | 3,000,000 | Complete | Handed over But more funds needed for variations |
| | | 52,268,043 | 52,268,043 | | |

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

17 July 2018