

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Khwisero Constituency set out on pages 1 to 16, which comprise the statement of financial assets as at 30 June 2017, and the statements of receipts and payments, statement of cash flows and 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, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund – Khwisero 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, based on the procedures performed, except for the matters described in the Other Matter section of my report, I confirm that nothing else 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 Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Khwisero 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 requirements applicable to performing audits of financial statements in Kenya. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matter

Key audit matters are those matters that, in my professional judgments, are of most significance in the audit of the financial statements. Except for the matters described in the Other Matter section of my report, I have determined that there were no other Key Audit Matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance for the Financial Year 2016/2017

Under and over expenditure was noted between the budgeted and actual amounts as indicated below:

Item	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)	Percentage Variance
Compensation of Employees	2,248,000	2,608,602	360,602	16.04
Use of Goods and Services	3,256,896	8,791,286	5,534,390	169.91
Transfers to Other Government Units	36,000,000	58,320,754	22,320,754	62.
Other Transfers and Grants	38,525,863	57,819,357	19,293,494	50.08
Acquisition of Assets	-	20,000	20,000	

There was over expenditure in compensation of employees of Kshs.360,602 being 16.04% of the budget amount, use of goods and services Kshs.5,554,389 (169.9%), transfer to other Government units Kshs.22,320,754 (62%), other transfers and grants Kshs.19,295,494 (50%) and un budgeted for acquisition of assets Kshs.20,000.

2. Projects Implementation Status (PIS) Report

Review of the submitted PIS Report showed that the CDFC had been implementing 335 projects since 2013/14 with an estimated value of Kshs.516,330,415 but had only disbursed Kshs.385,510,001 resulting to under disbursements of Kshs.130,870,413 as detailed in Appendix II attached and summarized below:

Implementation Status	Projects No.	%age	Estimated Cost (Kshs)	Approved Allocation	Amount Disbursed (Kshs)	Budget Shortfall (Kshs)
Awaiting Funds	34	10	48,520,000.00	31,107,931.00	31,107,931.00	17,412,069.00
Complete	243	73	337,900,415.00	289,486,323.59	289,486,323.59	48,414,091.41
In Use	1	0	750,000.00	650,000.00	650,000.00	100,000.00
Incomplete	4	1	14,500,000.00	5,582,759.00	5,582,759.00	8,917,241.00
Land Bought	2	1	1,600,000.00	1,550,000.00	1,550,000.00	50,000.00
Land paid for	2	1	500,000.00	500,000.00	500,000.00	-
Not Known	3	1	2,050,000.00	1,965,000.00	1,965,000.00	85,000.00
Ongoing	41	12	103,060,000.00	49,367,988.13	49,367,988.13	53,692,011.87
Part of the Allocated funds paid for available land	1	0	2,000,000.00	2,000,000.00	2,000,000.00	-

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund - Khwisero Constituency for the year ended 30 June 2017

Implementation Status	Projects No.	%age	Estimated Cost (Kshs)	Approved Allocation	Amount Disbursed (Kshs)	Budget Shortfall (Kshs)
PMC partly paid. Contractor on site	1	0	1,000,000.00	800,000.00	800,000.00	200,000.00
Reallocated	1	0	500,000.00	500,000.00	500,000.00	-
Reallocation request sent to NG-CDF Board	1	0	1,200,000.00	1,000,000.00	1,000,000.00	200,000.00
Tendering on	1	0	2,800,000.00	1,000,000.00	1,000,000.00	1,800,000.00
Total	335		516,380,415.00	385,510,001.72	385,510,001.72	130,870,413.28

The CDFC was allocating residual amounts and undertaking multiple projects which do not portray prudent financial planning.

3. Project Verification

The physical verification procedure performed on progress of various projects implemented during the year revealed anomalies as stated below:

Date	P.V No.	Chq No.	Payee	Amount (Kshs)	Remarks
5/10/16	1566	8893	ACK Ematundu Boys Sec for Deaf	1,400,000	Some works were not completed as required in the BQs
5/10/16	1568	8895	Ekatsombero Secondary School	2,140,000	Some works were not completed as required in the BQs
29/3/17	1684	9626	Ekatsombero Secondary School	800,000	Some works were not completed as required in the BQs
2/3/17	1661	9050	Elukanji Primary School	828,966	Some works were not completed as required in the BQs
5/10/16	1556	8883	Elukari Primary School Classrooms	1,400,000	Some works were not completed as required in the BQs
13/6/17	1722	9757	Khwisero District Hospital	1,550,000	The land had not been purchased
5/10/16	1569	8896	Khwisero Girls' Sec School	1,500,000	Some works were not completed as required in the BQs
2/3/17	1659	9046	Khwisero Girls' Sec School	1,500,000	Some works were not completed as required in the BQs
5/10/16	1551	8878	Khwisero Primary School Dormitory	1,500,000	The Dormitory was poorly done and appropriate certificate not availed

Date	P.V No.	Chq No.	Payee	Amount (Kshs)	Remarks
2/3/17	1664	9051	Khwisero Primary School Dormitory	800,000	The Dormitory was poorly done and appropriate certificate not availed
			Total	13,418,966	

4. Other Grants and Transfers

Included in the other grants and transfers figure of Kshs.57,819,357 are disbursements of Kshs.1,500,000 for the completion of construction works for the sub- county Commissioner's office at Khwisero East Sub County. However, physical verification conducted on the project revealed that although the works were complete, some challenges were noted as detailed below;

- i. Most of the offices remained un-occupied hence raising doubt on value for money on the projects.
- ii. Electricity was not connected to the building notwithstanding Kshs.50,000 set aside for electrical works in the BQs of the project.

In the circumstances, the Fund and the public may not have received value for money on Kshs.1,500,000 spent on the project.

5. Abandoned Constituency Vehicle GK A371U

During the year under review, a Land Rover Puma, GK A371U was not available for use or verification since it has been at CMC Nakuru from April 2017 after breaking down on its way to Nairobi. The repair arrears initially estimated at Kshs.793,544 for overhauling the vehicle were not paid and therefore, the vehicle remained held at the CMC garage. It was not clear why the CDFC did not make arrangements for funds to repair the vehicle or review the costs with an intention to either board or recall the same to the office. In the absence of the vehicle, the projects monitoring and evaluation works were not undertaken as required.

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 and applying the going concern accounting assumption, disclosing, as applicable, matters related to sustainability of services.

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 judgment 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 cease 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 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 January 2019