

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Kibwezi West Constituency set out on pages 5 to 46, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flow, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of National Government Constituencies Development Fund- Kibwezi West 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 do not 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 public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1. Presentation and Disclosures in the Financial Statements

The financial statements presented for audit have inconsistent page numbers in that pages 9 to 35 have been printed incorrectly as pages 24 to 49. The financial statements, have therefore not been properly identified. Consequently, the financial statements have not been prepared in accordance with the reporting guidelines issued by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

- (i) The statement of receipts and payments reflects expenditure totalling Kshs.1,452,443.60 relating to compensation of employees which differs with the figure of Kshs.1,429,643.60 in the respective Note 4 to the financial statements by Kshs.22,800.
- (ii) Further, social security benefits (Employer contribution to NSSF) of Kshs.22,800 is disclosed at page 30 of the financial statements without a corresponding note

number. This expenditure is not reflected in the statement of receipts and payments.

- (iii) In addition, the statement of assets reflects unexplained prior year adjustment of Kshs.66,913, for which, the nature and amount of the error corrected have not been fully disclosed or clearly explained.
- (iv) The following differences have been noted between balances/figures in the financial statements and those in the supporting schedules:

Item	Balance/Figure as per financial statements Kshs	Balance/Figure as per supporting schedule Kshs	Difference Kshs
Use of goods and services			
-Committee expenses	2,055,000	2,776,900	(721,900)
-Domestic travel and subsistence	99,000	275,600	(176,600)
-Training expenses	2,058,799	2,258,799	(200,000)
-Office and general supplies	2,077,729	1,145,895	(931,834)
-Routine maintenance	104,245	338,930	(234,685)
Grants and other transfers			
-Environment projects	4,644,053	4,594,053	50,000

Consequently, the completeness and accuracy of the financial statements for the year ended 30 June 2017 cannot be confirmed.

3. Use of Goods and Services

During the year under review, the Fund spent an amount of Kshs.7,330,919 on use of goods and services. The expenditure included cost of fuel and lubricants of Kshs.624,170 bought from a petrol station as supported by various payment vouchers. The fuel bought could however not be accounted for as the work tickets and detailed orders for vehicle No. GKB 264M were not provided for audit verification.

In addition, the fund paid Kshs.30,000 to John Makovu vide payment voucher number 2245 dated 30 June 2017 being refund of penalties paid to Government Vehicle Check Unit for misuse of motor vehicle GKB 264M. The vehicle was impounded on 3 April 2016 due to irregularities noted by the government check unit.

Consequently, the propriety of the expenditure of Kshs.624,170 included in the expenditure on goods and services for the year ended 30 June 2017 cannot be confirmed.

4. Bank Balance

The statement of assets as at 30 June 2017 reflects a bank balance of Kshs.10,454,920. However, the bank reconciliation statement as at that date reflects cash book balance of Kshs.10,168,917 resulting in unreconciled difference of Kshs.286,003. The reconciliation

statement also reflects un-presented cheques totalling Kshs.851,839 out of which cheques amounting to Kshs.283,133 were stale and had not been reversed in the cash book as at 30 June 2017. In addition, the comparative bank balance of Kshs.38,175,023 was supported by an opening cash book balance of Kshs.38,052,964 resulting in an overstatement of Kshs.122,059.

Further, a review of the cash book indicated that AIE no. A855144 of Kshs.69,216,135 was posted in the cash book as Kshs.69,212,132 resulting in an understatement of Kshs.4,003. Expenditure for November 2016 was also over stated by Kshs.126,000 which resulted in overall understatement of the cash book balance by Kshs.130,003.

Consequently, the accuracy of the bank balance of Kshs.10,454,920 as at 30 June 2017 cannot be confirmed.

5. In-eligible Expenditure

The statements of receipts and payments reflects expenditure totalling Kshs.54,576,416.55 in respect of other grants and transfers which include an amount of Kshs.1,500,002 incurred on water projects. Water is a devolved function under the County Government. The expenditure of Kshs.1,500,002 on water was therefore incurred contrary to Section 24 of the National Government Constituency Development Fund Act, 2015. Consequently, the National Government Constituencies Development Fund Board and the Kibwezi West Constituency Development Fund Committee were in breach of the law and therefore the expenditure is in-eligible.

6. Net Financial Position

The statement of assets as at 30 June 2017 reflects net liabilities instead of net financial position of Kshs.10,454,920, being the difference between the brought forward fund balance of Kshs.38,175,023.45, prior year adjustment of Kshs.66,913 and the deficit for the year under review of Kshs.27,787,016.45. 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 Constituency Development Fund-Kibwezi West 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 adverse 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 discussed in the Basis for Adverse 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 and Performance

The summary statement of appropriation shows that the Fund incurred total expenditure of Kshs.147,951,428.05 against an approved budget of Kshs.189,665,650.72 resulting in under expenditure of Kshs.41,714,223.67 or 22% of the approved budget. However, a detailed analysis of the original budget for the year of Kshs.81,896,551.72 and the adjustments (arising from the bank balance available at the beginning of the financial year of Kshs.38,052,964 and the schedule for unremitted receipts from the board of Kshs.69,216,135) amounting to Kshs.107,269,099 results in the final budget figure of Kshs.189,165,650.72 instead of Kshs.189,665,650.72 reflected in the summary statement of appropriation. The resulting variance of Kshs.500,000 has not been reconciled or explained.

2. Projects Implementation

2.1. The following anomalies have been noted in the implementation of projects and programmes:

(i) During the year under review, the fund spent Kshs.80,743,983 on transfers to other government entities and Kshs.54,576,416 on other grants and transfers to implement various projects and programmes. However, there is no evidence that public participation was carried out in each ward to identify the projects or needs of the constituents in order to prioritize them accordingly.

(ii) St. Bakhita Makusu Secondary School was allocated Kshs.2,800,000 during the financial year under review for the construction of a dormitory. The contract was awarded at a sum of Kshs.2,710,000 to Jurob Builders and Constructions Limited. Audit verification revealed that the dormitory constructed was not fully occupied as there were only five students meant to occupy the building as boarders. In addition, the floor was undergoing repairs and only fourteen windows were in place instead of the sixteen windows as indicated in the bills of quantities. Further, the dormitory was not fenced and had no bathrooms and toilets.

(iii) Kibwezi West Technical and Vocational Training building was to be co-funded by the Ministry of Education and the Fund. The requirement was construction of one workshop measuring 11mX16m, three lecture rooms each measuring 8mX6m and office space measuring 5.5MX5.4m all on the ground floor which were to cost Kshs.10,000,000. Verification revealed that there was no office space even in the plan as specified in the directive issued by the Ministry of Education and CDF Board on 10 August 2015. In addition, there was no indication that the land had been allocated for the purpose.

(iv) At Ngakaa Secondary School, the Fund constructed and completed a science laboratory. The contract had been awarded to Centuria Project Limited at a contract sum Kshs.2,835,561. Physical verification of the project showed that the fume chamber had cracks and not operational, water pipes were leaking at the joints, poor finishing in all the sinks, gutters were poorly done and could not take water to the tanks and the floor had several cracks.

(v) At Wiivia Primary School, the Fund constructed and completed a girls' dormitory at a contract sum of Kshs.2,675,105. Physical verification of the project showed that the dormitory was fitted with only eight windows of 1.4mx1.3m instead of ten windows of

2mx1.4 as indicated in the bill of quantities. Poor floor finishing at the bathrooms and toilets was noted and the gutters were leaking.

(vi) At Ikungu Secondary School, the Fund constructed and completed a science laboratory. The contract had been awarded to Josema Company Limited at a sum of Kshs.2,828,675. Physical verification of the project showed that the worktops on the floor area were not done as per the bill of quantities and the project plan attached in the file. The contractor needed to have included six horizontal worktops as per the plans which did not exist at the time of verification.

(vii) At Kyanginywa Secondary School, the Fund constructed and completed a girls' dormitory. The contract had been awarded at a sum of Kshs.2,719,855 to Centuria Project Limited. Verification of the project showed defects as the roof was leaking, cracked floor and poor painting and landscaping.

2.2. In total, the projects budgeted for during the year ended 30 June 2017 amounted to Kshs.44,551,724. Out of these, projects amounting to Kshs.14,860,076 had been completed, projects amounting to Kshs.9,213,800 were ongoing and projects amounting to Kshs.20,477,848 had not been implemented as of 30 June 2017 as detailed below:

Projects Completed

Project Name	Project Activity	Allocated Amount	Disbursed Amount	Implement at-ion Status	Date of Completion	Remarks
Emergency	To cater for any unforeseen occurrences in the constituency during financial year.		4,094,828	Complete	30.6.2017	Complete and in use
Kwakaleli Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Kiuani Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Mwasang'ombe Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Ngaikini Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016

Mulangoni Primary	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Mwatini Primary School	sunken toilet.		130,000	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Masalani Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Matinga Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min 28/11/2016
Ngukuni Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Ngakaa Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
County Commissioners residence	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Masalani Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Itulu Primary School	sunken toilet.		130,000	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Itaava Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Mithumoni Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016

Ndatani Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Yeini Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Muundani Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Katangini Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Mukononi Primary School	sunken toilet.		227,444	Complete	30.6.2017	Funded from emergency through committee Min.28/11/2016
Kevanda Primary	Renovation of 5no. Classrooms.	1,002,816	1,002,816	Complete	30.6.2017	Complete and in use
Mikauni Primary School	Construction of one classroom to completion	804,000	804,000	Complete	30.6.2017	Complete and in use
Yikisemei Pri School	Construction of Six door girls Toilets to completion	438,816	438,816	Complete	30.6.2017	Complete and in use
Kisingo Secondary	Construction of science laboratory to completion	2,872,010	2,872,010	Complete	30.6.2017	Complete and in use
Ndwaani Secondary	Construction of science laboratory to completion	2,847,606	2,847,606	Complete	30.6.2017	Complete and in use
Matiku Secondary	Construction of a dormitory	2,800,000	2,800,000	Complete	30.6.2017	Complete and in use

Ongoing Projects

Project Name	Project Activity	Allocated Amount	Disbursed Amount	Implementation Status	Expected date of Completion	Remarks
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NG_CDF OFFICE	Completion of NG-CDF Office,(walling, roofing,plastering, fixing of doors and windows, and painting of second floor.	6,000,000	6,000,000	On going	30.6.2017	On going
Kisayani School for People living with disabilities.	Construction of 2 no classrooms to completion	800,000	800,000	On going	30.6.2017	On going
Kaasya Primary	Construction of one classroom to completion	804,600	804,600	On going	30.6.2017	On going
Muangenii Mixed Secondary	Construction of classroom to completion	804,600	804,600	On going	30.6.2017	On going
Kakili Girls	Construction of classroom to completion	804,600	804,600	On going	30.6.2017	On going

Projects Not Implemented

Project Name	Project Activity	Allocated Amount	Disbursed Amount	Implementation Status	Expected date of Completion	Remarks
Kibwezi township primary	Construction of dormitory to completion	2,840,000	–	NEW	30.6.2017	NEW
Milu Primary School	Construction of one classroom to completion	804,000	–	NEW	30.6.2017	NEW
Kanyungu Primary School	Renovation of classrooms	534,816	534,816	NEW	30.6.2017	NEW
Makasa primary school	Completion of office (painting, plastering, roofing flooring, fixing of doors and windows)	–	700,000	NEW	30.6.2017	Received Kshs.700,000 as Reallocation from Mbulutini Drift.
Katulani primary school	Renovation of 5no.classrooms(plastering,painting,fixing of doors and windows and roofing.	–	600,000	NEW	30.6.2017	Received Kshs.600,000 as Reallocation from Mbulutini Drift.
Matutu primary school	Renovation of 5no.classrooms(plastering,painting,fixing of doors and windows and roofing.	–	–	NEW	30.6.2017	Received Kshs.700,000 as Reallocation from Mbulutini Drift.

Kwa-Mukonyo primary school	Completion of office (painting, plastering, roofing flooring, fixing of doors and windows)	–	330,524	NEW	30.6.2017	Received Kshs.330'524 as Reallocation from Mbulutini Drift.
Kibwezi West ICT Hub.	Installation of satellite antenna, router, digital access kit and digital ruggedized tablets, WI-FI with outdoor wireless device complete with 12U cabinet with accessories at Kshs.1,169,256.80 per site. The 4 sites are Kibwezi west NG-CDF Office makindu, Kisayani Education Center, Email AP line and DCC Office Kibwezi.	–	4,400,000	NEW	30.6.2017	Received Kshs. 1,900,000, from Katulani primary, Kshs.2,000,000, from Kathya ka sec. school and Kshs 500,000 from Kamunyuni weir. as Reallocation funds
Tutini asst. chief Office	Construction of Office to completion.	1,047,605	1,047,605	NEW	30.6.2017	NEW
Kiunduani Chief's Camp	Construction of 4 door toilet for People living with disabilities to completion.	300,000	–	NEW	30.6.2017	NEW
Kwambae Primary	Plastering, flooring, fixing of doors and windows of six classrooms.	1,200,000	–	NEW	30.6.2017	NEW
Sekeleni Primary	Renovation of 3 no. classrooms	–	500,000	NEW	30.6.2017	Received reallocated funds from Audit fee for the year 2014/2015
Sekeleni Primary	Construction of six door girl's toilet to completion.	300,000	–	NEW	30.6.2017	NEW
Uvileni Primary	Construction of Administration Block to completion	1,900,000	–	NEW	30.6.2017	NEW
Syumile Primary School	Plastering, flooring, doors, windows roofing & painting of four classrooms	800,000	–	NEW	30.6.2017	NEW
Mukameni Pri. School	Construction of one classroom to completion	804,000	–	NEW	30.6.2017	NEW
Ngakaa Primary	Construction of dormitory to	2,870,806	–	NEW	30.6.2017	NEW

	completion					
Emali Cid, Ocpd Office And Armory	Construction of Cid, Ocpd offices and Armoury to completion.	1,847,605	–	NEW	30.6.2017	NEW
Ndatani Primary	Construction of administration block to completion.	1,824,416	1,824,416	NEW	30.6.2017	NEW
Muusini Primary	Construction of one classroom to completion	804,600	804,600	NEW	30.6.2017	NEW
Ndunguni Primary	Renovation of 4 classrooms (roofing, plastering and flooring)	700,000	700,000	NEW	30.6.2017	NEW
Katulani Primary	Construction of Administration block to completion	1,900,000	–	project done by CDF board through CSR	30.6.2017	Funds reallocated to Kibwezi West ICT Hub.
		44,551,724				

Consequently, the constituents of Kibwezi West did not obtain value or intended services in respect of the projects budgeted for but not fully implemented totalling Kshs.29,691,648.

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 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

25 July 2018