

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

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## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Kipipiri Constituency set out on pages 5 to 26, 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: 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 - Kipipiri 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, except for the matter described in the Other Matter section 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 way.

### Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Kipipiri 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 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. There were no Key Audit Matters to communicate in my report.

### Other Matter

#### 1. Mikeu Chief's camp

The statement of receipts and payments for the year ended 30 June 2017 reflects amount of Kshs.75,677,939 in respect of other grants and transfers out of which Kshs.750,000 was paid to Mikeu Chief's camp for the completion of the project. The CDF initiated project in

2013 and funds amounting to Kshs.3,000,000 has been released to the project. Records indicated that the contract was awarded in 2013 to M/s Sonic Construction Company at a contract sum of Kshs.2,993,785. However, physical verification revealed that over one year since the disbursement of the last tranche of Kshs.750,000, the project had not been completed. The money had not been utilized and was held at the PMC bank account as at the time of this audit in June 2018. The CDF management has not provided satisfactory explanation for the failure to complete the project which has taken over five years to construct.

## **2. Geta DO's Office**

Included in the other grants and transfers figure of Kshs.75,677,939 as disclosed in note 7 to the financial statements is an amount of Kshs.500,000 paid for the construction of an armory at Geta District Officer's office. However, physical verification revealed that, over one year since the disbursement of the funds, construction of the project had not commenced. No explanation was provided for the delay hence denying the community the benefits that would accrue from the project.

## **3. Stalled Project - Kipipiri Milk Collection Centre**

Note 7 to the financial statements on other grants and transfers reflects a figure of Kshs.75,677,939, out of which Kshs.400,000 was in respect of Kipipiri milk collection centre classified under agriculture projects. Examination of records shows that the CDF had initially allocated Kshs.1,400,000 in the financial year 2015/2016 for purchasing a milk cooler, generator and water boiling system. However, the purchase of milk cooler was later funded a donor and the CDF office re-allocated Kshs.1,000,000 out of the initial amount of Kshs.1,400,000 to unspecified project without Board's approval thus reducing the funding to Kshs.400,000 for the construction of milk collection Centre. Although the milk cooler has been installed, it was not operational as at the time of audit in June 2018. Further, expenditure returns for the disbursement of Kshs.400,000 was not given for audit review.

The delay in completion of the project denies the residents benefits due from the project and increases project cost.

## **4. Unspent Funds for projects**

The NG-CDF allocated funds amounting to Kshs.300,000 each to Kamahia Primary School, Bondeni Primary School, Kabati Primary School and Kahiga Primay School for Purchase and installation of water pipes totaling to Kshs.1,200,000. Records further indicates that, Mwangaza Primary School and Gathiriga Primary School were allocated Kshs.550,000 and Kshs.850,000 respectively for purchase of land. However, a review of project implementation status report revealed that the all the six projects had not been implemented as at June 2018 despite release of funds to the project management committees. No explanation was provided for the delay in implementing the projects.

The delayed completion of the facilities hinders the community from realizing the benefits that would accrue from the projects.

## **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 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.

## **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 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**

**12 October 2018**