

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KURIA EAST 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 - Kuria East Constituency set out on pages 5 to 46, which comprise the statement of financial assets as at 30 June 2017, 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 matter discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of National Government Constituencies Development Fund- Kuria East 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 Reporting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229 (b) of the Constitution, based on the procedures performed, except for the matters raised 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 way.

Basis for Qualified Opinion

Project Management Committee (PMC) Bank Balances

Reflected under Annex 2 to the financial statements is aggregate Project Management Committee (PMCs) bank accounts balance of Kshs.170,012 as at 30 June 2017. However, the bank balances were not supported with certificate of bank balances or bank statements. As a result, the accuracy and existence of the balances 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- Kuria East 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 and internal control 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 of the current year. There were no Key Audit Matters to report in the year under review.

Other Matter

1. Budget Performance

The Fund had an approved budget of Kshs.105,296,296 for the year under review while actual expenditure was Kshs.105,077,847 equivalent to 99.8% of the budget. Included in summary statement of appropriation are adjustments amounting to Kshs.23,399,743 being differences between original and final budget. However, management did not avail details of approvals for the adjustments between the original and final budget.

	Approved Budget Kshs	Actual Kshs	Difference Kshs	Absorption %
Receipts				
Transfers from CDF Board	105,296,295	105,296,295	0	100%
			0	0
Total Receipts	105,296,295	105,296,295	120,000	104%
Payments				
Compensation of employees	2,609,355	2,729,355	(120,000)	105%
Use of goods and services	5,937,447	6,068,119	(130,672)	102%
Transfer to other Government units	26,100,000	25,700,000	400,000	98.5%
Other grants and transfers	70,649,493	70,580,373	69,120	99.9%
Total	105,296,295	105,077,847	218,448	99.8%

2. Project Verification

During the year under review the sixteen (16) projects worth Kshs.55,645,866 were physically verified and their status found to be as outlined below:

	Name of Project	Activity	Actual Expenditure Kshs.	Level of Completion %	Observation
1	Kegonga Police post	Roofing, flooring and fixing doors and windows for 12 offices,8 cells and washrooms	25,300,000	90%	Ongoing
2	Nyamaranya chief's office	Construction of chiefs office	1,500,000	100%	Complete and in use

	Name of Project	Activity	Actual Expenditure Kshs.	Level of Completion %	Observation
3	Musweto chief's office	Construction of chiefs office	2,000,000	100%	Complete and in use
4	NG –CDF Kuria East Office	Construction of septic tank and plumbing works	2,000,000	100%	Complete and in use
5	DO Residence Chinato	Construction of DO Residence	1,200,000	100%	Complete and in use
6	Komotobo Mixed secondary	Levelling of school playing field	1,256,866	100%	Field not level and not in position to be in use.
7	Wangirabose primary school	Flooring ,plastering, fixing windows and doors of four classrooms	1,000,000	100%	Poor workmanship in two classrooms - floors are peeling off after repair.
8	Kugitimo primary school	Construction of new administration block	2,300,000	80%	ongoing
9	Kabaroti secondary school	Flooring ,plastering, fixing windows and doors dining hall	1,200,000	100%	Complete and in use
10	Komotobo sec school	Roofing, Plastering, wiring of ongoing dormitory	1,500,000	100%	Complete and in use
11	Kugitimo Sec school	Roofing, Plastering, wiring of ongoing Library	1,500,000	100%	Complete and in use
12	Kionyo Sec school	Flooring ,plastering, fixing windows and doors of five classrooms	1,500,000	100%	Complete and in use
13	St Joseph Ntimaru	Purchase of new school bus	4,000,000	100%	Complete and in use
14	Buhimia culvert	Construction of culvert	1,000,000	100%	Complete and in use but culvert sagging and risk collapsing. Not in good condition
15	Biasumu Taragai road	Opening road	1,389,000	100%	Complete and in use
16	TTI Kiandege	Construction of building	7,000,000	80%	Ongoing
	Total		55,645,866		

3. Transfers to Other Government Units

3.1 Irregular Transfer to Rongo University

Included in transfers to other government entities of Kshs.25,700,000 is Kshs.7,000,000 in respect of part payment for part funding of Kiandege Training Institute. The money

was transferred to Rongo University being the mentoring institution. However, the transfer did not meet the requirements set out in Section 49 of NGCDF Act, 2015 requires that projects jointly –funded with other institutions be divided into units or phases. Consequently, the regularity of Kshs.7,000,000 cannot be confirmed.

3.2 Construction of Classrooms at Wangirabose Primary

Included in transfers to other government entities of Kshs.25,700,000 is Kshs.5,900,000 transfers to primary schools which in turns includes Kshs.1,000,000 transferred to Wangirabose Primary School for flooring, plastering, fixing windows and doors for four classrooms. Physical verification revealed poor workmanship as the floors of the four classrooms were peeling off after the repair hence there was no value for money. Consequently, the regularity of Kshs.1,000,000 expenditure cannot be confirmed.

4. Other Grants and Transfers - Construction of Culvert at Buhimia Bridge

Included in other grants and transfers of Kshs.70,580,373 is Kshs.2,389,827 incurred on road projects which in turn includes Kshs.1,000,000 in respect of construction of a culvert at Buhimia. Physical verification revealed that a section of the culvert was damaged and risked collapsing.

Consequently, value-for-money and regularity of the expenditure amounting Kshs.1,000,000 cannot be confirmed.

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 to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management is aware of the intention to liquidate the Fund or have its operations cease

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 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 as a going concern. 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities 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

23 January 2019