

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

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## Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Makueni Constituency set out on pages 5 to 23 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 effect 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 - Makueni 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 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. Other Grants and Transfers

The statement of receipts and payments for the year ended 30 June 2017 reflects expenditure of Kshs.46,779,906 in respect of other grants and transfers. Out of this expenditure, an amount of Kshs.3,402,958 was spent on payment of casual workers who were engaged in clearing of roads in various parts of the constituency. However, signed payroll/payment schedules and inspection reports for the activities undertaken were not provided for audit verification. Further, scrutiny of the documents available showed that the expenditure was not budgeted for.

In addition, expenditure on other grants and payments includes bursaries to secondary and tertiary institutions totalling Kshs.11,831,572 and expenditure on roads projects amounting to Kshs.12,695,200 as disclosed in Note 7 to the financial statements. However, the relevant supporting schedules reflect expenditure of Kshs.11,323,814 and Kshs.12,187,442 on the said bursaries and road projects, resulting in unexplained difference of Kshs.507,758 in each case, respectively.

Consequently, the accuracy and validity of other grants and transfers expenditure of Kshs.46,779,906 could not be confirmed.

## **2. Bank Balance**

The statement of assets as at 30 June 2017 reflects a bank balance of Kshs. 6,798,090.75. The bank reconciliation statement for the month of June 2017 reflects unrepresented cheques totalling Kshs.11,468,549. However, cheques totalling Kshs.2,375,514 had gone stale as at 30 June 2017 but had not been written back to the cash book. In addition, the bank statement for June 2017 reflects a closing bank balance of Kshs.17,249,847 as at 30 June 2017 but bank balance confirmation certificate was not provided for audit verification.

Consequently, the existence and accuracy of the bank balance of Kshs. 6,798,091 as at 30 June 2017 could not be confirmed.

## **3. Net Financial Position**

The statement of assets as at 30 June 2017 reflects incorrectly net liabilities instead of net financial position of Kshs.6,798,090.75, being the difference between the brought forward fund balance of Kshs.22,744,182.50 and the deficit for the year under review of Kshs.15,946,091.75.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Makeni 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 matters 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. In-eligible Expenditure**

The statements of receipts and payments also reflects expenditure of Kshs. 81,900,149.82 under transfers to other government entities which includes Kshs.6,740,000 in respect of transfers to health institutions. Further, other grants and other payments figure of Kshs.46,779,906 include expenditure on water projects totalling Kshs. 1,500,000. Both health and water projects fall under County Government functions. Section 24 (a) of the National Government Constituency Development Fund Act, of 2015, provides that only projects in respect of National Government function should be funded.

Consequently, the National Government Constituencies Development Fund Board and the Makueni Constituency Development Fund Committee were in breach of the law. The expenditure totalling Kshs.8,240,000 on health and water was not, therefore, a proper charge to National Government Constituencies Development Fund.

## 2. Budgetary Control and Performance

During the year under review, the fund incurred expenditure totalling Kshs.144,638,550.90 or approximately 78% of the approved budget of Kshs.185,282,702.72 which resulted in an overall net under expenditure of Kshs.40,644,151.80 or 22%. Material under-expenditure occurred mainly under the following account items:

Item/Component	Approved Budget (Kshs)	Actual (Kshs)	Budget Under-utilization (Kshs)	% of Under-utilization
Compensation of Employees	2,507,802.80	1,069,333.30	1,438,469.50	57.4
Other grants and transfers	83,237,266.95	46,779,906.05	36,457,360.88	43.8

The above noted under expenditure is an indication that approved programmes were not fully implemented thereby affecting delivery of services to the constituents of Makueni.

In addition, total receipts during the period amounted to Kshs.151,436,641.60 against an approved budget of Kshs.185,282,702.72 resulting in unrealized receipts of Kshs.33,846,061.12 or 18%.

## 3. Implementation of Projects

The project implementation status report indicates that projects worth Kshs.31,280,643 were started and completed during the year, while projects worth Kshs. 30,193,103 were ongoing and projects budgeted at Kshs.13,624,714 had not started as at 30 June 2017 as detailed below:

Project Name	Activity	Allocated Amount - Kshs	Disbursed Amount - Kshs	Implementation Status	Completion Date	Remarks
Athiani Primary School	Repair of classrooms	300,000.00	300,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Muangeni Pri School	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kimuumo Primary School	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016

Kaliini Primary School	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Wote Furniture Makers Project	Reconstruction of business stalls that were destroyed by fire	500,000.00	500,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Yeembondo Primary School	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Maumi Primary School	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kathonzweni HGM Primary	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kyuasini Pri Sch	Repair of classrooms	300,000.00	300,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kithathaini Pri Sch	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kalaani Pri Sch	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Upperland Garage	Repair of motor vehicle	294,827.59	294,827.59	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kwakukui Pri.sch	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kilili Chiefs Office	Repair of offices	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Syaolwe Primary	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kyamusoi Day And Boarding	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Makutano Primary	Repair of classrooms	100,000.00	100,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Syatu Primary	Repair of classrooms	200,000.00	200,000.00	Complete	2017 June	From emergency vide NG-CDFC Min6/12/10/2016
Kwa Kiilu Sand Dam	Construction of Sand Dam to control floods	409,482.76	409,482.76	On-going	2017 June	On- going
Kwa Mulwa Sand Dam	Construction of Sand Dam to control floods	409,482.76	409,482.76	On-going	2017 June	On- going

Kwa Munguti Kathitu	Construction of Sand Dam to control floods	409,482.76	409,482.76	Complete	2017 June	In use
Yamu Tree Planting	Planting of trees (109,482.75) and fencing-Chain link (300,000)	409,482.75	409,482.75	Complete	2017 June	In use
Kaasya Primary School	Renovation- Re-roofing of 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Kalaani Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Kaliini Primary School	Renovation- Re-roofing of 3 classrooms	400,000.00	400,000.00	Complete	2017 June	In use
Kaluluini Primary School	Renovation- Re-roofing of 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Kathuma Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	500,000.00	On- going	2017 June	Plastering in progress
Kavumbu Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	Nil	On- going		Awaiting funds from the board
Kiambani Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Kiangini Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Kiatine Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Kikui Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	Nil	On-going		Awaiting funds from the board
Kimuumo Primary School	Renovation-Re-roofing and flooring of 4 classrooms	768,714.00	768,714.00	Complete	2017 June	In use
Kiteei Adult Centre	Purchase of desks for adult students- 75	150,000.00	Nil	Not started		Project not yet approved by the board

	desks @ 2000 per desk					
Kithaathaini Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	557,000.00	557,000.00	Complete	2017 June	In use
Kithaayoni Primary School	Construction of 1 classroom to completion	700,000.00	700,000.00	Complete	2017 June	In use
Kiumoni Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Kwanzula Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	Nil	On-going		Awaiting funds from the board
Kyuasini Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	Nil	On-going		Partially funded from emergency kitty- Min6/12/10/2016, balance awaiting funds from the board
Kyumbe Primary School	Renovation – Re-roofing and plastering 3 classrooms	400,000.00	400,000.00	Complete	2017 June	In use
Kyunyu Primary School	Renovation-Re-roofing of administration block-3 units	500,000.00	Nil	Not started		Awaiting funds from the board
Maau-eli Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	500,000.00	Complete	2017 June	Complete and in use
Mathangathi Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	556,000.00	Nil	On-going		Awaiting funds from the board
Mathemba Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	Nil	On-going		Awaiting funds from the board
Matooni Primary School	Renovation-Re-roofing and flooring 4 classrooms	568,714.00	568,714.00	Complete	2017 June	In use
Mbeletu Primary School	Renovation-Re-roofing and flooring 3 classrooms	400,000.00	400,000.00	Complete	2017 June	In use

Muangeni Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	Nil	On-going		Awaiting funds from the board
Mutanda Primary School	Renovation-Re-roofing and flooring 3 classrooms	400,000.00	400,000.00	Complete	2017 June	In use
Muthwani Primary School	Construction of 1 classroom	500,000.00	500,000.00	Complete	2017 June	In use
Mwaani Primary School	Renovation-Re-roofing, plastering and flooring 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Ng'aa Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	500,000.00	Complete	2017 June	In use
Ngunguuni Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	Nil	On-going		Awaiting funds from the board
Ngoi Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	600,000.00	600,000.00	Complete	2017 June	In use
Nziu Primary School	Renovation – Re-roofing, flooring and plastering 3 classrooms	500,000.00	Nil	On-going		Awaiting funds from the board
Sia Primary School	Renovation-Flooring and plastering of 2 staff rooms	300,000.00	300,000.00	Complete	2017 June	In use
Syandoo Primary School	Renovation-Roofing ,Plastering and flooring of 4 classrooms	600,000.00	600,000.00	Complete	2017 June	In use
Ukokolani Primary School	Construction of 1 classroom to completion	700,000.00	700,000.00	On- going	2017 June	At roofing level
Unoa Primary School	Construction of 1 classroom to completion	800,000.00	800,000.00	Complete	2017 June	In use
Waimu Primary School	Construction of 1 classroom to completion	700,000.00	700,000.00	Complete	2017 June	In use
Yembondo Primary School	Renovation-Roofing, flooring and painting 4 classrooms	600,000.00	600,000.00	Complete	2017 June	In use

Gigiri Boys Secondary School	Renovation- Roofing ,Plastering and flooring of 4 classrooms	768,000.00	768,000.00	Complete	2017 June	In use
Kaliini Secondary School	Completion of laboratory- Plastering, flooring and fittings	1,200,000.00	1,200,000.00	On- going	2017 June	Phase one complete d in 2015/16 FY. Painting in progress.
Katangini Secondary School	Renovation- Roofing ,Plastering and flooring of 3 classrooms	500,000.00	Nil	On- going	2017 June	Awaiting funds from the board
Katithi Secondary School	Expansion of Dormitory- Walling, windowing, plastering, roofing & painting	1,000,000.00	1,000,000.00	Complete	2017 June	In use
Kimuumo Secondary School	Completion of Dining Hall - Walling, windowing, plastering, roofing & painting	2,700,000.00	2,700,000.00	On- going	2017 June	Painting in progress
Kiteei Secondary School	Renovation- Flooring plastering, roofing & painting of Administration Block	1,200,000.00	Nil	On- going		Awaiting funds from the board
Kitise Secondary School	Completion of Dining Hall- Flooring plastering, roofing & painting	1,237,892.57	1,237,892.57	Complete	2017 June	In use
Maumba Secondary School	Completion of Dormitory- Flooring plastering, roofing & painting	500,000.00	500,000.00	Complete	2017 June	In use
Mbuvo Secondary School	Equipping of Dormitory- 175 Metallic Beds @ 4,000 per bed	700,000.00	700,000.00	Complete	2017 June	In use
Muthyoi Secondary School	Completion of laboratory - Flooring plastering, roofing & painting	500,000.00	500,000.00	Complete	2017 June	In use
Mwaani Boys High School	Completion of Dining Hall- Flooring plastering,	1,500,000.00	1,500,000.00	Complete	2017 June	In use



	roofing & painting					
Ngoto Boys High School	Construction of 1 classroom to completion (700,000), flooring & plastering of 1 classroom (300,000)	1,000,000.00	1,000,000.00	Complete	2017 June	In use
Peter Kiilu Secondary School	Equipping of laboratory-Lab equipment	800,000.00	800,000.00	Complete	2017 June	In use
St. Teresa Secondary School-Muuani	Completion of 2 classrooms- Roofing, flooring plastering and painting	500,000.00	500,000.00	Complete	2017 June	In use
Yinthungu Secondary School	Renovation- Roofing ,Plastering and flooring of 3 classrooms	500,000.00	Nil	On-going		Awaiting funds from the board
Assistant County Commissioner's Mavindini staff house	Construction of staff house-1 unit to completion	956,000.00	956,000.00	Complete	2017 June	In use
Assistant County Commissioner's Office Wote	Renovation-Re-roofing, flooring and painting	500,000.00	500,000.00	Complete	2017 June	In use
Assistant Chiefs Office Malivani	Construction of 1 office to completion	500,000.00	Nil		Not started	Awaiting funds from the board
Chiefs Office Muusini	Construction of 1 toilet to completion	300,000.00	300,000.00	On- going	2017 June	Walling in progress
Kalamba AP Line	Construction of 2 staff houses to completion	1,000,000.00	1,000,000.00	On- going	2017 June	At roofing level
Kamunyolo Sub location Administration Block	Construction- Roofing, plastering and painting of 3 office rooms	1,000,000.00	Nil	On- going		Awaiting funds from the board
Kathonzweni Police Station	Construction of 2 offices to completion	2,000,000.00	Nil	On- going		Awaiting funds from the board
Kwa Kathoka Police Post	Construction of 2 single staff houses to completion	500,000.00	Nil	On- going		Phase 1 complete, 2nd phase awaiting funds from the board
Makueni remand	Construction of septic tank to completion	1,500,000.00	1,500,000.00	On- going	2017 June	On- going

Mbuvo Police Post	Construction of 2 offices to completion	1,000,000.00	1,000,000.00	On- going	2017 June	Offices at roofing level complete. More funds needed for staff quarters
Mumbuni AP Line	Construction of toilet to completion and compound fencing- Chain link	600,000.00	600,000.00	Complete	2017 June	On going
Nziu AP Line	Construction of 1 staff house to completion	500,000.00	Nil	Not started		Awaiting funds from the board
Nziu chiefs office	Renovation-Re-roofing and painting of office	300,000.00	300,000.00	On-going	2017 June	Painting in progress
Yinthungu Chiefs Office	Completion of office-Roofing, plastering & painting	500,000.00	Nil	Not started		Awaiting funds from the board
NG-CDF Offices	Purchase of Furniture for the new NG-CDF office	1,218,714.00	Nil	Not started		Project not yet approved by the board

Consequently, the residents of Makueni did not obtain value for projects budgeted for but not completed or implemented during the year.

### **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**

**15 August 2018**