

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MATAYOS 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 - Matayos Constituency set out on pages 1 to 15, which comprise the statement of financial 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 effects of the matter 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 - Matayos 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, except for the matter described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that nothing else has come to my attention to cause me to believe that public money has not have been applied lawfully and in an effective manner.

Basis for Qualified Opinion

Unverifiable Expenditure on Projects

The Fund spent a total of Kshs.71,022,692 under transfers to other government entities during the year under review. However, the management did not avail for review the returns and progress reports submitted by the relevant project management committees for eleven (11) sampled projects costing Kshs.27,923,924 as indicated below:

	Voucher No.	Amount Kshs.	Payee	Description
1	188	1,788,000	Matayos Cdf	
2	121	6,000,000	Mundika Boys	Completion of dining hall

3	116	700,000	Nanguma Primary School	Construction of classroom
4	68	10,000,000	Bumbe Technical	Construction of admin block
5	98	700,000	Luliba Primary School	Construction of admin block
6	117	700,000	Esirisia Primary School	Construction of admin block
7	118	700,000	Mundika Girls	Construction of admin block
8	20	1,500,000	Mabunge Secondary School	Purchase of bus
9	7	3,500,000	Nawa ventures	Installation of streetlight in musor mkt
10	79	667,962	Qontor tour Group	Rehabilitation of ward projects
11	80	1,667,962	Qontor tour Group	Rehabilitation of community borehole
		27,923,924		Total

In the circumstances, it was not possible to ascertain propriety of the transfer to other Government entities figure of Kshs.71,022,692 incurred during the year.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Matayos 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 Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current year. Except for the matters described in the Basis for Qualified Opinion and Other matter sections of my report, I have determined that there were no other Key Audit Matters to report in the year under review.

Other Matter

1. Comparison of Actual and Budgeted Expenditure

The comparison of the actual expenditure to budget for the year 2016/2017 is as follows;

Overall Budgetary Performance (Recurrent and Development Expenditure)				
Receipt/Expense Item	Budgeted	Actual	Variance	
	Kshs	Kshs	Kshs	%
Receipts				

Transfers from CDF Board	193,850,140	192,350,140	1,500,000	0.8%
Sub-total	193,850,140	192,350,140	1,500,000	0.8%
Payments			-	
Compensation of Employees	3,002,354	2,174,078	828,276	27.6%
Use of goods and services	20,701,924	19,900,758	801,166	3.9%
Transfers to Other Government Units	77,342,512	77,594,082	(251,570)	-0.3%
Other grants and transfers	80,503,350	80,401,729	101,621	0.1%
Acquisition of assets	12,300,000	12,201,628	98,372	0.8%
Sub-total	193,850,140	192,272,275	1,577,865	0.8%

From the above, it was noted that there was unsupported over expenditure in compensation of employees by Kshs.828,276 (28%).

2. Project Performance

The CDF was to implement a total of 45 projects/programmes by different sectors during the financial year as shown above. Further analysis indicated that 2 representing 4% of the projects had not started, 27 representing 60% were still on going and 16 representing 36% had been completed as at the time of audit in April 2018.

Matayos NG-CDF			Implementation Status								
Sector	Budgeted projects		Not Started			Ongoing			Completed		
	No.	Kshs	No.	Kshs	%	No.	Kshs	%	No.	Kshs	%
Primary Schools	21	9,979,350	-	-		20	9,854,350	95	1	125,000	5
Secondary schools	5	4,700,000	1	700,000	20	4	4,000,000	80	-	-	
Security Projects	4	2,200,000	1	700,000	25	3	1,500,000	75	-	-	
Environmental Projects	12	1,200,000							12	1,200,000	100
Emergency	1	4,094,828							1	4,094,828	
Sports	1	1,637,931							1	1,637,931	100
Bursary & Mocks	1	22,141,433							1	22,141,433	100
Total	45	45,953,542	2	1,400,000	4	27	15,354,350	60	16	29,199,192	36

In the circumstances, the public did not receive services from the planned and budgeted 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 and applying the going concern accounting assumption, disclosing, as applicable, matters related to sustainability of services and using the going concern 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.

The 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 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 continue 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 continue 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

28 August 2018