

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

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## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Mavoko Constituency set out on pages 5 to 32, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flow 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- Mavoko 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 Basis for Qualified Opinion and Other Matter sections of my report, 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 for Qualified Opinion

#### 1. Bank Balance

The statement of assets as at 30 June 2017 reflects a bank balance of Kshs.5,829,226.70 and bank confirmation certificate indicates a balance of Kshs.7,027,919.90 as at that date. However, bank reconciliation statement for June 2017 to reconcile the difference of Kshs.1,198,693.20 between the cash book balance and the bank certificate balance was not provided for audit verification. Consequently, the accuracy of bank balance of Kshs.5,829,226.70 as 30 June 2017 cannot be confirmed.

#### 2. Net Financial Position

The statement of assets as at 30 June 2017 reflects incorrectly net liabilities instead of net financial position of Kshs.5,829,226, being the difference between the brought forward fund balance of Kshs.31,550,679 and the deficit for the year under review of Kshs.25,721,453.

## 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 for the current year. Except for matters described in Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

## Other Matter

### 1. Incomplete Projects

The Fund's project implementation status report as at 30 June 2017 indicates that out of the approved budget of Kshs.115,947,230, twelve projects with a total allocation during the year of Kshs.17,132,759 remained incomplete as detailed below;

	Project Name	Sub-Project Activities	Allocations	Disbursement (Kshs.)	Cumulative Achievement (%)	Status	Remarks
1	5% Emergency	For Emergencies mitigation	4,094,828	4,094,828	0%	Ongoing	Continuous exercise
2	Environment projects	Purchase and plant tree seedlings in the following schools: mavoko, kinanie, seme, katani, kaiani, kalimani, makilili, mathatani, kyumbi, athi river, Mavoko, katani, lukenya girls, kwa kalusya, muthwani, st. augustine, mathatani, ngalalya, embakasi and ndovoini secondary schools each at Kshs.54,597.70	1,637,931		0%	Not started	Continuous exercise

3	Joska Police Post	Construction of an office with armory room (Kshs. 1,600,000) and 4 toilets (Kshs.400,000) to completion	2,000,000	2,000,000	0%	Not started	Site issues not cleared
4	CDFC / PMC Capacity building	Undertaking training & capacity building of Mavoko CDFCS staffs & PMCS	900,000	900,000	50%	Ongoing	Continuous exercise
5	St Augustine Mlolongo	Construction of 1 classroom to completion	1,000,000	1,000,000	50%	Ongoing	Ongoing
6	Athi River secondary school	Construction of 1 classroom to completion	1,000,000	1,000,000	50%	Ongoing	Ongoing
7	Wathia Primary School	Completion of 1 classroom – roofing, plaster and final finishes	500,000	500,000	50%	Ongoing	Ongoing
8	Kinanie Secondary School	Partial construction of administration block from foundation slab, walling, first floor slab, windows & doors & other finishes.	2,000,000	2,000,000	60%	Ongoing	Ongoing
9	Lukenya Police Post	Construction of an office (Kshs. 800,000) and 2 toilets (Kshs. 200,000) to completion	1,000,000	1,000,000	70%	Ongoing	Need more funds for finishes
10	Mlolongo Police Post	Construction of an office (Kshs 800,000) and 2 toilets (Kshs 200,000) to completion	1,000,000	1,000,000	70%	Ongoing	Need more funds for finishes
11	Syokimau Police Post	Construction of an office (Kshs	1,000,000	1,000,000	70%	Ongoing	Need more funds for

		800,000) and 2 toilets (Kshs 200,000) to completion					finishes
12	Kinanie Administration office	Construction of an office (Kshs 800,000) and 2 toilets (Kshs 200,000) to completion	1,000,000	1,000,000	70%	Ongoing	Need more funds for finishes
			<b>17,132,759</b>	<b>15,494,828</b>			

Consequently, the constituents of Mavoko did not obtain value for money for the twelve projects budgeted but not fully implemented during the year.

## 2. Budget Performance

The approved total expenditure budget was Kshs.115,947,227 while the total actual expenditure was Kshs.107,674,004 resulting in under expenditure of Kshs.8,273,223 or approximately 7% for the year ended 30 June 2017. Material under expenditure occurred mainly under the following account components:

Account Components	Budget Figures 2016/17	Actual income/ expenditure 2016/17	Difference Between Budgeted Amount and Actual Amounts	% of Budget Under-utilization
	Kshs	Kshs	Kshs	%
Compensation of Employees	4,461,080	3,299,487	1,161,593	26%
Use of goods and services	5,075,891	4,248,859	827,032	16%
Other grants and transfers	36,772,966	31,576,368	5,196,598	14%

The overall under expenditure of Kshs.8,273,223 is an indication that some planned programs were not fully executed during the year thereby denying the constituents of Mavoko the benefits that could have accrued from those projects.

## Responsibility 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 service and using the going concern 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 NG-CDF'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**

**30 July 2018**