

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

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Mbooni 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-Mbooni 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 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. Prior Year Adjustments and Fund Balance

Note 10 to the financial statements reflects prior year adjustments of Kshs.14,845,390 (2016/2017) and of Kshs.40,761,033 (2015/2016) both of which have not been reflected in the statement of assets. Further, the nature and amounts of the error corrected have not been disclosed.

The statement of assets as at 30 June 2017 also reflects fund balance brought forward of Kshs.40,761,033 but the respective Note 9 reflects Kshs.40,732,033 resulting in a difference of Kshs.29,000.

Consequently, the validity and accuracy of the prior year adjustments and fund balance could not be confirmed.

2. Bank Balance

The statement of assets reflects a bank balance of Kshs.14,845,390 as at 30 June 2017. The bank reconciliation statement for the month of June 2017 reflects unrepresented cheques totalling Kshs.1,486,701. However, cheques amounting to Kshs.242,000 had gone stale as at 30 June 2017 but had not been written back to the cash book. In addition, bank balance confirmation certificate was not provided for audit verification.

Consequently, the existence and accuracy of the cash and cash equivalents balance of Kshs.14,845,390 as at 30 June 2017 could not 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 - Mbooni 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. Budgetary Control and Performance

(i) During the year under review, the Fund incurred expenditure totalling Kshs.166,301,344 or approximately 77% of the approved budget of Kshs.215,339,612 which resulted in under expenditure of Kshs.48,538,623. In addition, the Fund's receipts during the year amounted to Kshs.181,336,984 against the approved budget of Kshs.215,339,612 resulting in unrealized receipts of Kshs.34,002,628 or 16%.

(ii) There are unexplained variances between adjustments figures for administration expenses, transfers to other government units, other grants and transfers and acquisition of assets in the summary statement of appropriation and those in the supporting schedule provided by the Fund as follows:

Expenditure Item	Original Budget	Adjustments	Adjustments in budget as per schedule	Variance

	Kshs.	Kshs.	Kshs.	Kshs.
PAYMENTS				
Compensation of Employees	1,876,000	6,186,500		
Use of goods and services	3,494,687	11,166,199		
Committee Expenses	2,000,000	13,204,893		
		30,557,592	5,564,239	24,993,353
Transfers to Other Government Units	44,001,874	64,364,165		
Other grants and transfers	28,812,990	33,521,304		
Acquisition of Assets	1,711,000	5,000,000		
		102,885,469	127,878,822	-24,993,353
TOTAL	81,896,551	133,443,061		

2. Implementation of Projects

Project implementation status report provided during the audit indicated that the original approved budget for the year amounted to Kshs.96,679,703 instead of Kshs.81,896,551 appearing in the summary statement of appropriation and the code list, resulting in unexplained difference of Kshs.14,783,152.

The project implementation status as at 30 June 2017 was as detailed below:

Project Name	Major Activity	Allocated Amount	Disbursed Amount	Implementation status	Completion date	Remarks
		Kshs	Kshs			
Kitoto Primary school	Construction of Office	1,350,000.00	650,000.00	Complete	30/Jun/17	Re-allocation
Kitundu primary school	Construction of staff house	630,051.41		Ongoing	30/Jun/17	Re-allocation
Kithangaini primary sch	Renovation of 4 classrooms	500,000.00	500,000.00	Complete	30/Jun/17	Re-allocation
Mukuku primary school	Renovation of 4 classrooms	500,000.00	500,000.00	Complete	30/Jun/17	Re-allocation
Mukuku primary school	Construction of Toilet	200,000.00	200,000.00	Complete	30/Jun/17	Emergency

Kitithini primary school	Renovation of 4 classrooms	500,000.00	500,000.00	Complete	30/Jun/17	Re-allocation
Kyamithenge Primary School	8 classroom renovations roofing, plastering	400,000.00	800,000.00	Complete	30/Jun/17	In use
Mwende Primary School	4 classroom renovations, roofing plastering	1,000,000.00	1,000,000.00	Ongoing	30/Jun/17	Tendering stage
Kyamuata Primary school	4 classroom renovations, roofing plastering	500,000.00	500,000.00	Ongoing	30/Jun/17	On progress
Kasyelia Primary School	4 classroom renovations, roofing plastering	500,000.00	500,000.00	Ongoing	30/Jun/17	On progress
Kilungu Primary school	4 classroom renovations, roofing plastering	500,000.00	500,000.00	Ongoing	30/Apr/18	Awaiting more funds
Kilungu Primary school	Construction of Toilet	350,000.00	350,000.00	Complete	30/Jun/17	Emergency
Kyome Primary School	4 classroom renovations, roofing plastering	500,000.00	500,000.00	Ongoing	30/Jun/17	On progress
Kako Primary School	4 classroom renovations, roofing plastering	500,000.00	500,000.00	Not started	30/Jun/17	Not started
Kako Primary School	Renovation of 6 classrooms	1,500,000.00	1,000,000.00	Re-allocated	30/Jun/17	Re-allocation
Muambani Primary school	4 classroom renovations, roofing plastering	500,000.00	500,000.00	Ongoing	30/Jun/17	On progress
Ngai Primary school	4 classroom renovations, roofing plastering	500,000.00	-		30/Jun/17	Awaiting funds
Miau primary school	4 classroom renovations, roofing plastering	500,000.00	-		30/Jun/17	Awaiting funds
Kiteta primary school	4 classroom renovations, roofing plastering	500,000.00			30/Jun/17	Awaiting funds
Kiteta primary school	Construction of Toilet	200,000.00	200,000.00	Ongoing	30/Jun/17	Awaiting more funds
Yatwa primary school	4 classroom renovations,	500,000.00	-		30/Jun/17	Awaiting funds

	roofing plastering					
Kitondo primary school	4 classroom renovations, roofing plastering	500,000.00	-		30/Jun/17	Awaiting funds
Wanzauni primary school	4 classroom renovations, roofing plastering	500,000.00	-		30/Jun/17	Awaiting funds
Kyanguma primary school	Construction of 4 door toilets,digging pit,foundation,w alling,roofing, paint, doors	217,426.00	-		30/Jun/17	Awaiting funds
Maiuni primary school	Construction of 4 door toilets,digging pit,foundation,w alling,roofing, paint, doors	217,426.00	-		30/Jun/17	Awaiting funds
Kaseki Primary school	Construction of Toilet	200,000.00	200,000.00	Complete	30/Jun/17	Emergency
Kilenge Primary School	Construction of Toilet	200,000.00	200,000.00	Complete	30/Jun/17	Emergency
Nthunthini Primary School	Construction of Toilet	200,000.00	200,000.00	Complete	30/Jun/17	Emergency
Ukala Primary School	Construction of Toilet	200,000.00	200,000.00	Complete	30/Jun/17	Emergency
Itulu Primary School	Construction of Toilet	154,327.00	154,327.00	Complete	30/Jun/17	Emergency
Utuneni secondary School	Dining hall Construction walling, roofing	500,000.00	3,000,000.00	Complete	30/Jun/17	Re-allocation
Mukaatini Secondary School	2 Staff house construction plastering, roofing	1,158,945.00	1,000,000.00	Complete	30/Jun/17	Re-allocation
Mbooni Boys Secondary School	Dining hall renovation flooring, plaster, roofing	865,770.00	1,000,000.00	Complete	30/Jun/17	Re-allocation
Kiteta Boys Secondary School	Renovation of Dormitory	300,000.00	300,000.00	Complete	30/Jun/17	Emergency
Yangua secondary school	Renovation of blown roof	300,000.00	300,000.00	Complete	30/Jun/17	Emergency
KMTC-Mbooni	3 classroom construction, Laboratory, Administration	40,986,874.00	63,227,544.00	Complete	30/Jun/17	Phase 1 complete

	Block, Dormitory and Dining hall:- Walling, Roofing, plastering, painting, installation of windows, doors and finishes					
Yandue Dispensary	Construction of outside toilet	380,000.00	380,000.00	Complete	30/Jun/17	Emergency
Utwiini Dispensary	Construction of outside toilet	380,000.00	380,000.00	Complete	30/Jun/17	Emergency
Nthengo Drift	Completion of drift construction(horizontal frame work class F2 finish, cut bent and fix culverts,rails, edge mark posts and opening to the main road)	1,000,000.00	1,500,000.00	Complete	30/Jun/17	In use
Utwiini Drift	Completion of drift construction(horizontal frame work class F2 finish, cut bent and fix culverts, rails, edge mark posts and opening to the main road)	1,328,533.00	500,000.00	Complete	30/Jun/17	In use
Mbooni Social Hall	Construction, fencing, toilet	118,663.00	1,000,000.00	Complete	30/Jun/17	In use
Nduluku Social Hall	Construction of Social Hall	500,000.00	500,000.00	Complete	30/Jun/17	In use
Kithungo Administration Police Line	Administration Police Line construction walling, roofing	500,000.00	1,000,000.00	Complete	30/Jun/17	Re-allocation
Kalawa Assitant Chiefs Office	Office construction-Foundation walling, roofing, doors & Finishes	700,000.00	500,000.00	Complete	30/Jun/17	Re-allocation
Mataa Chiefs Office	Construction of Chiefs Office walling, roofing	1,000,000.00	1,500,000.00	Complete	30/Jun/17	In use

Mbooni west Police station	Construction of Toilet	380,000.00	380,000.00	Complete	30/Jun/17	Emergency
Waia Dos Office/AP Line	Renovation of Dos Office and AP Line	750,000.00	750,000.00	Complete	30/Jun/17	Emergency
NG-CDF Motor vehicle Mbooni	Additional funds for purchase of motor vehicle	830,000.00	-	To be reallocated	30/Jun/17	Re-allocation
NG-CDF Motor vehicle Mbooni	Purchase of Motor- Land cruiser extension	1,711,000.00	6,711,000.00	Complete	30/Jun/17	In use
		96,679,703.13	122,053,558.72			

The constituents of Mbooni did not obtain value in respect of projects budgeted for but not fully implemented as at the end of 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 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 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 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.

Handwritten signature of Edward R. O. Ouko in black ink.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

31 July 2018