

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

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## REPORT ON THE FINANCIAL STATEMENTS

### **Adverse Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Mosop Constituency set out on pages 5 to 18, 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: recurrent and development combined 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, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of National Government Constituencies Development Fund – Mosop Constituency as at June 30, 2017 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, public money has not been applied lawfully and in an effective way.

### **Basis for Adverse Opinion**

#### **1.0 Bank Balance**

The statement of financial assets reflects bank balances of Kshs.9,608,064 as at 30 June 2017. However, examination of the bank reconciliation statement for the month of June 2017 indicated an amount of Kshs.2,991,895 for payments in the bank statement not recorded in the cash book. No explanation was provided for failure to record the payments in the cash book.

Under the circumstances, accuracy of the bank balance of Kshs.9,608,064 could not be confirmed.

#### **2.0 Bursary**

Included in the statement of receipts and payments on other grants and transfers expenditure of Kshs.33,542,850 for the year ended 30 June 2017 are bursaries disbursements to secondary schools, tertiary institutions and special schools totaling to Kshs.22,960,919 as indicated below.

No	Details	Amount 'Kshs'
1	Secondary schools	13,867,103
2	Tertiary institutions	9,002,916
3	Special schools	90,900
	<b>Total</b>	<b>22,960,919</b>

However, the criteria used in identifying needy students for award of bursaries and acknowledgement letters in support of receipt of bursary funds from the recipient institutions were not availed for audit review.

Consequently, the validity and propriety of bursary disbursements figure of Kshs.22,960,919 could not be confirmed.

### 3.0 Transfer to Other Government Entities

#### 3.1 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government units' balance of Kshs.92,100,000 relating to funds disbursed to various project management committees. However, actual expenditure returns and acknowledgement letters from institutions that received funds were not availed for audit verification. Under the circumstances, it was not possible to confirm whether the funds totaling Kshs.92,100,000 was actually received and utilized for the budgeted projects in the year under review.

#### 3.2 Purchase of Land

Included in the transfers to other government units' balance of Kshs.92,100,000 is an amount of Kshs.9,100,000 disbursed for purchase of various parcels of land as indicated below.

No	Payee	Date	P.V No.	Cheque No.	Activity	Amount
						Kshs
1	A.C.K Singilet Primary School	28.9.16	38	7270	Purchase of one acre of land	400,000.00
2	Kaptebee Primary School	28.9.16	41	7276	Purchase of one acre of land	400,000.00
3	Kamasai Secondary School	7.9.16	28	7232	Purchase of one acre of land	500,000.00
4	Ngoromosio Primary School	13.10.16	7	7293	Purchase of two acres of land	600,000.00

No	Payee	Date	P.V No.	Cheque No.	Activity	Amount
						Kshs
5	Lelaibe Primary School	22.6.17	6	8422	Purchase of one acre of land	400,000.00
6	S.D.A Koisolik Primary School	16.5.17	9	8384	Purchase of one acre of land	400,000.00
7	Kwendich Primary School	30.5.17	18	8403	Purchase of one acre of land	400,000.00
8	Kapkawa Baptist Primary School	11.4.17	34	8196	Purchase of one acre of land	500,000.00
9	Kapkures Primary School	17.2.17	49	7507/8	Purchase of three acres of land	1,400,000.00
10	S.T Augustine Muruto Primary School	26.8.16	10	6973	Purchase of two acres of land	800,000.00
11	Seretio Primary School	26.8.16	6	6968/9	Purchase of two acres of land	500,000.00
12	St. Alamano Ngenyilel Primary School	3.2.17	7	7453	Purchase of one acre of land	400,000.00
13	Cheptilil Suswo Primary School	3.2.17	8	7454	Purchase of two acres of land	400,000.00
14	St. Peters Kapsean Primary School	11.4.17	29	8191	Purchase One and half Acres	600,000.00
15	Kipsamoo Primary School	11.4.17	41	8213/4	Purchase of two acres of land	600,000.00
16	St. Benedict Kaptich Primary School	11.4.17	24	8186	Purchase of two acres of land	800,000.00
	<b>Total</b>					<b>9,100,000.00</b>

However, official search reports from the Ministry of Lands Office, valuation reports tender/quotations, tender evaluation and award minutes, land sale agreements and lease or allotment letters/ title deeds were not availed for audit verification.

Under the circumstances, the propriety and ownership of the parcels of land costing Kshs.9,100,000 purportedly used for purchase of land 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 – Mosop 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 adverse 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 Adverse Opinion section of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

### Other Matter

#### 1.0 Budgetary Control and Performance

##### 1.1 Budget Performance

During the year under review, Mosop Constituency Development Fund had an approved budget of Kshs.149,107,026 against an expenditure Kshs.139,498,961 resulting in under expenditure of Kshs.9,608,065 as indicated below.

No	Expenditure	Approved Budget	Actual Expenditure	Under Expenditure	Over Expenditure	Under Utilization
		Kshs	Kshs	Kshs	Kshs	%
1.	Use of Goods & Services	12,135,106	9,493,488	2,641,618	-	19
2.	Transfer to other Government units	95,640,000	92,100,000	3,540,000	-	47
3.	Other Grants and transfers	34,469,862	33,542,850	927,012	-	2
4.	Acquisition of Assets	4,300,000	2,000,000	2,300,000	-	53
5.	Compensation of Employees	2,562,058	2,362,623	199,435		3
	<b>Total</b>	<b>149,107,026</b>	<b>139,498,961</b>	<b>9,608,065</b>		

Funds not utilized is an indication of programs that were not implemented, hence the budget did not fully meet the objectives of improving delivery of services to the residents of Mosop Constituency.

##### 1.2 Projects Implementation

During the financial year 2016/2017, an amount of Kshs.47,087,931 was allocated towards the implementation 89 projects as at 30 June 2017 as summarized below:

Serial No.	Project Name	Project Activity	Allocated Amount as per 2016/2017 approved proposal Kshs	Disbursement in 2016/2017 Kshs	Status
	<b>Complete projects</b>				
1	Sports	Purchase of sports kits i.e. balls, uniforms for teams in the constituency	1,637,931	1,331,931	Complete
2	S.D.A Panama Primary School	Construction of one Classroom to Completion.	400,000	400,000	Complete
3	Senior Chief Katonon Primary School	Construction of one classroom to Completion	400,000	400,000	Complete
4	Kabisaga primary school	Construction of one classroom to Completion	400,000	400,000	Complete
5	A.I.C Sosirot Primary School	Construction of one classroom to Completion	400,000	400,000	Complete
6	St. Mathews Soimining Primary School.	Purchase of two acres of land	800,000	800,000	Complete
7	Cheptilil suswo Primary school	Purchase of one acres of land	400,000	400,000	Complete
8	St. Christine Koria Primary school	Construction of a classroom (500,000)\$ Purchase of half an acre of land(150,000)	650,000	650,000	Complete
9	St. Peters Kapkeben Primary School	Completion of 6 classroom (plastering, flooring and painting)	400,000	400,000	Complete
10	Koilel Primary School	Construction of one classroom to Completion	400,000	400,000	Complete
11	A.I.C Chebisas Primary School	Completion of six classrooms (plastering , flooring and painting)	400,000	400,000	Complete
12	Kapsosio Primary school	Construction of one classroom to Completion	400,000	400,000	Complete
13	Cheptonon Primary School	Construction of one classroom to Completion	400,000	400,000	Complete
14	Laboret Girls Boarding Primary school	Construction of one classroom to Completion	400,000	400,000	Complete

<b>Serial No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Allocated Amount as per 2016/2017 approved proposal</b>	<b>Disbursement in 2016/2017</b>	<b>Status</b>
			Kshs	Kshs	
15	Laboret Full Primary School	Renovation of eight classrooms(Plastering, flooring ,windows and doors) ..	1,000,000	1,000,000	Complete
16	Phillip Biwott Primary school	Construction of one classroom	400,000	400,000	Complete
17	Ngenyilel Primary School	Renovation of eight classrooms (Plastering, flooring, windows and doors) .	400,000	400,000	Complete
18	St. Alamano Ngenyilel primary school	Purchase of one acre of land	400,000	400,000	Complete
19	Kakiptui Primary School	Renovation of eight classrooms(Plastering, flooring ,windows and doors) .	400,000	400,000	Complete
20	Sokyot Primary school	Construction of one classroom to Completion	400,000	400,000	Complete
21	Kamboga Primary school	Construction of four Classrooms to Completion	1,350,000	1,350,000	Complete
22	A.C.K Singilet Primary School	Construction of two classroom to Completion	800,000	800,000	Complete
23	Kipsamoite Adventi st Primary School	Construction of a classroom to Completion	400,000	400,000	Complete
24	Lelaipei Primary school	Purchase of one acre of land	400,000	400,000	Complete
25	Kalyet septonok primary school	Construction of two classrooms to Completion.	700,000	700,000	Complete
26	Kwendich Primary School	Purchase of one acre of land	400,000	400,000	Complete
27	A.I.C Chepyagoris Primary school	Construction of two classrooms to Completion	800,000	800,000	Complete
28	Setyot Primary school	Construction of one classrooms to Completion	400,000	400,000	Complete

<b>Serial No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Allocated Amount as per 2016/2017 approved proposal</b>	<b>Disbursement in 2016/2017</b>	<b>Status</b>
			Kshs	Kshs	
29	Kapsabaot primary school	Construction of one classroom to Completion	400,000	400,000	Complete
30	Chepnyogoson primary school	Construction of a classroom to Completion	400,000	400,000	Complete
31	St Barnard Kabunyaeria primary school	Construction of one classroom to Completion	500,000	500,000	Complete
32	Surungai Primary School	Construction of two classroom to Completion	800,000	800,000	Complete
33	Tuiyabei Kimnyigei Primary School	Construction of one classroom to Completion	400,000	400,000	Complete
34	Singore Primary school	Construction of one classroom to Completion	400,000	400,000	Complete
35	A.I.C Kaptich Primary School	Completion of Dormitory (Plastering, flooring, windows and doors).	200,000	200,000	Complete
36	Koiban Primary School	Completion of Dormitory (Plastering, flooring, windows and doors).	800,000	800,000	Complete
37	Kamotong Primary School	Renovation of seven classrooms( Plastering, Flooring and painting	700,000	700,000	Complete
38	A.I.C Kaigat Primary School	Construction of one classroom to Completion	400,000	400,000	Complete
39	Sirsiron Primary school	Construction of one classroom to Completion	400,000	400,000	Complete
40	Ngariet primary school	Construction of one classroom to Completion	400,000	400,000	Complete
41	Kormaet Primary School	Construction of one classroom to Completion	400,000	400,000	Complete
42	Kipsamoo Primary school	Purchase of two acre of land.	1,200,000	1,200,000	Complete

<b>Serial No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Allocated Amount as per 2016/2017 approved proposal</b>	<b>Disbursement in 2016/2017</b>	<b>Status</b>
			Kshs	Kshs	
43	St. Peters Kapsean primary school	Purchase of one and half acres of land	600,000	600,000	Complete
44	A.I.C Kapsean preparatory school	Construction of two classrooms to Completion.	600,000	600,000	Complete
45	Kapkuchui Primary school	Construction of classroom to Completion	400,000	400,000	Complete
46	Kamoiywo Preperatory school	Construction of Dormitory to lintel.	500,000	500,000	Complete
47	Chepkoiyo Primary school	Renovation of four classrooms(plastering, painting and flooring)	400,000	400,000	Complete
48	St. Andrew Kapno Primary school	Construction of one classroom to Completion	400,000	400,000	Complete
49	Seretiot Primary school	Construction of a classroom to Completion.	450,000	450,000	Complete
50	Kapkatet Kimogoch primary school	Purchase of one acre land	400,000	400,000	Complete
51	St. Benedict Kaptich Primary School	Purchase of two acre of land	800,000	800,000	Complete
52	ABC Labuiywet Primary school	Construction of classroom to Completion	400,000	400,000	Complete
53	Tabolwa secondary school	Completion of Dormitory(plastering painting and flooring)	1,000,000	1,000,000	Complete
54	Kamwega Secondary school	Completion of six classrooms (plastering painting and flooring)	500,000	500,000	Complete
55	St. Michael Kabisaga Secondary school	Construction of Dormitory to lintel.	1,000,000	1,000,000	Complete
56	Laboret Girls Secondary School	Completion of lab(Roofing, plastering ,windows, doors and painting)	1,000,000	1,000,000	Complete
57	Kamungei secondary School	Purchase of two acres of land.	1,000,000	1,000,000	Complete
<b>Sub Total</b>			<b>32,587,931</b>	<b>32,281,931</b>	
<b>Ongoing projects</b>					



<b>Serial No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Allocated Amount as per 2016/2017 approved proposal</b>	<b>Disbursement in 2016/2017</b>	<b>Status</b>
			Kshs	Kshs	
58	St. John Kapkorio primary	Construction of one classroom to Completion	400,000	400,000	Ongoing
59	Kapnganio primary school	Renovation of eight classrooms (Plastering, flooring, windows and doors) .	400,000	400,000	Ongoing
60	Kapkawa Baptist primary school	Purchase of one acre of land	500,000	500,000	Ongoing
61	Kamanyinya Primary school	Construction of one classroom to Completion	400,000	400,000	Ongoing
62	Chepkemel Primary School	Renovation of eight classrooms (Plastering, flooring, windows and doors).	400,000	400,000	Ongoing
63	TukTuk Primary School	Construction of one classroom to Completion	400,000	400,000	Ongoing
64	Chepyewet Primary school	Construction of one classrooms to Completion	400,000	400,000	Ongoing
65	Chepnego primary school	Construction of one classrooms to Completion	400,000	400,000	Ongoing
66	St. Judes Tolilet Primary school	Construction of two classroom to Completion	800,000	800,000	Ongoing
67	Samutet Primary school	Construction of one classroom to Completion	400,000	400,000	Ongoing
68	Ndalat D.E.B Primary School	Construction of one classroom to Completion	400,000	400,000	Ongoing
69	S.D.A Kungurwet Primary School	Construction of one Classroom to Completion.	400,000	400,000	Ongoing
70	St. Thomas Kapkoros primary School	Completion of classroom (plastering, flooring and painting)	400,000	400,000	Ongoing
71	St. Thomas Kaiboi Primary School	Construction of classroom to Completion	300,000	300,000	Ongoing
			<b>6,000,000</b>	<b>6,000,000</b>	

<b>Serial No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Allocated Amount as per 2016/2017 approved proposal</b>	<b>Disbursement in 2016/2017</b>	<b>Status</b>
			Kshs	Kshs	
	<b>Projects not started</b>				
72	Kabiyet Boys Primary School	Construction of one Classroom to Completion.	400,000	400,000	Not started
73	St. Josephs Kamasia primary school	Construction of one classroom to Completion	400,000	400,000	Not started
74	Blessed John Paul II Cheramei	Construction of one classroom to Completion	400,000	400,000	Not started
75	SDA kimolwet primary school	Construction of one classroom to Completion	400,000	400,000	Not started
76	A.I.C Singilet Primary school	Construction of one classroom to Completion	400,000	400,000	Not started
77	Kimong Primary school	Renovation of eight classrooms (Plastering, flooring, windows and doors).	400,000	400,000	Not started
78	All saints Kebulonik Primary School	Construction of dining Hall to lintel.	500,000	500,000	Not started
79	Koisolik Primary School	Purchase of an Acre of land	400,000	-	Not started
80	S.D.A Koisolik Primary school	Purchase of an Acre of land	400,000	400,000	Not started
81	Tegeltich Primary school	Construction of one classroom to Completion	400,000	400,000	Not started
82	Kapkorio Primary school	Completion of three classrooms (Plastering, flooring, windows and doors) .	700,000	700,000	Not started
83	Chepkatet Primary School	Construction of one classroom to Completion	400,000	400,000	Not started
84	Cheptil primary School	Construction of one classroom to Completion	400,000	400,000	Not started
85	Kabiyet Boys Secondary school	Renovation of four Classrooms (plastering painting and flooring)	500,000	500,000	Not started

<b>Serial No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Allocated Amount as per 2016/2017 approved proposal</b>	<b>Disbursement in 2016/2017</b>	<b>Status</b>
			Kshs	Kshs	
86	Tuktuk Secondary School	Construction of lab to lintel.	500,000	-	Not started
87	Cheptuiyet secondary School	Construction of a classroom to Completion	500,000	500,000	Not started
88	St. Monicah Kapkoros Secondry School	Construction of Dinning hall to Completion	1,000,000	1,000,000	Not started
89	Kabiemit Chief office	Construction of chief's office to Completion	400,000	-	Not started
			<b>8,500,000</b>	<b>7,200,000</b>	
			<b>47,087,931</b>	<b>45,481,931</b>	

According to the projects status report, fifty-seven (57) projects with an approved budget of Kshs.32,587,931 were complete, fourteen (14) projects with a budget of Kshs.6,000,000 were on going and eighteen (18) projects with a budget of Kshs.8,500.000 had not yet started.

No reasons were provided as to why the thirty-two (32) projects had not been completed despite funds for the same having been received in full.

Consequently, the residents of Mosop failed to benefit from the projects which were not implemented as budgeted.

### 1.3 Project Verification

During the year under review, eleven (11) projects with budget of Kshs.9,350,000 were verified and the following observations were made.

<b>Serial No.</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Disbursement in 2016/2017 'Kshs'</b>	<b>Status</b>
1	Laboret Full Primary School	Renovation of eight classrooms (Plastering, flooring ,windows and doors)	1,000,000	Complete and in use
2	Kamboga Primary school	Construction of four Classrooms to Completion	1,350,000	Complete and in use
3	A.C.K Singilet Primary School	Construction of two classroom to Completion	800,000	Complete and in use
4	Kalyet septonok primary school	Construction of two classrooms to Completion.	700,000	Flooring and fitting of window glasses had not been done

5	Koiban Primary School	Completion of Dormitory (Plastering, flooring ,windows and doors).	800,000	Window glasses and painting not done
6	Tabolwa secondary school	Completion of Dormitory(plastering painting and flooring)	1,000,000	Complete and in use
7	St. Michael Kabisaga Secondary school	Construction of dormitory to completion	1,000,000	Windows, doors, flooring not yet done
8	Cheptil Secondary School	Completion of computer/library block	1,000,000	Plastering, flooring windows and doors not done
9	St. Thomas Kaiboi Secondary School	Construction of dormitory to completion	800,000	Complete but not in use
10	Bishop Muge School-Kamogoiwo	Construction of 6 pit latrine and a sunk toilet	700,000	17 door toilet constructed. There was no evidence of variation of the activities. Plumbing works had not been done
11	St. Mary's Kabisaga Primary School	Construction of toilets	200,000	Complete and in use
	<b>TOTAL</b>		<b>9,350,000</b>	

Out of eleven (11) projects, six (6) projects were complete and in use while five (5) projects were on going. As a result of the delays the residents of Mosop constituency did not receive services from the uncompleted projects. No plausible reasons have been provided by the management for the delays in completing the 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, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting.

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 of Kenya. 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 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 offering 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 offering 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 of the entities 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 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**

**01 August 2018**