

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- MWINGI WEST 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 – Mwingi West Constituency set out on pages 7 to 24, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of summary appropriation: recurrent and development 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 Constituency Development Fund – Mwingi West 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 National Government Constituency Development Fund Act, 2015

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that, 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

1.0 Presentation of the Financial Statement

The International Public Sector Accounting Standards (Cash Basis) reporting template prescribed by the Public Sector Accounting Standards Board requires that a list of projects implemented by the entity be included in the financial statements. However, a review of the financial statements for the year under review revealed that the list of projects implemented by the entity were omitted from the financial statements.

In view of the foregoing, the presentation of the financial statements for the year under review do not conform to the International Public Sector Accounting Standards (Cash Basis) prescribed reporting template by the Public Sector Accounting Standards Board.

2.0 Cash and Cash Equivalents

The statement of assets reflects a cash and cash equivalents balance of Kshs.8,934,011 as at 30 June 2017. However, a review of the bank reconciliation statement reflected unrepresented cheques totalling to Kshs.3,434,409 which included stale cheques of Kshs.226,000 which had not been reversed in the cash book or reissued.

In the circumstance, the accuracy and completeness of the cash and cash equivalents balance of Kshs.8,934,011 as at 30 June 2017 could not be ascertained.

3.0 Project Management Committee (PMC) Bank Balances

Annex 3 to the financial statements reflects Kshs.8,297,903 in respect to thirty seven (37) project management committee (PMC) bank balances. However, bank reconciliations and cash books were not provided for audit review.

Consequently, the accuracy of PMC bank balances of Kshs.8,297,903 as at 30 June 2017 could not be ascertained.

4.0 Unaccounted for Bursary

The statement of receipts and payments reflects a Kshs.48,278,104 expenditure on other grants and transfers which included Kshs.19,099,279 spent on bursaries to secondary schools. However, out of the Kshs.19,099,279 bursary disbursements only Kshs.6,995,000 was received and acknowledged by the secondary schools while Kshs.12,104,279 disbursements were not acknowledged as having been received.

As a result, it has not been possible to ascertain that the Kshs.12,104,279 expenditure as at 30 June 2017 was expended as appropriated.

5.0 Emergency Projects

Note 7 to the financial statements shows a Kshs.4,792,950 expenditure in respect to emergency projects. However, Kshs.1,633,200 was paid to projects that were not of emergency in nature since they did not meet the conditions set out on Section 8 (3) of National Government Constituencies Development Fund Act 2015.

Under the circumstance, the regularity of the expenditure of Kshs.1,633,200 as at 30 June 2017 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Mwingi West 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 of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1. Budget Control and Performance

During the financial year under review, the Fund had an approved budget of Kshs.81,896,552 with a further adjustment of Kshs.64,390,465 thus raising the final

total budget to Kshs.146,287,017. However, only Kshs.137,365,005 (94.9%) was spent resulting in an under-expenditure of Kshs.8,922,011 as follows;

Sub head	Current year final budget figures (Kshs.)	Actual expenditure figures (Kshs.)	Budget utilization difference (Kshs.)	Budget absorption (%)
Recurrent				
Compensation of employees	3,660,700	3,300,700	360,000	90.17%
Use of goods and services	7,912,509	7,497,363	415,146	94.75%
Transfer to other government units	71,577,675	70,465,669	1,112,006	98.48%
Other grants and transfers	56,844,629	49,809,770	7,034,859	87.28%
Acquisition of Assets	6,262,381	6,262,380.60	0	100%
Other Payments	29,123	29,123	0	100%
Total	146,287,017	137,365,006	8,922,011	94.90%

The residents of Mwingi West Constituency therefore did not receive services equivalent to the Kshs.8,922,011 under expenditure as at 30 June 2017.

2. Project Management Implementation

The financial statements reflected transfers to other government entities and other grants of Kshs.70,465,669 and Kshs.49,809,770 respectively both totaling Kshs.120,275,439 as at 30 June 2017 which was earmarked to implement projects. However, it was not possible to ascertain the status of Kshs.120,275,439 projects as crucial details such as location of projects, funds allocated, funds disbursed and date of completion for projects budgeted for in 2015/2016 but implemented in 2016/2017 were not indicated in the project status report.

In the circumstance, it has not been possible to ascertain the implementation status of projects worth Kshs.120,275,439 as at 30 June 2017.

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 continue as a going concern/ 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's 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's 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's 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

6 September, 2021