

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

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Nambale Constituency set out on pages 1 to 13, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Nambale 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, 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 manner.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Nambale 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 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. There were no Key Audit Matters to report in the year under review.

### **Other Matter**

#### **1. Incomplete and Stalled Projects**

During the year under review, the Fund incurred a total of Kshs.41,300,657 in respect of transfers to other government entities. However, the following anomalies were noted in implementation of projects;

- i. Construction of latrines at Mungatsi Primary School was found to be incomplete and sub-standard though full payment of Kshs.500,000 had been made.
- ii. Full payment of Kshs.600,000 had been made towards completion of a classroom at Mwangaza primary school. Physical verification of the project revealed that the project was approximately 50% complete and not in use. In addition, the contractor was not on site.
- iii. Full payment of Kshs.250,000 had been made towards completion of a classroom at Maira Primary School. Physical verification of the project revealed that the project remained incomplete and yet the contractor was not on site.

Full payment of Kshs.560,000 had been made towards construction of staff quarters at Tangakona Administration Police camp. Physical verification of the project revealed that the project remained incomplete and yet the contractor not on site.

In the circumstances, the incomplete projects denies the residents of the constituency the services intended.

## 2. Budgetary Performance

The CDF revenue was budgeted at Kshs.142,144,938 against actual receipt of Kshs.139,477,808 representing an overall under collection of Kshs.2,667,131 (1.9%). Further, the CDF spent a total Kshs.126,091,375 against a budget of Kshs.142,144,938 representing under expenditure of Kshs.16,053,564 representing 11.3% as shown in the table below:

| <b>Overall Budgetary Performance (Recurrent and Development Expenditure)</b> |                    |                    |                   |              |
|--|--------------------|--------------------|-------------------|--------------|
| <b>Receipt/Expense Item</b>  | <b>Budgeted</b>    | <b>Actual</b>      | <b>Variance</b>   |              |
|  | <b>Kshs.</b>       | <b>Kshs.</b>       | <b>Kshs.</b>      | <b>%</b>     |
| <b>Receipts</b>  |                    |                    |                   |              |
| Transfers from CDF Board   | 142,144,938        | 139,477,808        | 2,667,131         | 1.9%         |
| <b>Sub-total</b>   | <b>142,144,938</b> | <b>139,477,808</b> | <b>2,667,131</b>  | <b>1.9%</b>  |
| <b>Payments</b>  |                    |                    |                   |              |
| Compensation of Employees  | 2,889,971          | 2,118,570          | 771,401           | 26.7%        |
| Use of goods and services  | 8,870,395          | 8,328,435          | 541,960           | 6.1%         |
| Transfers to Other Government Units  | 54,106,062         | 41,300,657         | 12,805,405        | 23.7%        |
| Other grants and transfers   | 76,278,510         | 74,343,712         | 1,934,798         | 2.5%         |
| <b>Sub-total</b>   | <b>142,144,938</b> | <b>126,091,375</b> | <b>16,053,564</b> | <b>11.3%</b> |

## 3. Project Performance

Nambale CDF was to implement a total of 73 projects/programmes costing Kshs.41,689,862 by different sectors during the year under review as shown below. Further analysis indicated that 5 representing 7% of the projects had not started, 39 representing 53% were still on going and 19 representing 40% had been completed as at the time of audit.

| Nambale NG-CDF                        |                   |                   | Implementation Status |                  |           |           |                   |            |           |                   |            |
|---------------------------------------|-------------------|-------------------|-----------------------|------------------|-----------|-----------|-------------------|------------|-----------|-------------------|------------|
| Sector                                | Budgeted projects |                   | Not Started           |                  |           | Ongoing   |                   |            | Completed |                   |            |
|                                       | No                | Kshs              | No                    | Kshs             | %         | No        | Kshs              | %          | No        | Kshs              | %          |
| Primary School Infrastructure Project | 45                | 20,630,000        |                       |                  |           | 22        | 12,230,000        | 49%        | 23        | 8,400,000         | 51%        |
| Secondary School Project              | 4                 | 13,100,000        |                       |                  |           | 1         | 600,000           | 25%        | 3         | 12,500,000        | 75%        |
| Tertiary School Projects              | 1                 | 800,000           |                       |                  |           | 1         | 800,000           | 100%       | -         | -                 | 0%         |
| Security Projects                     | 18                | 4,684,000         |                       |                  |           | 15        | 3,984,000         | 83%        | 3         | 700,000           | 17%        |
| Sports Activities                     | 1                 | 1,238,062         | 1                     | 1,238,062        | 100%      |           |                   |            |           |                   |            |
| Environmental Activities              | 4                 | 1,237,800         | 4                     | 1,237,800        | 100%      |           |                   |            |           |                   |            |
| <b>Total</b>                          | <b>73</b>         | <b>41,689,862</b> | <b>5</b>              | <b>2,475,862</b> | <b>7%</b> | <b>39</b> | <b>17,614,000</b> | <b>53%</b> | <b>29</b> | <b>21,600,000</b> | <b>40%</b> |

In the circumstances, the residents of the constituency 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 continue as a going concern, disclosing, as applicable, matters related to going concern/ sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the corporation 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 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 in accordance with ISSAIs, I exercise professional judgment 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 as a going concern. 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 consolidated/ 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate 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.

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**

**11 July 2018**