

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nandi Hills NGCDF set out on pages 5 to 26 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, except for the effect of the matters described 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 - Nandi Hills Constituency as at 30 June 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 Cash and Cash Equivalents

1.1 Bank balances

The statement of financial assets as at 30 June 2017 reflects bank balance of Kshs.2,556,168 which is at variance with the bank reconciliation statement balance of Kshs.2,245,576 resulting to unexplained or reconciled difference of Kshs.310,592. Further, a review of the bank reconciliation statement for the month of June 2017 revealed that, un-presented cheques totaling to Kshs.5,502,054 included stale cheques amounting to Kshs.2,810,012 which had not been reversed in the cash book, contrary to section 90(3) of the Public Finance Management (National Government) Regulations, 2015 which requires that, accounting officers to ensure any discrepancies noted during bank reconciliation exercise to be investigated immediately and appropriate action taken including updating the relevant cash books which had not been reversed in the cash book. No explanation was provided for the failure to reverse the stale cheques.

Under the circumstances, accuracy of the bank balance of Kshs.2,556,168 could not be confirmed.

1.2 Un-Supported Project Management Committee Bank Balances

Note 15.4 to the financial statements reflects Project Management Committee (PMC) bank balances totalling Kshs.17,929,088 as at 30 June 2017. However, the cash books, bank statements and bank reconciliation statements for the individual project management committees accounts were not provided for audit review.

Consequently, the existence, accuracy, validity and completeness of the project management committee bank balance of Kshs.17,929,088 could not be confirmed

2.0 Transfer to Other Government Entities

2.1 Un-Supported Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government units balance of Kshs.87,833,517 relating to funds disbursed to primary and secondary schools for various projects that was to be implemented by project management committees. However, actual expenditure returns from the project management committees 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.87,833,517 was actually received and utilized for the budgeted projects in the year under review

2.2 Purchase of Land

Included in the transfer to other government entities figure of Kshs.87,833,517 is transfer to primary schools balance of Kshs.71,533,517 out of which Kshs.6,400,000 was disbursed to various primary schools for the purchase of various parcels of land as detailed below.

No.	Purpose	Payee	Date	PV No.	Cheque No.	Amount 'Kshs'
1	Purchase of Land	Ollessos Stima Primary School	8-Dec-16	10	2466	1,000,000
2	Purchase of Land	Emitiot Primary School	8-Dec-16	38	2494	1,200,000
3	Purchase of Land	Choimim Primary school	8-Dec-16	40	2497	1,000,000
4	Purchase of Land	Kapchumba Primary School	21-Dec-16	58	2522	1,000,000
5	Purchase of land	Cheplelachbei Secondary School	25-Oct-16	14	2422	2,200,000
	Total					6,400,000

However, procurement records such as tender opening, evaluation and award minutes, and search from lands office in Nandi, valuation report and documents of ownership such as title/lease were not availed for audit verification.

Under the circumstances, the ownership, validity and propriety of the land costing Kshs.6,400,000 could not be confirmed.

3.0 Other Grants and Transfers

3.1 Bursary

The statement of receipts and payments reflects other grants and transfers expenditure of Kshs.31,378,468 which includes bursary disbursements to secondary schools, universities, tertiary institutions and special schools total balance of Kshs.20,699,840 as detailed below:

No	Details	Amount Kshs
1	Secondary schools	11,674,000
2	Universities	4,775,840
3	Tertiary institutions	3,550,000
4	Special schools	700,000
	Total	20,699,840

However, as reported in the previous year, minutes of bursary subcommittee indicating how the needy cases were identified and bursary awards were determined were not availed for audit review. In addition, there was no report showing that the Constituency Developments Fund Committee ratified the list of beneficiaries forwarded by the Bursary Subcommittee as required by Constituency Development Fund circular reference No.Vol.1/111 dated 13 September 2010.

Under the circumstances, the propriety of expenditure on bursaries not be confirmed.

3.2 Emergency Projects

Included in other grants and transfers figure of Kshs.31,378,468 is disbursements to emergency projects balance of Kshs.4,812,837. However, actual expenditure returns were not availed for audit verification to confirm the projects funded and whether they were of emergency in nature as per the Act.

Under the circumstances, validity and propriety of the emergency projects expenditure of Kshs.4,812,837 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-Nandi 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 and Other Matter sections, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget Control and Performance

1.1 Budget Performance

During the year under review, the fund had an expenditure budget of Kshs.131,207,314 against actual expenditure of Kshs.128,651,146 resulting to an under expenditure of Kshs.2,556,168 or approximately 2 % of the approved budget as shown below.

No	Expenditure	Approved budget	Actual Receipts/ expenditure	Under/Over expenditure	Under utilization
		Kshs	Kshs	Kshs	%
1	Compensation of Employees	1,793,080	904,020	889,060	49
2	Transfer to other Government units	92,180,000	87,833,517	4,346,483	5
3	Other Grants and transfers	31,656,624	31,378,468	278,156	0.8
4	Use of Goods & Services	5,577,610	8,535,140	(2,957,530)	53
	Total	131,207,314	128,651,145	2,556,168	2

Funds not utilized is an indication of approved programs not implemented, hence an indication that, the budget has not fully met the intended objectives of improving delivery of goods and services to the residents of Nandi Hills constituency.

2.2 Project Implementation

During the financial year 2016/2017, the fund budgeted to disburse Kshs.42,580,000 to finance seventy-one (71) projects and out of which an amount of Kshs.40,767,931 was disbursed to the projects as detailed below.

No	Project name	Details of the project	Allocation Amount	Disbursement 2016/2017	Expenditure	% Completion	Status
			Kshs	Kshs	Kshs		
1	Ainapng'etuny primary	Roofing,plastering,painting and ceiling to completion of 2 classrooms	500,000	500,000	500,000	100	complete
2	Chebinyiny primary	Walling, foundation, plastering, painting and ceiling to completion of 1 classrooms	600,000	600,000	600,000	100	complete
3	Chemalal hill view point academy	Walling, foundation, plastering,painting and ceiling to completion of 1 classroom	500,000	500,000	500,000	100	complete
4	Cheptingting primary	Walling, foundation, plastering,painting and ceiling to completion of 2 classrooms	1,000,000	1,000,000	1,000,000	100	complete
5	Cherobon primary	Walling, plastering,painting and ceiling to completion of 1 classrooms	500,000	500,000	500,000	100	complete
6	Aichesirikan primary	Purchase 3 acres of land-	600,000	600,000	600,000	100	complete
7	Choimim primary	Purchase of land 1 acre -500,000, Construction of 1 class room-500,000	1,000,000	1,000,000	1,000,000	100	complete
8	Kapchanga primary	walling, foundation, plastering,painting and ceiling to completion of	500,000	500,000	500,000	100	completed

		2 classrooms- 500,000					
9	Kapkoros primary	Walling, foundation, plastering, painting and ceiling to completion of 1 classrooms	500,000	500,000	500,000	100	completed
10	Kapsean primary	Walling, foundation, plastering, painting and ceiling to completion of 1 classrooms	500,000	50,000	500,000	80	On-going
11	Kapsokio primary	walling, foundation, plastering, painting and ceiling to completion of 1 classrooms-	500,000	500,000	500,000	90	On-going
12	Kaptien primary	Renovation by Plastering, painting and ceiling to completion of 2 classrooms	400,000	400,000	350,000	90	On-going
13	Kaputi primary	Plastering, painting and ceiling to completion of 1 classroom-	600,000	600,000	500,000	80	On-going
14	Kimolonik primary	Walling, slap, plastering, painting and ceiling to completion of 1 classrooms	500,000	500,000	450,000	85	On-going
15	Kimwogi primary	walling, foundation, plastering, painting and ceiling to completion of 1 classrooms	1,000,000	1,000,000	900,000	90	On-going

16	Kipkorom primary	Walling,roofing, plastering,painting and ceiling to completion of 1 classroom	600,000	600,000	600,000	100	complete
17	Kipsamoo primary	renovation by plastering, painting and ceiling of 5 classroom	500,000	500,000	500,000	100	complete
18	Kipsebwo primary	renovation by Plastering, painting and ceiling of 5 classroom	500,000	500,000	500,000	100	On-going
19	Kisoga primary	Walling, plastering,painting and ceiling to completion of 1 classrooms.	600,000	600,000	500,000	1	On-going
20	Kitechgaa primary	Walling, roofing, plastering,painting and ceiling to completion of 2 classrooms.	600,000	600,000	500,000	1	On-going
21	Kogamei primary	Plastering,painting and ceiling to completion of 8 classrooms	600,000	600,000	600,000	100	complete
22	Kosoiywo primary	Walling, foundation, plastering,painting and ceiling to completion of 2 classrooms	700,000	700,000	700,000	100	complete
23	Lengon primary	Walling, roofing, plastering,painting and ceiling to completion of 1 classroom.	500,000	500,000	500,000	100	complete
24	Lolkireny primary	Walling, roofing, plastering,painting and ceiling to completion of 1 classroom.	500,000	500,000	500,000	100	complete

25	Nandi hills township primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom.	500,000	500,000	500,000	100	complete
26	Ndururo primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom.	600,000	600,000	500,000	90	On-going
27	Ngame primary	Plastering, painting and ceiling to completion of 2 classrooms.	400,000	400,000	400,000	100	complete
28	Ogirgir primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classrooms.	500,000	500,000	500,000	100	complete
29	O'llessos primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classrooms.	980,000	980,000	850,000	80	On-going
30	Sile primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom.	500,000	500,000	500,000	100	complete
31	Simbi primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom.	700,000	700,000	700,000	100	complete
32	Sirwa primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom. Walling, roofing, plastering, painting and ceiling to completion of 1 classroom.	500,000	500,000	500,000	-	On-going

33	Sochoi primary	Renovation by plastering, painting and ceiling of 4 classrooms.	500,000	500,000	500,000	100	complete
34	Timobo primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom.	600,000	600,000	600,000	100	complete
35	Siwo primary	Renovatin by Plastering, painting and ceiling to completion of 5 classrooms.	500,000	500,000	500,000	95	On-going
36	Kabikwen primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom- 600,000 purchase 1 acre of land 1,000,000	600,000	600,000	600,000	90	On-going
37	Nukiat primary school	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom.	500,000	500,000	500,000	100	complete
38	Koimur primary school	Roofing, plastering, painting and ceiling to completion of 1 classroom	700,000	700,000	700,000	100	complete
39	Keben primary school	Renovation of roof and plastering, painting and ceiling to completion of 5 classrooms and adminstration block	500,000	500,000	500,000	100	complete
40	Chepngetuny primary school	Walling, plastering, painting and ceiling to completion of 1	500,000	500,000	500,000	100	complete

		classroom.					
41	Taboiyat primary school	renovation plastering, painting and ceiling to completion of 4 classroom	500,000	500,000	500,000	80	On-going
42	Kapkembur primary school	Completion of 5 classrooms by plastering, painting and ceiling	500,000	500,000	500,000	100	Complete
43	Chepkunyu k primary school	Renovation of roof, Walls by plastering, painting and ceiling of 4 classrooms	500,000	500,000	500,000	100	Complete
44	Nduroto primary school	Completion of 3 classrooms by plastering, painting and ceiling	500,000	500,000	500,000	100	On-going
45	Kaplelmet primary school	Renovation by Plastering, painting and ceiling to completion of 5 classroom	1,000,000	1,000,000	800,000	25	On-going
46	Tereno primary school	plastering, painting and ceiling to completion of 2 classrooms.	600,000	600,000	500,000	80	On-going
47	Kapnyemis primary school	Walling, roofing, plastering, painting and ceiling to completion of 1 classrooms.	600,000	600,000	600,000	90	On-going
48	Ollessos hills primary school	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom	800,000	500,000	500,000	75	On-going

49	Keteng primary school	Walling,roofing, plastering,painting and ceiling to completion of 1 classrooms.	500,000	500,000	500,000	80	On-going
50	Great highland intergrated	Walling,roofing, plastering,painting and ceiling to completion of 1 classroom	500,000	437,931	437,931	100	Complete
51	Mogobich primary	renovation plastering,painting and ceiling to completion of 5 classroom	500,000	400,000	400,000	80	On-going
52	Koilot primary	renovation plastering,painting and ceiling to completion of 5 classrooms	500,000	400,000	400,000	90	On-going
53	Lolduga primary	Walling,roofing, plastering,painting and ceiling to completion of 1 classroom	500,000	500,000	400,000	85	On-going
54	Cheptuingeny primary	renovation by plastering,painting and ceiling to completion of 6 classrooms	500,000	500,000	500,000	100	Complete
55	Kaptuma primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom	600,000	600,000	500,000	100	Complete
56	Lelwak primary	Plastering,painting and ceiling to completion of 4 classrooms	500,000	500,000	500,000	100	Complete

57	Tururo primary	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom- 600,000 Purchase of land 0.3 acre - 300,000	900,000	900,000	700,000	100	Complete
58	Ndubusat Primary	Walling, roofing, plastering, painting and ceiling to completion of 2 classrooms	700,000	600,000	600,000	100	Complete
59	Sinendet Primary	renovation by plastering, painting and ceiling to completion of 5 classrooms	500,000	500,000	500,000	100	Complete
60	Emitiot primary Tereno	Purchase of land 2 acre- 600,000. Walling, roofing, plastering, painting and ceiling to completion of 1 classroom- 600,000	1,200,000	1,000,000	1,000,000	100	Complete
61	Cheptililik primary	Purchase of land 1 acre- 600,000. Walling, roofing, plastering, painting and ceiling to completion of 1 classroom- 600,000	1,200,000	1,200,000	1,200,000	100	Complete
62	St Ludovico pri	Walling, roofing, plastering, painting and ceiling to completion of 1 classroom	600,000	600,000	600,000	100	Complete

63	Cheplelach bei pri	Renovation of 3 classrooms, flooring ceiling and plastering	300,000	300,000	300,000	100	Complete
64	St Mathias Kapkwang pri	Walling,roofing, plastering,painting and ceiling to completion of 1 classroom	500,000	500,000	400,000	80	Complete
65	Mosine Primary	Walling,roofing, plastering,painting and ceiling to completion of 1 classroom	600,000	600,000	600,000	100	Complete
66	Serengonik primary	Walling,roofing, plastering,painting and ceiling to completion of 2 classrooms	1,000,000	1,000,000	1,000,000	100	Complete
67	Kabikwen primary	Walling,roofing, plastering,painting and ceiling to completion of 1 classroom	600,000	600,000	600,000	100	Complete
68	Kabote Adventist secondary	Walling, Roofing ,Plastering and painting of Dormitory	500,000	500,000	-	-	Not started
69	Mogoon Chiefs Office	Renovation and equipping of Chiefs office,	500,000	500,000	-	-	Not started
70	Kipkimba primary school	Walling, Plastering, painting and	500,000	-	-	-	Not started
71	St Stephen Chebilat Primary	Construction of one classroom	500,000	500,000	-	-	Not started
	Total		42,580,000	40,767,931	38,187,931		

However, according to the projects status report availed for audit review, forty-three (43) projects with a budget of Kshs.26,200,000 were complete, twenty -four (24) projects with a budget of Kshs.14,380,000 were on going and four (4) projects with a budget of Kshs.2,000,000 had not been started.

No reasons were provided as to why the twenty-eight (28) projects were not executed to completion when funds for the same had been disbursed. As a result,

the residents of Nandi Hills constituency failed to benefit from the incomplete projects.

Project Verification

During the year under review, nine (9) projects with a budget of Kshs.5,730,000 were verified and the following observations were made.

No	Project name	Details of the project	Amount 'Kshs'	Remarks
1	Kapkembur pry school	Completion of 5 classrooms by plastering, painting and ceiling	500,000	Complete
2	Kogamei primary school	Plastering,painting and ceilinging to completion of 8 classrooms	600,000	Complete
3	Chelelacbei Sec school	Renovation of 3 classrooms, flooring ceiling and plastering	300,000	Complete
4	ACK Cheptingiting Pry school	Walling, foundation, plastering,painting and cielinging to completion of 2 classrooms	1,000,000	Complete
5	Olessos Secondary School	Walling,roofing, plastering,painting and cielinging to completion of 1 classroom	500,000	Complete
6	Olessos Primary School	Walling, roofing, plastering,painting and cielinging to completion of 1 classrooms.	980,000	Ongoing
7	Kaptien Secondary School	Renovation by Plastering,painting and cielinging to completion of 2 classrooms	350,000	complete
8	Nandi Hill Township Primary School	Walling, roofing, plastering,painting and ceiling to completion of 1 classroom.	500,000	Complete
9	Choimim sec school	Purchase of land 1 acre.	1,000,000	Complete
	Total		5,730,000	

However, the nine (9) projects verified were complete and in use.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nandi Hills NG-CDF 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.

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.

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

24 August 2018