

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – NYAKACH 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 – Nyakach Constituency set out on pages 7 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- 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, 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 – Nyakach 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.

Further, 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 way.

Basis for Qualified Opinion

1.0 Bank Balances

The statement of assets as at 30 June 2017 reflects a bank balance of Kshs.1,770,532. However, a review of the bank reconciliation statement revealed unpresented cheques amounting to Kshs.5,528,737 which included stale cheques amounting to Kshs.2,650,535 that had not been reversed in the cash book as at 30 June 2017.

Consequently, it has not been possible to confirm the accuracy and validity of bank balance of Kshs.1,770,532 as at 30 June 2017.

2.0 Other Grants and Transfers

Other grants and transfers for the year were Kshs.55,798,574. However the following issues were noted:

2.1 Bursary Payments

Note 7 to the financial statements indicates payments for bursaries to tertiary institutions totaling Kshs.18,023,500 which in turn include Kshs.6,000,000 paid to a driving school for the provision of driving lessons to six hundred (600) motor bike riders in the constituency. However, records to show that open tender method of procurement was used were not provided for audit review.

2.2 Unsupported payments

Payments totaling Kshs.5,983,220 as shown below were not supported:

Item	Kshs.
Bursaries - Tertiary	483,220
Roads projects	500,000
Total	983,220

As a result, the validity and occurrence of the payments could not be confirmed.

2.3. Undelivered Tree Seedlings

Note 7 to the financial statements indicate payment for environment activities amounting to Kshs.1,634,000. The payment was made to a supplier for delivery of tree seedlings. However, there was no evidence that the seedlings were delivered, distributed and planted. Therefore, the occurrence and validity of the expenditure cannot be confirmed.

2.4. Payment of Retention Monies

Note 7 to the financial statements indicates payments for road projects as Kshs.22,064,074 which in turn includes Kshs.1,268,817 paid as retention monies to various contractors. However, the payments were not supported with registers and project files to indicate that they were due and payable. As a result, it is not possible to confirm the occurrence and validity of the expenditure.

2.5. Payment of Pending Bills

Included in other grants and transfers reflected in the statement of receipts and payments are payments totalling of Kshs.22,064,074 made in respect of road projects and which include payments for pending bills totalling Kshs.15,980,378 ostensibly for works done in previous years. However, the project files and procurement documents for the works were not availed for audit review. As a result, it is not possible to confirm the validity of the pending bills reported to have been paid-off.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Nyakach 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 section, I have determined that there are no key audit matters to communicate in my report.

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 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 its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management is aware of the intention to liquidate the Fund or have its operations cease, 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

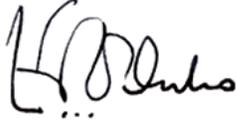
The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 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 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

A handwritten signature in black ink, appearing to read 'E. Ouko', with three dots below the signature.

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

Nairobi

21 January 2019