

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

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## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Roysambu Constituency set out on pages 6 to 25, 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 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 effects of the matter 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- Roysambu 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

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

The statement of receipts and payments reflects comparative other receipts of Kshs.20,000, other grants and transfers of Kshs.54,634,961 and acquisition of assets of Kshs.500,000. However, the respective notes reflect nil comparative other receipts, other grants comparative of Kshs.54,574,960 and nil comparative for acquisition of assets resulting in unexplained differences of Kshs.20,000, Kshs.60,001 and Kshs.500,000 for other receipts, other grants and acquisition of assets, respectively.

#### 2. Cash and Cash Equivalents

The statement of assets as reflects cash and cash equivalent balance of Kshs.7,018 as at 30 June 2017. However, the June 2017 bank reconciliation statement reflects unrepresented cheques amounting to Kshs.3,959,418.15 which includes stale cheques of Kshs.29,418.

The stale cheques had not been reversed in the cash book as at 30 June 2017 as detailed below:

<b>Date</b>	<b>Payee</b>	<b>Cheque No.</b>	<b>Amount (Kshs)</b>
13/09/2016	Commissioner of Domestic Tax	3861	7,855
13/09/2016	Commissioner of Domestic Tax	8292	3,703
13/09/2016	Commissioner of Domestic Tax	8360	7,075
13/09/2016	Commissioner of Domestic Tax	8362	1,473
13/09/2016	Commissioner of Domestic Tax	8363	1,152
13/09/2016	Commissioner of Domestic Tax	8371	8,160
	<b>TOTAL</b>		<b>29,418</b>

In addition, the clearance status of unrepresented cheques totalling Kshs.3,929,999 as at the time of the audit has been not explained satisfactorily.

In the circumstances, the accuracy of bank balance of Kshs.7,018 as at 30 June 2017 cannot be confirmed.

### **3. Net Financial Position**

The statement of assets as at 30 June 2017 reflects net liabilities instead of net financial position of Kshs.7,018, being the difference between the brought forward fund balance of Kshs.33,965,490 and the deficit for the year of Kshs.33,958,472. No explanation has been provided for this anomaly.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Roysambu Constituency management 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 audit opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance to the audit of the financial statements for the current year. Except for matters described in the Basis for Qualified Opinion and Other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

### **Other Matter**

#### **1. Budgetary and budgetary Controls**

The summary statement of appropriation reflects actual expenditure of Kshs.123,997,309 against budgeted expenditure of Kshs.125,062,042 resulting in an under expenditure of Kshs.1,064,733 as detailed below:

Components	Final Budget Figures	Actual expenditure figures	Over Expenditure
	Kshs	Kshs	Kshs
Compensation of Employees	2,191,200	1,131,696	1,059,504
Use of Goods and Services	7280,490	7,225,925	54,564
Transfer to Other Govt. Entities	56,590,352	56,682,759	92,407
Other Grants and Transfers	59,000,000	58,956,928	43,071
<b>Total</b>	<b>125,062,042</b>	<b>123,997,309</b>	<b>1,064,733</b>

## 2. Project Status

During the year under review, the fund had several projects with a combined budget of Kshs.101,752,042 whose status as at the close of the year was as detailed below:

Project Location	Project Description	Commence-ment date	Expected completion date	Budgeted amount	Actual amount Spent(Ksh)	% completion
Githurai	Construction of A.P. Lines and Chief's office	29/05/2016	29/11/2016	10,298,172	9,564,112	85.00%
Githurai	Renovation works (11 classrooms)at Githurai primary School	Nov-16	Dec-16	3,000,000	2,800,000	100.00%
Kahawa West	Construction of 2No. Classrooms at Kamiti Secondary School	12/01/2016	14/05/2017	7,000,000	6,793,969	100.00%
Kahawa West	Construction of 2No.classrooms at Mahiga Primary School	12/01/2016	14/05/2017	7,200,000	6,882,015	100.00%
Njathaini	Construction of 2 No. classrooms at Njathaini Primary School	03/11/2016	09/11/2016	5,862,346	5,655,562	100.00%
Githurai Kamuthi	Construction of Githurai Kamuthi bridge	11/04/2015	05/06/2016	25,000,000	25,500,000	98.00%
Kiwanja	Construction of 4no. Classrooms block	23/10/2015	30/04/2016	8,500,000	8,494,993	100.00%

Muthaiga	Renovation of 6No. Classrooms at Muthaiga Primary school	Nov-16	Dec-16	3,000,000	3,563,293	100.00%
Garden Estate	Costruction of 4No. Classrooms block in Garden Estate Secondary School Phase ii	19/05/16	19/11/2016	8,500,000	7,968,785	100.00%
Marurui	Construction of staff houses at Marurui Health centre	18/01/2017	14/04/2018	4,482,759	4,711,347	90.00%
Roysambu Sec. Sch.	Construction of classrooms	23/03/2016	-	10,408,765	-	100%
Garden Estate	Construction of 4no. Classrooms block at Garden Estate Secondary school phase iii	09/08/2017	14/04/2018	8,500,000	8,592,433	95.00%

**101,752,042    90,526,509**

The Fund management transferred to Roysambu Secondary PMC a total of Kshs. 10,408,764.90 on 23 March 2016. The funds remained unutilized as at 30 June 2017. No reason has been provided for non-implementation of the project. In addition, bank certificates for Njathaini Primary School and Roysambu Secondary School PMC have not been provided for audit verification.

### **Responsibility 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 going concern basis of accounting unless the management either intends 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 ability 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 sustaining 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 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 to 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. O. Ouko', with a stylized flourish at the end.

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

**Nairobi**

**17 August 2018**