

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-SAMBURU EAST 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-Samburu East set out on pages 6 to 33, 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, 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-Samburu East as at June 30, 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 Constituencies Development Fund Act,2015.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Other Matter section of my report, based on the procedures performed, I confirm that, nothing else 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 Statement of Financial Assets

The statement of financial assets and liabilities as at 30 June 2017 reported bank balances of Kshs.3,925,607 which has not been supported by a bank reconciliation statement. In addition, Annex 4 to the financial statements reported project management committees bank balances of Kshs.5,580,112.41 for nine (9) projects which has not been supported by any bank reconciliations and bank certificates. In the circumstance, the accuracy and validity of the reported bank balance of Kshs.3,925,607 could not be confirmed.

2.0 Use of Goods and Services

2.1 Office and General Supplies and Services

Note 5 to the financial statements reflects office and general supplies and services expenditure of Kshs.751,770. However, payment vouchers and schedule provided for audit verification show an expenditure of Kshs.241,970 resulting into unsupported variance of Kshs.509,800. In the circumstance, the reported expenditure of Kshs.751,770 could not be confirmed as properly supported and that it is a proper charge to public funds.

2.2 Other Committee Expenses

Note 5 reported other committee expenses of Kshs.2,580,000 which could not be agreed to the expenditure schedule figure of Kshs.3,166,093 by Kshs.586,093. However, the variance has not been reconciled.

3.0 Other Grants and Transfers – Bursaries

The statement of receipts and payments reflects other grants and transfers of Kshs.37,760,934. Out of this amount Kshs.8,000,000 was allocated to the needy students in secondary schools while Kshs.13,000,000 was allocated to those in tertiary institutions both totaling Ksh.21,000,000 out of which actual disbursements made totalled Kshs.18,756,399. However, only Kshs.10,429,101 were acknowledged leaving a balance of Kshs.8,327,399 unacknowledged. It was therefore not possible to ascertain if the funds actually benefited the students they were intended. In addition, note 7 reflects disbursements of Kshs.22,447,500 yet records provided revealed disbursements of Kshs.18,756,399 resulting to unexplained difference of Kshs.3,691,101. In the circumstance, the disbursement of Kshs.22,447,500 could not be confirmed as a proper charge to public funds.

4.0 Summary of Fixed Assets

Annex 4 to the financial statement reported summary of fixed assets register indicating as at 30 June 2017 of Kshs.6,366,973, representing an increase of Kshs.520,000 from the balance of Kshs.5,846,973 as at 30 June 2016. However, the statement of receipts and payments does not reflect any expenditure on acquisition of assets during the year. Consequently, the reported figure of Kshs.6,366,973 could not be confirmed as fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund-Samburu East 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Transfers to Secondary Schools

Note 6 to the financial statements reported transfers to secondary schools of Kshs.2,200,000. During the year under review, Samburu East Constituency budgeted Kshs.300,000 for Wamba Mixed Secondary School and payment was made vide voucher number 67 for completion of laboratory. However, audit verification revealed that although the laboratory was in use it was incomplete as electrical installation, gas installation, plumbing and drainage have not been done.

2.0 Incomplete Projects

2.1 Incomplete Project Samburu East DCIO' Office

The construction of the District Criminal Investigation Officer's office was allocated Kshs.1,700,000 for construction to completion. An audit visit showed that the walling and roofing of the office had been done and the allocated funds exhausted. The doors, windows and the facial board are yet to be done. It appears that the funds allocated to the project were not adequate enough to see the project to completion. As the project stands now, the residents are not getting value for their money.

2.2 Incomplete Project - Waso West Location Chief's office

The construction of Waso West Chief's office was allocated Kshs.1,100,000. The project has been completed except for the equipping of the furniture and fittings and other office equipment. As the office is for now, it is just a room and not an office that cannot serve the intended purpose.

2.3 Non-Equipping of the Office - Sereolipi Location Chief's office

The construction of Waso West Chief's office was allocated Kshs.1,100,000. The funds allocated were meant to enable the works be done to completion. As at the time of the audit in the month of May 2018, though the walling and roofing had been done, plastering, doors and windows had not been done and fixed. The office as it is cannot be put into use. No value for money has been achieved.

2.4 Non-Equipping of Office - Waso East Location Chief's office

Waso East Location Chief's Office was allocated Kshs.1,000,000 for the construction to completion. All the construction works on the project have been carried satisfactorily. As it stands, the office cannot be put into use until furniture and fittings and other office equipment have been put into it.

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 to 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 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 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 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

13 July 2018