

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SOUTH IMENTI 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-South Imenti Constituency set out on pages 7 to 31, 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 a combined 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 effect of the matters described in the Basis for Qualified Opinion sections of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund-South Imenti 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, except for the matters described in the Basis for Qualified Opinion and Other Matter Sections 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 Unaccounted for Bursaries

The financial statements and other records maintained at the CDF office indicated that a total of Kshs.13,614,491 had been disbursed as bursaries to various tertiary institutions as at 30 June 2017. However, only bursaries totalling Kshs.12,061,578 (89%) were acknowledged by the beneficiaries through letters of acknowledgement leaving a balance of Kshs.1,552,913 (11%) unacknowledged.

In the circumstances, the propriety of the Kshs.1,552,913 expenditure as at 30 June 2017 could not be ascertained.

2.0 Delayed Completion Projects

2.1 Construction of Igoji Department Offices

During the financial year under review, the Fund disbursed Kshs.5,000,000 for roofing and partitioning of the second floor of Igoji department offices. The project was a three

storied building whose construction started in the financial year 2010/2011. The project implementation status for the six financial years from 2010/2011 when the project started to the financial year under review revealed that the project had spent a total of Kshs.31,528,045 as at 30 June 2017. However, a physical inspection carried out on 18 April 2018 revealed that the building had not been completed and it was dilapidated while the wooden fittings including the door frames had been destroyed by termites. It was further noted that guard rails, plastering, partitioning and flooring had not been done while in addition, there was no provision for people with disabilities to use the building.

In the circumstances, the propriety and value for money for the Kshs.31,528,045 expenditures as at 30 June 2017 could not be ascertained.

2.2 Construction of the Deputy County Commissioner's Residence

During the financial year under review, the Fund disbursed Kshs.2,000,000 for construction, fencing, land scaping and other minor finishing inside the Deputy County Commissioner's residence. The project was started in the Financial Year 2010/2011 and the total project financing between the financial year 2010/2011 (when the project commenced) and the financial year under review was Kshs.9,500,000. A review of the bank statements for the project account-(account No.01141205828700) revealed a balance of Kshs.852,411. Therefore, out of the total project financing as at 30 June 2017 of Kshs.9,500,000, Kshs.8,647,589 had already been spent towards the project. However, a physical inspection carried out on 19 April 2018, revealed that the window panes, floor tiles, water connection and front yard had not been done while the wiring had been vandalized. Further, fencing had not been done and there was overgrown vegetation. In addition, although the project was incomplete, it had been abandoned.

In consequence, the propriety and value for money of the accumulated expenditure of Kshs.8,647,589 as at 30 June 2017 could not be confirmed.

2.3 Establishment of Igoji ICT Centre

During the financial year under review, the Fund disbursed Kshs.2,338,513 for the establishing of an ICT center. This, as per management assertion was in compliance with a Presidential directive which required that ICT centers should be started and boosters mounted to help the youth access ICT services including accessing internet services for extracting of information for promoting the youth activities. However, a site visit made on 18 April 2018 to Igoji department offices building revealed that there was nothing in operation as the mounted dish was stored inside one of the rooms allegedly due to heavy rains.

Under the circumstances, the propriety and value for money for the Kshs.2,338,513 expenditure as at 30 June 2017 could not be ascertained.

3.0 Purchase of Sports Equipment and Apparel

During the financial year under review, NG-CDF Board approved a budget of Kshs.1,637,931 for Constituency sport activities. The funds were to be used to carry out an annual Constituency sports tournament in all wards and reward the winning teams. The sports project management committee was facilitated with funds to carry

out the project and a number of sports apparel and equipment were bought and distributed to different sport teams within the Constituency.

However, scrutiny of the supporting documents revealed that quotations for procuring the items did not contain deadline dates in line with Section 70(6)(f) of the Public Procurement and Asset Disposal Act, 2015 which require that tender documents set out an explanation of where and when tenders shall be submitted including a statement that the tenders will be opened immediately after the deadline for submitting them and an explanation of where the tenders will be opened.

Consequently, the propriety of the Kshs.1,637,931 expenditure as at 30 June 2017 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-South Imenti 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 and Other Matter sections of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget Control and Performance

The Fund had budgeted to receive Kshs.102,035,394 from the NGCDF Board comprising of Kshs.11,874,777 (11.6%) and Kshs.90,160,617 (88.4%) for recurrent and development expenditure respectively. However, the actual receipts were Kshs.61,087,119 comprising of Kshs.20,138,842 for the financial year 2015/2016 received in the year under review and Kshs.40,948,277 for the year 2016/2017. Therefore, out of the Kshs.102,035,394 budgeted receipts for the year under review, only Kshs.40,948,277 was received during the year resulting to a revenue shortfall of Kshs.61,087,117. In addition, the statement of receipts and payments reflected receipts of Kshs.40,948,277 and payments of Kshs.60,940,853 resulting to a budget deficit of Kshs.19,992,577 which has not been explained.

Consequently, the Fund did not operate within the approved budget and this might have impacted service delivery negatively.

2.0 Project Implementation Status

The Fund had budgeted to implement 77 projects during the year 2016/2017. However 62 projects worth Kshs.33,749,999 had not started while 8 projects with a cost of

31,388,512 were ongoing and only 7 projects worth 11,888,512 had been completed as analyzed below;

Project Status	Sector	Amount Allocated (Kshs)	Amount Disbursed (Kshs)	No of Projects
Completed	Environment	1,637,931.00	1,637,931	1
	Emergency	950,000.00	950,000	5
	Sports	1,637,931.00	1,637,931.00	1
	Sub Total	4,225,862.00	4,225,862.00	7
Ongoing	Education	12,550,000.00	11,888,512.00	7
	Bursary	19,000,000.00	14,500,000.00	
	Security	5,000,000.00	5,000,000.00	1
	Sub Total	36,550,000.00	31,388,512.00	8
Not Started	Emergency	3,144,827.59	0	5
	Security	6,500,000.00	0	13
	Education	22,631,034.13	0	44
	CATs & Mocks	1,474,138.00	0	
	Sub-Total	33,749,999.72	0	62
Grand Total		74,525,861.72	35,614,374.00	77

In the circumstances, the Constituents did not receive promised and expected services equivalent to the unimplemented projects totaling to Kshs.33,749,999.

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 sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund's 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 scepticism 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 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

22 August 2018