

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Teso North Constituency set out on pages 1 to 10, 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 statement of comparison of budget and actual amounts 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, the financial statements present fairly, in all material respects, the financial position of the National Government Constituencies Development Fund- Teso North 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 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 may not have been applied lawfully and in an effective manner.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Teso North Constituency Development Fund 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. There were no Key Audit Matters to report in the year under review.

Other Matter

1.0 Budgetary Performance

The Fund revenue was budgeted at Kshs.124,462,537 against actual receipt of Kshs.108,256,286,296,552 representing an overall under collection of Kshs.38,165,985 (31%). Further, the Fund spent a total Kshs.122,735,843 against a budget of Kshs.124,462,537 representing under expenditure of Kshs.1,726,694 (1.4%) as tabulated below:

Overall Budgetary Performance (Recurrent and Development expenditure)				
Receipt/Expense Item	Budgeted	Actual	Variance	
	Kshs	Kshs	Kshs	%
Receipts				
Transfers from CDF Board	124,462,537	86,296,552	38,165,985	30.7%
Sub-total	124,462,537	86,296,552	38,165,985	30.7%
Payments			-	
Compensation of Employees	2,883,979	2,843,979	40,000	1.4%
Use of goods and services	12,282,544	12,272,544	10,000	0.1%
Transfers to Other Government Units	50,169,965	49,457,448	712,517	1.4%
Other grants and transfers	49,534,142	48,569,965	964,177	1.9%
Acquisition of Assets	9,591,907	9,591,907	-	0.0%
Sub-total	124,462,537	122,735,843	1,726,694	1.4%

2. Project Performance

The Fund was to implement a total of 106 projects/programmes by different sectors during the financial year 2016/17. Further analysis indicated that 4 or 4% of the projects had not been started, 16 or 15% of the projects were still on going and 86 or 81% of the projects had been completed as at the time of audit in May 2018 as detailed below:

Implementation Status

Sector	Budgeted projects		Not Started		Ongoing				Completed		
	No.	Kshs	No.	Kshs	%	No.	Kshs	%	No.	Kshs	%
Primary School Infrastructure Project	52	21,060,400	3	1,100,000	6	4	1,730,000	8	45	18,230,400	87
Secondary School Project	14	9,700,000	-	-	0	6	4,172,074	43	8	5,527,926	57
Tertiary School Projects	1	2,000,000	-	-	0	1	2,000,000	100	-	-	0
63	16	7,750,000	1	700,000	6	5	2,100,000	31	10	4,950,000	
Sports Activities	1	1,417,248	-	-	0	-	-	0	1	1,417,248	100

Environmental Activities	2	1,273,248	-	-	0	-	-	0	2	1,273,248	100
Acquisition of Assets	3	1,756,000	-	-	0	-	-	0	3	1,756,000	100
Emergency Services	16	4,094,828	-	-	0	-	-	0	16	4,094,828	100
Bursaries	1	25,474,138	-	-	0	-	-	0	1	25,474,138	100
Total	106	74,525,862	4	1,800,000	4	16	10,002,074	15	86	62,723,788	81

Further, the Fund incurred expenditure on two projects costing Kshs.9,289,917 that were not budgeted for in the approved project proposal in respect of roads projects and mocks and examinations amounting to Kshs.8,289,917 and Kshs.1,000,000 respectively.

In the circumstances, the public did not receive services from the planned and budgeted projects.

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 going concern/ sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the corporation 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 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 as a going concern. 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 consolidated/ 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate 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.

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

13 August 2018