

# REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- TONGAREN 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- Tongaren Constituency set out on pages 7 to 22, which comprise the statement of financial 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 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- Tongaren 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, based on the procedures performed, except for the matter described in the Basis of Qualified Opinion section of my report, 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

#### Unsupported Land Acquisitions

Included under transfer to other government entities balance of Kshs.64,650,550 are several parcels of land valued at Kshs.8,750,000 in aggregate that were acquired for implementation of several school projects as highlighted below;

PV No	Payee	Reason	Date	Cheque No.	Amount Kshs.
2901008	Maina PAG Primary School	Purchase 2 Acres of Land	07/03/2016	2769	1,000,000
2901025	Milele Primary School	Purchase 1 Acres Land and 2 classrooms	07/03/2016	2787	1,000,000
2901023	Mwambu Primary School.	Purchase 2 Acres of Land	07/03/2016	2784	1,000,000
290151	Sikulu Primary School	Purchase 1 Acres land	03/03/2017	4559	750,000
290131	Makunga Secondary School	Purchase 2 Acres Land	03/03/2017	4538	1,500,000
2901035	St. Juliana Secondary School	Purchase 2 Acres Land	07/05/2016	2796	1,000,000

290130	St. Kizito Secondary School	Purchase 2 Acres Land	03/03/2017	4537	1,500,000
2901042	Kewa Secondary School	Purchase 2 Acres Land	07/5/2016	2803	1,000,000
<b>Total</b>					<b>8,750,000</b>

However, title deeds registered in the names of the earmarked institutions were not availed for audit verification.

As a result, ownership and, consequently, propriety of the expenditure incurred on acquisition of the parcels of land cannot 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 - Tongaren 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 matter described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

### Other Matter

#### 1. Budgetary Control and Performance

During the year under review, the Fund spent Kshs.148,159,928 against an aggregate budget of Kshs.150,563,806 resulting to under-absorption of Kshs.2,403,878 or 2% of the budget as highlighted below:

Audit Components	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	Kshs.	Kshs.	Kshs.	%
Transfers from CDF Board	150,386,056	150,386,056	-	100.00%
Other Receipts	8,000	8,000	-	100.00%
<b>Sub-Total</b>	<b>150,394,056</b>	<b>150,394,056</b>	-	100.00%
Compensation of employees	2,825,167	2,196,290	628,877	77.74%
Use of goods and services	8,891,190	7,633,439	1,257,751	85.85%
Transfers to Other Government Units	64,650,550	64,650,550	0	100.00%
Other grants and transfers	74,188,899	73,679,649	509,250	99.31%
Other Payments	8,000	0	8,000	0.00%
<b>Sub-Total</b>	<b>150,563,806</b>	<b>148,159,928</b>	<b>2,403,878</b>	<b>98.40%</b>

## 2. Project Implementation Status

The Fund was to implement a total of 55 projects/programmes through various Project Management Committees (PMCs) during the year under review. As at the time of the audit, four (4) of the projects which were equivalent to 4% of the portfolio were ongoing while 51 (93%) had been completed.

<b>Project Implementation Performance-Tongaren CDF</b>					
	<b>Total Project Cost</b>	<b>Budgeted projects</b>	<b>Ongoing</b>	<b>Completed</b>	<b>% of completed projects</b>
Primary School Projects	11,000,000	14	1	13	93%
Secondary School Projects	7,400,000	9	1	8	89%
Tertiary Institutions	400,000	1	-	1	100%
Security Projects	6,000,000	4	2	2	50%
Roads /Bridges Projects	5,100,000	1	-	1	100%
Sports & Environment	2,000,000	20	-	20	100%
Emergency	4,069,424	6	-	6	100%
<b>Total</b>	<b>35,969,424</b>	<b>55</b>	<b>4</b>	<b>51</b>	<b>93%</b>
<b>%</b>			<b>7%</b>	<b>93%</b>	

Consequently, the Fund did not achieve its project completion targets for the year under review and as a result, all the services due to the residents of the Constituency from the Fund were not be provided. .

### **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 and 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 to cease its operations, .

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 name.

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

**Nairobi**

**05 July 2018**