

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - WAJIR WEST 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 - Wajir West Constituency set out on pages 5 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 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, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund-Wajir West 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 Standard (Cash Basis) and comply with National Government Constituencies Development Fund Act, 2015.

In addition, and as required by Article 229(6) of the Constitution, 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 Fixed Assets

The Wajir West NGCDF shows fixed assets summary as per Note 9.2 of Kshs.15,363,111 (historical cost). However, Annex 2 to the financial statements reflects a summary of fixed assets with a historical cost balance of Kshs.20,342,280 constant over 2015/2016 and 2016/2017. The resulting difference of Kshs.4,979,169 has not been explained or reconciled.

In consequence, it has not been possible to ascertain the accuracy and completeness of the fixed assets summary disclosed in the financial statements as at 30 June 2017.

2.0 Procurement of Security Projects

The NG-CDF Wajir West had an allocation of Kshs.22,968,397 for security projects out of this an amount of Kshs.3,999,980 used to procure and implement security projects had various anomalies. Although the projects were implemented, audit scrutiny of Payment vouchers, project files, bills of Quantities and other tender documents revealed

that the payments were not supported with minutes of the NGCDF Committee approving the payments.

As a result, the propriety of the expenditure of Kshs.3,999,980 could not be confirmed.

3.0 Procurement of Primary School Projects

During the year under review, the NG-CDF Wajir West procured Primary School projects amounting to Kshs.4,547,930. The projects were not implemented to the standards required by the Public Procurement and Asset Disposal Act (PPADA), 2015. One or more pages of BQs were not signed by the tender opening committee as required by section 78(9) of PPADA.

Further, the projects were not evaluated contrary to section 80 of the Public Procurement and Asset Disposal Act, 2015.

In view of the foregoing, it has not been possible to confirm the propriety of the award of the projects and the expenditure thereof.

4.0 Outstanding Prior Years Audit Issues 2015/2016

The management of Wajir West Constituency did not implement the audit recommendations made in the audit report for 2015/2016 financial year and therefore they remained unresolved as at 30 June 2017.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgement, 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 were no other Key Audit Matters to report.

Other Matter

1.0 Budget and Budgetary Control

1.1 Budget Performance Analysis

The National Government Constituency Development Fund Wajir West had a budget of Kshs.146,853,031 consisting Kshs.144,738,277 for the Financial year 2016/2017 and unspent balance of Kshs.2,114,754 from the financial year 2015/2016.

Analysis of budget against actual expenditure for the year under review is given as follows:

1.2 Under/Over Expenditure

Item	Budgeted (Kshs)	Actual (Kshs)	Under/Over (Kshs.)
Compensation to Employees	2,988,336.00	1,900,000.00	1,088,336.00
Use of goods and services	7,633,718.00	8,533,014.00	(899,296.00)
Transfers to Other Government Units	70,503,589.00	70,058,767.00	444,822.00
Other grants and transfers	65,727,388.00	64,483,809.00	1,243,579.00
Acquisition of Assets			-
Other payments			-
TOTAL	146,853,031.00	144,975,590.00	1,877,441.00

The National Government Constituencies Development Fund Wajir West spent an amount of Kshs.146,853,031 or 98.7% of the total budgeted allocation for the period under review. This means, the management under spent Kshs.1,877,441 or 1.3% of its allocation.

No explanation was given for not using all the funds allocated to benefit the constituents.

It was further noted, the fund over spent on use of Goods and Services by Kshs.899.296. No explanation was given for exceeding the budget allocated to the item

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 Funds ability to continue as a going concern/ sustain services, 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 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 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 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 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 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.



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

Nairobi

6 September, 2021