

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - WESTLANDS 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 - Westlands Constituency set out on pages 5 to 25, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and 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 - Westlands 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 audit procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, 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

Bank Balance

The statement of financial position reflects a bank balance of Kshs.8,861,689 as at 30 June 2017. However, the cashbook reflects a balance of Kshs.5,633,685 resulting in a difference of Kshs.3,228,004. A review of the bank reconciliation statement for June 2017 indicate that the balance of Kshs.8,861,689 reflected in the financial statements is the bank statement balance, an indication that the accounting principles of double entry was not adhered to. Consequently, the accuracy of bank balance of Kshs.8,861,689 as at 30 June 2017 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 - Westlands 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 audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance to the audit of the financial statements for the current year. Except for matters described in 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. Non-implementation of Projects

During the year under review, the Constituency Fund management did not implement the following projects despite being budgeted for:

Transfer to Other Government Entities	
Project Name	Budgeted Amount (Kshs.)
Westlands Primary School	5,000,000
Farasi Lane Primary School	5,000,000
Lower Kabete Primary School	3,118,349
Kabete Rehab. Primary School	1,500,000
Cheleta Primary School	504,092
Kihumbuini Primary School	508,006
Bohra Primary School	550,737
Hospital Hill Primary School	800,714
Kangemi Primary school	846,061
Kangemi Secondary School	2,500,000
Githogoro Water Project	1,500,000
Total	21,827,959
Other Grants and Transfers	
Bursary Secondary Schools	1,179,637
Strategic Plan	47,000
Construction of 5 AP houses	4,000,000
Mwimuto bridge	42,304
Constituency Sports Tournament	43,270
Environmental activities	891,049
Emergency	4,168,725
Audit fee	1,000,000
Total	11,371,985
Grant total	33,199,944

No satisfactory explanation has been provided by the Constituency Fund management for non-implementation of these projects.

2. Budgetary and Budgetary Control

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund - Westlands Constituency for the year ended 30 June 2017

A review of the budget and expenditure records for the year 2016/2017 showed that the Fund incurred total expenditure of Kshs.83,592,211 against an approved final budget of Kshs.133,752,175 resulting in a gross under expenditure of Kshs.50,159,964 and net under expenditure of Kshs.49,809,965 as detailed below;

Under Expenditure

Project Name	Final Budget (Kshs.)	Actual Expenditure (Kshs)	Under Expenditure (Kshs.)
Westlands Primary	10,000,000	5,000,000	5,000,000
Farasi Lane Primary School	5,000,000	-	5,000,000
Lower Kabete Primary School	10,000,000	6,881,651	3,118,349
Kabete Rehab.Pri. School	1,500,000	-	1,500,000
Kangemi Secondary School	2,500,000	-	2,500,000
Cheleta Primary School	504,092	384,404	119,688
Kihumbuini Primary School	476,846	248,275	228,571
Bohra Primary School	5,550,737	5,411,158	139,579
Visa Oshwal Primary School	2,582,282	1,757,893	824,389
Hospital Hill Primary School	800,714	-	800,714
Kangemi Primary school	846,061	-	846,061
Mji wa Huruma Health Centre	2,000,000	-	2,000,000
Audit fee	500,000	-	500,000
Mwimuto bridge	1,000,000	957,696	42,304
Strategic Plan	1,647,000	1,600,000	47,000
Runda Police Station	1,100,000	-	1,100,000
Githogoro Water Project	1,500,000	-	1,500,000
Emergency	8,462,775	2,981,450	5,481,325
Constituency Sports Tourn.	1,843,270	1,800,000	43,270
Bursary Secondary Schools	25,586,637	23,605,000	1,981,637
Environmental Activities	1,843,270	925,550	917,720
CDF Office	14,956,898	-	14,956,898
Compensation of Employees	1,930,175	1,882,908	47,267
Use of Goods and Services	9,735,420	8,129,563	1,605,857
Sub-Total	111,866,176	61,565,548	50,300,628

Over Expenditure

Project Name	Final Budget (Kshs)	Actual Expenditure (Kshs)	Over Expenditure (Kshs)
Kangemi youth polytechnic	-	249,392	249,392
Spring Valley Police Station	8,000,000	8,241,271	241,271

Sub-Total	8,000,000	8,490,663	490,663
NET UNDER-EXPENDITURE			49,809,965

The under-expenditure and over- expenditure are indications that the Constituency Fund management did not fully implement the budget as approved by the board and are also signs of weak budgetary control.

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 Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of service and using the going concern basis of accounting unless the management either intends 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 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 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 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

09 July 2018