REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-YATTA CONSITUENCY 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- Yatta Constituency set out on pages 5 to 26, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flow 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- Yatta 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the 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

1. Acquisition of Assets

The statement of receipts and payments for the year ended 30 June 2017 reflects an expenditure of Kshs. 6,269,990 relating to acquisition of assets which differ with the assets movement figure of Kshs. 7,653,068 reflected under the summary of fixed assets register at annex 4 to the financial statements. The difference of Kshs.1,383,078 between the two sets of records has not been explained. Consequently, the completeness and accuracy of the expenditure of Kshs. 6,269,900 cannot be confirmed.

2. Net Financial Position

The statement of assets as at 30 June 2017 reflects incorrectly net liabilities instead of net financial position of Kshs.4,140,539, being the difference between the brought forward balance of Kshs.10,462,227 and the deficit for the year of Kshs.6,321,688.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund-Yatta 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 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. Budget Performance

The Fund incurred actual expenditure totaling Kshs.150,577,280 against an approved budget of Kshs.154,717,820 or approximately 97 % of the budget resulting in under expenditure of Kshs.4,140,539 or 3%.

2. Projects Implementation

(i) A review of project files and other records revealed that the Fund transferred an amount of Kshs.31,250,000 to Bank Account No. 0390271258388 held at Equity Bank for the proposed construction of Katangi Technical Training Institute. The money was still held at the bank at the time of conclusion of the audit. Management explained that the project could not start since the relevant Ministry had not given necessary approvals including the appropriate plans and designs. Further, one of the prerequisites before the project could be implemented was identification of a mentor institution but this had also not been done. The management has not provided any explanations regarding measures taken to ensure that the project is implemented without further delay.

(ii) The status report of other projects as at 30 June 2017 is as detailed below:

Project Name	Project Activity	Financial Year	Allocations Kshs	Disbursement Kshs	Status	Remarks

Makivenzi secondary school	Construction of a Multipurpose Hall	2014-2015	2,000,000	2,000,000.00	On-going	Needs more funds
Katangi Technical Training Institute Land Purchase	Purchase Of Land for Construction of Tech Training Institute	2014-2015	7,500,000	5,000,000.00	ongoing	Tttle forTTI processed
Katangi Technical Training Institute	CDF Contribution to Construction of Tech Training Institute	2014-2015	10,000,000	NIL	Not started	Ministry allocations yet to be done
Matuu district hospital	Roofing,Plaster,Floor painting & finishing	2014-2015	5,500,000	5,500,000.00	Not started	Successfully Handed over
Kinyaata tac hall	Completion of Hall from Lintel, roofing, floor,plaster & Shutters	2014-2015	1,000,000	1,000,000.00	Complete	Needs more funds
Total			**26,000,000**	**13,500,000.00**		
Conservation of Iviani seasonal river	Construction of gabions across the river	2015-2016	500,000	NIL	Not started	registering of pmc
Katangi Technical Training Institute	Construction of Tech Training Institute	2015-2016	21,250,000	NIL	Not started	Ministry allocations yet to be done
Kyasioni Primary school	Construction of a dormitory	2015-2016	800,000	800,000.00	On-going	On-going
Kalandini Primary School	Construction of 4door pit latrines	2015-2016	240,000	240,000.00	ongoing	ongoing
Ndalani Primary School	Renovation of 3NO. Classroom: Reroofing ,flooring and painting	2015-2016	500,000	500,000.00	On-going	Project activity changed to construction of a classroom
Installation of CCTV camera for boarding secondary school	Installation of CCTV camera for 10 boarding secondary school:	2015-2016	3,000,000	NIL	Not started	Funds not yet received from the board
Mwambathana Secondary School	Construction of a laboratory	2015-2016	1,200,000	1,200,000.00	On-going	works in progress
Ilumanthi Secondary School	Construction of 1NO. Classroom	2015-2016	700,000	700,000.00	Complete	Successfully Handed over
			28,190,000.00	**3,440,000.00**		
Mbembani police post	re roofing of blown roof	2016-2017		100,000.00	new	
Muusini Secondary School	purchase of nitety lockers and chairs , two tables	2016-2017		374,137.90	new	complete
Kondo Primary school	Renovation (Roofing,flooring,doors and windows,plastering ,painting and	2016-2017	905,750.00	905,750.00	New	complete

	keying5 classrooms					
Kangemi Primary School	Renovation(Roofing,flooring,doors and windows,Plastering,painting and keying 2 classrooms	2016-2017	500,000.00	500,000.00	New	complete
Ivutu Primary School	Construction of one Classroom	2016-2017	700,000.00	700,000.00	New	complete
Nguswini Primary School	Construction of one Classroom	2016-2017	700,000.00	700,000.00	New	complete
Kikeneani Primary School	Renovation(Roofing,flooring,doors and windows,painting,plastering and keying 8 classrooms	2016-2017	1,005,750.00	1,005,750.00	New	complete
Naivasa Primary School	Renovation(Roofing,flooring,doors and windows,painting,plastering and keying 2 classrooms	2016-2017	500,000.00	500,000.00	New	complete
Kinyaata Primary School	Construction of Toilet	2016-2017	305,750.00	305,750.00	New	complete
Kenya Medical Training College -Yatta Campus	Construction of the Institute (4 Classrooms-kshs 5m,Administration Block plus furniture kshs 5.5m, Gate and security hse kshs 1.5m,50Computers @ 3m	2016-2017	15,000,000.00	15,000,000.00	New	On-going
Total Amount Ksh.			**73,807,250.00**	**37,031,387.90**		

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 sustaining 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

25 July 2018