

REPORT OF THE AUDITOR-GENERAL ON ALDAI NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Aldai National Government Constituency Development Fund set out on pages 12 to 38, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flow 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Aldai National Government Constituency Development Fund as at 30 June 2018, 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.

Basis for Qualified Opinion

1.0 Transfers to Other Government Units

The statement of receipts and payments for the year ended 30 June 2018 reflects transfers to other government entities of Kshs.14,194,259 relating to transfers to secondary schools and primary schools. However, acknowledgement, a record of minutes, accounting documents such as cash books and other related records in relation to the projects which were being implemented showing how much had been spent and amount outstanding or unused as at 30 June 2018 were not provided for audit verification.

Under the circumstances, it was not possible to confirm whether the transfers to other government entities totaling Kshs.14,194,259 was actually received, utilized and accounted for the budgeted projects in the year.

2.0 Other Grants and Payments

Included in the other grants and payments figure of Kshs.18,615,000 is total expenditure of Kshs.2,000,000 comprising of other capital grants and emergency projects. However, bills of quantities for the projects were not provided for audit review. Further, certificates of completion were also not produced for audit review. Consequently, the propriety of other

capital grants and emergency projects expenditure totaling Kshs.2,000,000 as at 30 June 2018 could not be confirmed.

3.0 Project Management Committee Accounts Balance

Note 15.4 to the financial statements reflects project management committee account balance of Kshs.16,400,000 relating to disbursed funds to the projects during the year which had not been utilized by the end of the year. However, accounting records such as cash books and bank reconciliation statements were not provided for audit review.

In consequence, the accuracy and existence of project management committee accounts balances of Kshs.16,400,000 as at 30 June 2018 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Aldai National Government 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 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 matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Performance

During the year under review, Aldai Constituency Development Fund had an approved budget of Kshs.98,762,801, but incurred expenditure totaling to Kshs.43,585,153, resulting to under expenditure of Kshs.55,177,648 or 44.1% of the approved budget as summarized below:

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c%
RECEIPTS						
Transfers from CDF Board	86,810,244.82	11,952,456	98,762,801	43,978,318	54,784,483	44.5%
Proceeds from Sale of Assets				-	-	

Other Receipts				-	-	
TOTAL	86,810,244.82	1,952,456	98,762,801	43,978,318	54,784,483	44.5%
PAYMENTS						
Compensation of Employees	1,800,000.00	-	1,800,000		198,332	89.0%
Use of goods and Services	6,012,931.46	1,383,491	7,396,422	1,601,668	1,759,458	76.2%
Transfer to other Government Units	34,500,000.00	6,900,000	41,400,000	5,636,964	25,100,000	39.4%
Other Grants and Transfers	31,820,386.16	2,168,966	33,989,352	16,300,000	15,374,352	54.8%
Acquisition of Assets	6,000,000.00		6,000,000	18,615,000	6,000,000	0.00%
Other Payments	6,677,027.20	1,500,000	8,177,027	1,431,521	6,745,506	17.5%
Total	86,810,344.82	11,952,456	98,762,801	43,585,153	55,177,648	44.1%

Under expenditure is an indication of failure to provide optimal service delivery to citizens of Aldai constituency.

1.2 Project Implementation

During the year 2017/2018, Kshs.98,189,655 was allocated to 58 projects. Verification of documents availed for audit revealed that an amount of Kshs.43,405,172 was received in addition to balance brought forward of Kshs.573,146 giving a total of Kshs.43,978,318.

Out of this total an amount of kshs.19,100,000 was disbursed for various projects which were at various stages of completion as detailed below:

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND				
PIS AS MARCH 2019				
ALDAI CONSTITUENCY				
Financial year	Project name	Approved Activities	Allocation/ Approved Amount (Kshs.)	Implementation Status/Level
2017/2018	Ack St. Peters Pry Chepkongony	Construction of 2 new classrooms to completion	1,000,000.00	Ongoing
2017/2018	Kipkongen Primary School	Construction of 1 new classroom to completion	600,000.00	Ongoing
2017/2018	Nderio Primary School	Construction of 1 classroom and office to completion	800,000.00	Complete
2017/2018	Soi Primary School	Renovation of 5 classrooms(flooring, doors, plastering & painting)	500,000.00	Complete
2017/2018	Kamarich Pry School	Construction of 1 classroom to completion	600,000.00	Complete
2017/2018	Kipchekwen Pry School	Construction of 1 classroom to completion	600,000.00	Complete

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Financial year	Project name	Approved Activities	Allocation/ Approved Amount (Kshs.)	Implementation Status/Level
2017/2018	Murguiwo Pry School	Construction of 1 classroom to completion	600,000.00	Complete
2017/2018	Kapsamut Pry School	Construction of 1 new classroom to completion	600,000.00	Complete
2017/2018	Kipkegenda Pry Sch	Construction of 1 class to completion	600,000.00	Complete
2017/2018	Kapsoiyo Pry School	Renovation of 5 classrooms(flooring, doors, plastering & painting)	500,000.00	Complete
2017/2018	Kibora Pry School	Construction of 1 classroom to completion	600,000.00	Complete
2017/2018	Mogoywo Pry School	Renovation of 4 classrooms(flooring, doors, plastering & painting)	400,000.00	Complete
2017/2018	Kapkoi Pry School	Renovation of 4 classrooms(flooring, doors, plastering & painting)	400,000.00	Complete
2017/2018	Toretmoi Pry Sch	Construction of 1 new classroom to completion and completion of 1	700,000.00	Complete
2017/2018	Samitui Pry School	Renovation of 5 classrooms(flooring, doors, plastering & Painting)	500,000.00	Complete
2017/2018	Kesengei Pry School	Renovation of 5 classrooms(flooring, doors, plastering & painting)	500,000.00	Complete
2017/2018	Salvation Army Kiptaruswo Pry	Purchase of 1 acre land	500,000.00	Ongoing
2017/2018	Kapsagawat Pry Sch	Construction of 1 classroom to completion	600,000.00	Complete
2017/2018	Koimet Primary School	Construction of 1 classroom to completion	500,000.00	Ongoing
2017/2018	Kaboi Primary School	Construction of 1 classroom to completion	500,000.00	Ongoing
2017/2018	Koitabut Pry School	Renovation of 5 classrooms(flooring, doors, plastering & Painting)	500,000.00	Ongoing
2017/2018	Musasa Secondary School	Purchase of 2.5 Acres of land	800,000.00	ongoing
2017/2018	Aldai Boys High School	Construction of dining Hall to completion and purchase of desks, tables, office chairs and beds(Ksh.3m)	7,000,000.00	ongoing

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ALDAI CONSTITUENCY				
Financial year	Project name	Approved Activities	Allocation/ Approved Amount (Kshs.)	Implementation Status/Level
2017/2018	Kimaren Girls Sec School	Construction of 4 new classroom to completion	3,200,000.00	planning and tendering stage
2017/2018	Kapsoo Girls Sec	Purchase of 32-seater bus	5,000,000.00	Complete
2017/2018	Koitabut Sec School	Additional funding for school bus	500,000.00	ongoing
2017/2018	Kapkerer Sec School	Additional funding for lab(walling and roofing)	600,000.00	ongoing
2017/2018	St.Anne Kapkemich Girls	Completion of laboratory(plastering and painting)	600,000.00	Ongoing
2017/2018	Kapkures Sec School	Additional funding for school bus	500,000.00	ongoing
2017/2018	Kapkeben Girls Sec Sch	Additional funding for school bus	500,000.00	Ongoing
2017/2018	Chepkongony Sec Sch	Construction of a dormitory to completion	800,000.00	Complete
2017/2018	St.Marys Kipchemwon Sec Sch	Completion of admin block	700,000.00	Complete
2017/2018	Kaptumek Sec Sch	Additional funding for school bus	500,000.00	ongoing
2017/2018	Ndurio Sec Sch	Construction of dining hall to completion	500,000.00	Ongoing
2017/2018	Chepkuny Sec Sch	Completion of lab (Walling and roofing)	600,000.00	ongoing
2017/2018	Kapkeruge Sec School	Construction of 1 complete classroom	600,000.00	Complete
2017/2018	Kaptumo Chief Office	Construction of office to completion	500,000.00	Ongoing
2017/2018	Mosombor Chief Office	Construction of office to completion	500,000.00	Ongoing
2017/2018	Kesogon Chief Office	Construction of office to completion	500,000.00	Ongoing
2017/2018	Motor Vehicle	Purchase of Motor vehicle for office use (a Toyota Hilux double cab)	6,000,000.00	waiting for funds
2017/2018	Strategic Plan	Develop a constituency strategic plan	2,000,000.00	Complete
2017/2018	Constituency Innovation Hubs	ICT hubs	4,677,027.20	Reallocation

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PIS AS MARCH 2019				
ALDAI CONSTITUENCY				
Financial year	Project name	Approved Activities	Allocation/ Approved Amount (Kshs.)	Implementation Status/Level
2017/2018	Gambogi Primary School	Renovation of 2 classrooms (roofing, wiring, plastering and painting)	500,000.00	Ongoing
2017/2018	Cbebirir Primary School	Construction of 1 classroom to completion	600,000.00	Complete
2017/2018	Cheptoiyoi Pry School	Construction of 1 classroom to completion	600,000.00	Complete
2017/2018	Aldai Boys High School	Construction of boys dormitory to completion	2,000,000.00	Ongoing
2017/2018	Mogomben Mixed Day Sec School	Purchase of 1 acre of land	1,000,000.00	Ongoing
2017/2018	Kaptumo Boys High School	Renovation of dormitory (roofing, wiring, plastering, and painting)	600,000.00	Complete
2017/2018	Kiptulus Sec School	Construction of boys dormitory to completion	500,000.00	Complete
2017/2018	AIC Kimnyolei Sec School	Purchase of 2.5 acres of land	800,000.00	Reallocation
2017/2018	Mosombor Sec School	Completion of 1 classroom (Flooring, wiring, plastering and painting)	300,000.00	Ongoing
2017/2018	Strategic Plan	Develop A constituency strategic plan	1,500,000.00	Complete
2017/2018	Emergency	To cater for any unforeseen occurrence in the constituency	5,137,931.03	Complete
2017/2018	Bursary	Payment of bursary for needy and deserving cases	25,000,000.00	Complete
2017/2018	Administration	NG CDFC Allowance, staff salaries, vehicle expenses and other admin expenses.	5,891,379.62	Complete
2017/2018	Monitoring and Evaluation	Monitoring & Evaluation/Capacity Building	2,731,896.56	Complete
2017/2018	Sports	Purchase of Balls	1,323,098.83	Ongoing
2017/2018	Environment	Purchase, Transportation and Planting of Seedlings	1,028,321.81	waiting for funds
	Total		98,189,655	

According to the project status report, twenty four (24) projects were ongoing, one(1) is at planning and tendering stage, two are waiting for funds and two were not initiated as they are waiting for reallocation of funds.

Consequently, the residents of Aldai did not benefit from the projects which were not implemented as budgeted.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Compensation of Employees - Staff Appraisal

Examination of personal files availed for audit verification revealed that Aldai Constituency Development fund did not carry out appraisal of staff as provided for in National Government Constituency Development Fund Human Resource Policies and Procedure Manual section 9.1 which stipulate methods by which an employee will be appraisal and job elements to be used as indicative of performance will be determined from time to time and approved by the board. Hence, it was not possible to justify how the CDF appraised individual performance against the set performance targets.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Qualified Opinion] section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Aldai National Government Constituency Development Fund ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the National Government either intends to liquidate the Aldai National Government Constituency Development 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Aldai National Government Constituency Development Fund financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Aldai National Government Constituency Development Fund policies and procedures may deteriorate.

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.
- 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 Aldai NGCDF ability to continue as a going concern or 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 Aldai NGCDF to cease to continue as a going concern or 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 Aldai National Government Constituency Development 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

14 June 2019