

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KACHELIBA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Kacheliba Constituency set out on pages 6 to 32, which comprise the statement of assets and liabilities as at 30 June 2018, 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 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 National Government Constituencies Development Fund - Kacheliba Constituency 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 Cash and Cash Equivalents**

The statement of assets and liabilities as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.765,425. However, the bank reconciliation statement availed for audit review indicates a cash book balance of Kshs.882,000 resulting in unreconciled variance of Kshs.116,575. Further, the bank reconciliation statement reflects unrepresented cheques totaling Kshs.703,268. However, the details of when the cheques were cleared were not provided for audit review. In addition, there were payments in the bank statements amounting to Kshs.217,530 which were not recorded in the cash book and whose details were not provided for audit review.

In view of the foregoing, the accuracy and completeness of the cash and cash equivalents balance of Kshs.765,425 as at 30 June 2018 could not be ascertained.

#### **2.0 Transfers from Constituencies Development Fund (CDF) Board**

The statement of receipts and payments for the year ended 30 June 2018 reflects transfers from Constituencies Development Fund Board amount of Kshs.43,405,172 which is at variance with the Constituencies Development Fund (CDF) Board records figure of Kshs.86,670,474. The resulting difference of Kshs.43,265,302 has not been explained or reconciled.

Consequently, it has not been possible to confirm the accuracy and completeness of the transfers from Constituencies Development Fund (CDF) Board balance of Kshs.43,405,172 for the year ended 30 June 2018.

### **3.0 Project Management Committee Balances**

The financial statements submitted for audit do not disclose unutilized balances in the project management committee bank accounts. In addition, cash books, bank confirmation certificates and bank reconciliation statements for various project management committee which received funds from the CDF were not availed for audit review.

Under the circumstances, it has not been possible to confirm that all funds disbursed to project management committees were fully utilized and accounted for as at 30 June 2018.

### **4.0 Summary Statement of Appropriation: Recurrent and Development Combined**

The summary statement of appropriation: recurrent and development combined for the year ended 30 June 2018 reflects approved original budget figure of Kshs.86,810,344 which is at variance with the approved budget figure of Kshs.103,350,548 as approved by the CDF Board. No explanation or reconciliation was provided for the resultant difference of Kshs.16,540,204.

As a result, it has not been possible to ascertain the accuracy and completeness of the approved original budget figure of Kshs.86,810,344 for the year ended 30 June 2018.

### **5.0 Summary of Fixed Asset Register**

The summary of fixed asset register as reflected under annex 4 indicates historical cost brought forward 2016/2017 figure of Kshs.34,814,890 which is at variance with prior year audited figure of Kshs.14,626,500 resulting in unexplained difference of Kshs.20,188,390. In consequence, the accuracy and completeness of the historical cost of fixed assets for 2017/2018 figure of Kshs.9,214,890 could not 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 – Kacheliba 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 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 Control and Performance

#### 1.1 Budget Absorption

During the year under audit, the National Government Constituencies Development Fund -Kacheliba Constituency had an approved budget amounting to Kshs.103,350,548. against actual expenditure of Kshs.45,200,640 or 43.7% of the approved budget resulting to under-expenditure of Kshs.58,149,908 or 56.3 % of the approved budget as detailed below:

Receipt/Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilization Difference		%of under/over utilization
			Under Absorption Kshs.	Over Absorption Kshs.	
<b>Receipts</b>					
Transfers from NGCDF Board	103,350,548	45,200,640	58,149,908		43.7%
Proceeds from Sale of Assets					
Other Receipts					
<b>Total</b>	<b>103,350,548</b>	<b>45,200,640</b>	<b>58,149,908</b>		<b>43.7%</b>
<b>Payments</b>					
Compensation of Employees	2,749,804	3,331,220		-581,416	-21%
Use of goods and services	9,680,196	9,578,653	101,543		99%
Transfers to Other Government Units	30,472,063	4,000,000	26,472,063		13.1%
Other grants and transfers	39,771,457	23,890,767	15,880,690		60%

Receipt/Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilization Difference		%of under/over utilization
			Under Absorption Kshs.	Over Absorption Kshs.	
<b>Receipts</b>					
Acquisition of Assets	16,000,001	4,400,000	11,600,001		27.5%
Other Payments	4,677,027	-	4,677,027		0.0%
<b>Totals</b>	<b>103,350,548</b>	<b>45,200,640</b>	<b>58,731,324</b>	<b>-581,416</b>	<b>43.7%</b>

Failure to utilize funds as budgeted is an indication that programmes or activities are not being implemented as planned and thus not achieving the intended objectives of improving service delivery to the people of Kacheliba Constituency.

## 1.2 Project Implementation Status

During the financial year 2017/2018, the Fund had an approved development budget of Kshs.63,434,699 to be spent on forty-two(42) projects. However, only eleven (11) projects were financed during the year to the tune of Kshs.33,074,767. The details are at Appendix I.

Projects not implemented may impact negatively on service delivery to the people of Kacheliba Constituency.

## 1.3 Project Verification

During the year under review, six (6) projects with a budget of Kshs.12,800,000 and the disbursement of Kshs.9,900,00 were verified during the audit in February 2019 and the following observations were made as shown below.

	Project Name	Activity	Budget	Disbursement	Observations
1	Construction Of CDF Office	Construction of CDF Office in Alale	6,000,000	4,400,000	The office was 95% complete. Finishing such as painting, window panes, plumbing work has been done. Except connection of electricity power and Septic done which has not been done.

	<b>Project Name</b>	<b>Activity</b>	<b>Budget</b>	<b>Disbursement</b>	<b>Observations</b>
2	Kiwawa Boys Secondary School	Construction of dormitory	2,300,000	1,000,000	Structures erected, roofing done, doors and windows done but plastering, ceiling and connection of electricity not done.
3	Ngengechwa Primary School	Construction of dormitory	1,000,000	1,000,000	Done except ceiling, measure board, painting and electricity connection not done.
4	District Commissioners fencing of residential House	Fencing of DC's residence at Alale sub County	500,000	500,000	Fencing is complete.
5	Konyao D.O Office	Construction of DO's Office	2,000,000	2,000,000	Structures erected, roofing done, doors and windows done but plastering, ceiling and connection of electricity not done.
6	Chiefs Camp at Orolwo	Construction of Chiefs Camp at Orolwo	1,000,000	1,000,000	Structures in place, windows, doors done. But painting, ceiling and electric connections not done.
	<b>Total</b>		<b>12,800,000</b>	<b>9,900,000</b>	

The people of Kacheliba Constituency have not benefited from the incomplete projects impacting negatively on the efficiency and effective service delivery to the residents of the Constituency.

## 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 matters 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

## **1.0 Transfer to Other Government Entities**

### **1.1 Construction of Dormitory at Kiwawa Secondary School**

Included in the transfers to other government entities figure of Kshs.4,000,000 is an amount of Kshs.3,000,000 incurred for the construction of a dormitory at Kiwawa Secondary School. The management of the CDF entered into contract with a construction company on 30 September 2016 to construct a dormitory from foundation to finishing as per the drawings and designs at a contract sum Kshs.9,051,188. The duration of the contract was a period of four months from 1 September 2016 to 31 December 2016. It was however noted that the project has delayed for over two (2) years. During the year under review, a total of Kshs.3,000,000 was paid to complete the dormitory. A physical verification of the project revealed that the construction is at roofing level which is about 60% level of completion. Partial roofing has been done but windows, doors, plastering, ceiling, flooring and the electric works have not been done. However, management did to provide evidence of extension of contract period for audit review.

Consequently, the objective of the project has not been achieved and there was no value for money for the expenditure of Kshs.9,051,188 on the project.

### **2.0 Disposal of Non Functional Komatsu Grader 521 GKA 454T**

Records availed for audit review indicated that Kacheliba CDF has a motor Grader Registration number GKA 454T that was bought by the CDF in the year 2007 from Pan-African Equipment Ltd. The grader broke down in May 2015 while grading Konyao road in Kacheliba. The District Mechanical Officer was requested to assess and to provide mechanical services to the grader. The technical report done on 22 June 2016 revealed that the grader is un-economical to repair at an estimated cost of Kshs.3,074,500.

On 12 October, 2016 the Procurement Officer wrote to the NG-CDF Board requesting for the disposal of the grader after reviewing the report from the disposal committee done as per section 84(1) of the Public Procurement and Asset Disposal Act, 2015. However, nothing has been done to the grader which is lying at the Kapenguria Public works yard. The grader continued to rust and deteriorate in the yard which may lead to huge loss through vandalizing and normal depreciation. Also the residents of Kacheliba constituency are not getting value for money used to purchase the grader.

## **REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for 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 Fund's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the alternative basis of accounting unless the Board 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.

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 Fund's 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 non-compliance. 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 Fund's 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 Fund's 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 Fund 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 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**

**16 May 2019**

## Appendix I: Project Implementation Status Report

Project Name	Sub-Project/Activities	Location	Financial Year	Allocations (Kshs)	Disbursement (Kshs)	Cum. Achievement (%)	Implementations Status(Not Started, On-Going, Completed, Stalled Or Abandoned)	Remarks
Orolwo Chiefs Office	1 Block	Kodich	2016/2018	1,000,000	1,000,000	70%	Ongoing	Needs More Funds
Boralee Sec	Dormitory	Konyao	2017/20118	1,000,000	-	0%	Not Started	Awaiting Disbursements
Kiwawa Boys Sec	Building Dormitory	Kiwawa	2017/2016	2,000,000	2,000,000	60%	Ongoing	Needs More Funds
Alale Pri	Fence	Alale	2017/2016	1,500,000.	1,500,000	40%	Ongoing	Needs More Funds
Bursary	Secondary	Kacheliba	2017/2018	9,653,448.	7,797,667	80%	Ongoing	Awaiting Disbursements
Bursary	Tertiary	Kacheliba	2017/2018	11,672,629	9,077,100	78%	Ongoing	Awaiting Disbursements
Kiwawa Boys Sec	Building Dormitory	Kiwawa	2017/2018	3,000,000.	3,000,000	0%	Not Started	Awaiting Disbursements
Holy Cross Sec	Dining Hall	Suam	2017/2018	1,631,595	-	0%	Not Started	Awaiting Disbursements
Kamketo Secondary	2classes	Konyao	2017/2018	2,000,000.	-	0%	Not Started	Awaiting Disbursements
Nakwapuo Primary	1classes	Kodich	2017/2018		-	0%	Not Started	Awaiting Disbursements
Woyakol Primary	2classes	Alale	2017/2018	300,000.	-	0%	Not Started	Awaiting Disbursements
Kapetakinei Pri	1classes	Suam	2017/2018	600,000.	-	0%	Not Started	Awaiting Disbursements
Shongen Pri	1classes	Suam	2017/2018	600,000	-	0%	Not Started	Awaiting Disbursements
Kopeyon Pri	1classes	Konyao	2017/2018	600,000	-	0%	Not Started	Awaiting Disbursements
Kariamawoi	1classes	Konyao	2017/2018	600,000	-	0%	Not Started	Awaiting Disbursements
Kanyerus Pri	2classes	Suam	2017/2018	300,000	-	0%	Not Started	Awaiting Disbursements
Kalas Pri	Dormitory	Kodich	2017/2018	200,000	-	0%	Not Started	Awaiting Disbursements
Cheptapa Pri	2classes	Kiwawa	2017/2018	500,000	-	0%	Not Started	Awaiting Disbursements
Krimti Pri	2classes	Kodich	2017/2018	500,000	-	0%	Not Started	Awaiting Disbursements

Project Name	Sub-Project/Activities	Location	Financial Year	Allocations (Kshs)	Disbursement (Kshs)	Cum. Achievement (%)	Implementations Status (Not Started, On-Going, Completed, Stalled Or Abandoned)	Remarks
Sirwach Pri	2classes	Kasei	2017/2018	400,000	-	0%	Not Started	Awaiting Disbursements
Kour Pri	Dormitory	Kasei	2017/2018	500,000	-	0%	Not Started	Awaiting Disbursements
Kases Pri	2classes	Kiwawa	2017/2018	300,000	-	0%	Not Started	Awaiting Disbursements
Wasat Pri	2classes	Kiwawa	2017/2018	300,000	-	0%	Not Started	Awaiting Disbursements
Kapem Pri	2classes	Kiwawa	2017/2018	300,000	-	0%	Not Started	Awaiting Disbursements
Chepsepin Pri	2classes	Kiwawa	2017/2018	300,000	-	0%	Not Started	Awaiting Disbursements
Alany Pri	2classes	Alale	2017/2018	300,000	-	0%	Not Started	Awaiting Disbursements
Nasal Pri	Staff Hse	Alale	2017/2018	300,000	-	0%	Not Started	Awaiting Disbursements
Kaptolomwo Pri	2classes	Kasei	2017/2018	300,000	-	0%	Not Started	Awaiting Disbursements
Lokichar Pri	Dormitory	Kodich	2017/2018	800,000	-	0%	Not Started	Awaiting Disbursements
Ngengechwa Pri	Dormitory	Suam	2017/2018	1,800,000	1,000,000		Not Started	Awaiting Disbursements
Ngotut Pri	Dormitory	Kapchok	2017/2018	800,000	-	0%	Not Started	Awaiting Disbursements
Mistin Pri	1class	Kasei	2017/2018	1,000,000	-	0%	Not Started	Awaiting Disbursements
Dc Residence	Fencing	Alale	2017/2018	300,000.00	300,000		Not Started	Awaiting Disbursements
Cdf Office	Building Cdf Office	Alale	2017/2018	4,400,000.	4,400.0	95%	Ongoing	At Finishing Level
Constituency Office	Fencing	Konyao	2017/2018	2,000,000.	-	0%	Not Started	Awaiting Disbursements
Ng-Cdfc Strategic Plan	Strategic Plan	Kacheliba	2017/2018	4,000,000.	-	0%	Not Started	Awaiting Disbursements
Constituency Informatin Hub	Hub	Kacheliba	2017/2018	4,677,027	-		Not Started	Awaiting Disbursements
Konyao D.O Office	Office	Kapchok	2017/2018	2,000,000	2,000,000	52%	Ongoing	Structures And Roofing Done
Orolwo Chiefs Office	1 Block	Kodich	2017/2018	1,000,000	1,000,000	45%	Ongoing	Structures and Roofing Done
				<b>63,434,699</b>	<b>33,074,767</b>			

