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REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
CONSTITUENCIES DEVELOPMENT FUND -
RONGAI CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2014**

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON CONSTITUENCIES DEVELOPMENT FUND- RONGAI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Constituencies Development Fund - Rongai Constituency set out on pages 4 to 14 which comprise the statement of financial assets and liabilities as at 30 June 2014, the statement of receipts and payments, statement of cash flows, 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 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of this audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

Included in the cash and cash equivalents balance of Kshs.39,439,520 as at 30 June 2014 are stale cheques amounting Kshs.1,790,321.95 which had not been written back in the cashbook. Although it has been explained the stale cheques were replaced, no evidence in form of certified cashbook has been provided for audit.

In the circumstances, it has not been possible to ascertain the accuracy and completeness of the cash and cash equivalents balance of Kshs.39, 439,520 as at 30 June 2014.

2. Unaccounted for Expenditure

An expenditure of Kshs.4,482,759 was incurred by the Constituency Development Fund Committee (CDFC) in construction of prefabricated staff houses under health sector. However, no expenditure returns were produced for audit verification and it was therefore not possible to confirm the implementation of the project. Further, it was not explained why the projects were implemented by the CDFC instead of Project Management Committee contrary to Section 31(1) of the CDF Act, 2013 which requires projects to be implemented by the PMC's.

In the circumstances, the propriety of the expenditure of Kshs.4,482,759, could not be confirmed.

Qualified Opinion

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 Constituencies Development Fund - Rongai Constituency as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Public Finance Management Act, 2012 and Constituencies Development Fund Act, 2013.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

09 September 2015