

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - GATANGA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Gatanga 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 flows and summary statement of appropriation: recurrent, development and 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Further, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Failure to Prepare a Trial Balance

During the year under review, the CDF management did not prepare a trial balance. No reason was given for failure to prepare the trial balance. Consequently, the source and accuracy of the figures reflected in the financial statements for the year ended 30 June 2017 could not be confirmed.

2. Other Grants and Transfers

Note 7 to the financial statements reflects other grants and transfers balance of Kshs.49,210,135 for the year ended 30 June 2017, which includes sports projects expenditure figure of Kshs.1,556,034. However, relevant supporting documents for the expenditure on sports activities were not provided for audit verification. In the circumstances, the accuracy and regularity of other grants and transfers balance of Kshs.49,210,135 for the year ended 30 June 2017 could not be confirmed.

3. Project Implementation Analysis

Review of the summary statement of appropriation revealed the following on project budget performance:

Project Category	No of Budgeted Projects	No of Implemented Projects	Projects Started	Amount Budgeted (Kshs)	Actual Expenditure (Kshs)	Actual Expenditure as a % of Budget
Transfer to Other Government Units	47	44	3	99,078,734	94,752,734	96
Other Grants and Transfers	22	22	0	50,397,579	51,380,134	102
Total	69	66	3	149,476,313	146,132,868	98

The above analysis of project implementation revealed that Gatanga CDF spent Kshs.146,132,868 against a budget of Kshs.149,476,313 resulting in underutilization of budget by Kshs.3,343,444. Further, the CDF had planned to implement 69 projects. Out of the budgeted projects, sixty-six (66) projects were implemented and 3 projects had not been started as at 30 June 2017. The underutilization of the budget and failure to implement some of the projects was not explained.

4. Unutilized Project-Ndunyu Chege Dispensary

Included in the transfers to other government entities figure of Kshs.104,152,734 as disclosed in note 6 to the financial statements is a balance of Kshs.4,227,872 relating to transfers to health institutions. The amount was disbursed to the Project Management Committee for the construction of Ndunyu Chege dispensary. Review of project status report shows that the construction of the dispensary was completed. However, physical verification revealed although the project was complete, it had not been officially handed over to the County Government of Murang'a under which the health function falls and therefore the facility had not been utilized. No explanation was given for the failure to utilize the project to serve the public.

Responsibilities 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 services and using the applicable basis of accounting unless the National Government intends to cease operations of the Fund, or has 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

My responsibility is to conduct an audit of the Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of National Constituencies Development Fund - Gatanga 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

07 January 2019