

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Government Constituencies Development Fund- Kitui West Constituency set out on pages 6 to 31, which comprise statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows 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 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- Kitui West Constituency as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that, 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

1.0 Unsupported Bursary Fund

Note 7 to the financial statements reflects other grants and other payments totaling to Kshs.36,540,984 which included bursary disbursements to secondary, tertiary and special schools of Kshs.12,073,000, Kshs.10,508,525 and Kshs.44,000 respectively all totaling to Kshs.22,625,525 as at 30 June 2017. However, out of the Kshs.22,625,525 bursaries disbursed only bursaries totaling to Kshs.4,703,000 were acknowledged by the respective beneficiary institutions through issuance of receipts while the balance of Kshs.17,922,525 remained unacknowledged by the recipient institutions.

Consequently, the propriety, accountability and value for money of the Kshs.17,922,525 could not be ascertained as at 30 June 2017.

2.0 Doubtful Expenditure on Bench Marking

During the year under review, the Fund spent Kshs. 905,400 toward benchmarking and team building tour in Mombasa for fourteen members including Constituency Development Fund Committee Members. However, an amount of Kshs. 220,000 was paid to Gasara Hotel vide R/N 818 dated 19 April 2017 to cater for accommodation of 11 people for 4 days who had earlier been paid a total of Kshs. 570,000 as daily subsistence allowance for the same purpose.

In the circumstance, the propriety and value for money of Kshs.570,000 paid as subsistence allowance could not be ascertained as at 30June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Kitui West 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 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 and Budgetary Control

During the year under review, the Fund approved a budget of Kshs.136,976,131 comprising of Kshs.81,896,552 for the year under review and Kshs.55,079,579 brought forward from the previous year. However, the Fund received Kshs.106,648,107 from the National Government Constituency Development Fund Board resulting to a revenue shortfall of Kshs.30,328,024 being fund not received from the Board.

Further, out of the total budget of Kshs.136,976,131, only Kshs.105,076,722 (77%) was utilized to fund both recurrent and development items. An amount of Kshs.31,899,408 budgeted to be spent during the financial year ended 30 June 2017 was therefore not spent as follows;

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	Performance
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%

Transfers from CDF Board	81,896,552	55,079,579	136,976,131	106,645,107	30,331,024	78
Total Receipts	81,896,552	55,079,579	136,976,131	106,645,107	30,331,024	
Compensation of Employees	1,604,800	1,346,817	2,951,617	2,019,622	931,995	68
Use of goods and services	5,765,890	4,764,837	10,530,727	8,754,429	1,776,298	83
Transfers to Other Government Units	35,020,000	17,700,000	52,720,000	39,400,000	13,320,000	75
Other grants and transfers	27,844,828	24,567,272	52,412,100	36,540,984	15,871,116	70
Other Payment	753,566	0	753,566	753,566	0	100
Acquisition of Assets	10,907,468	6,700,653	10,907,468	17,608,121	0	100
TOTALS	81,896,552	55,079,579	136,976,131	105,076,722	31,899,408	77

In the circumstances, the residents of Kitui West Constituency did not receive promised and expected services equivalent to the unspent funds totaling to Kshs.31,899,408 as at 30 June 2017.

2. Project Implementation Status

The approved budget for development projects was apportioned among various sectors in the constituency namely; primary schools, secondary schools, security, sports, environment, emergency projects, administration and committee expenses. However, out of 111 projects that were budgeted to be undertaken during the year, 94 projects totaling to Kshs.40,215,509 were completed, while 17 projects totaling to Kshs.22,407,468.42 were still ongoing as at 30 June 2017 as analyzed below:

Sector	Projects Status	Amount Allocated (Kshs.)	Amount Disbursed (Kshs.)	No. of Projects
Education	Completed	27,500,000	27,500,000	44
	Not Started	-	-	0
	On-Going	11,400,000	11,400,000	15
	Sub- Total	38,900,000	38,900,000	59
Health	Completed	500,000	500,000	1
	Not Started	-	-	0
	On-Going	-	-	0

	Sub- Total	500,000	500,000	1
Sports	Completed	2,013,937	2,013,937	1
Emergency	Completed	6,586,084	6,586,084	34
Security	Completed	300,000	300,000	1
	Not Started	-	-	0
	On-Going	1,000,000	1,000,000	2
	Sub- Total	1,300,000	1,300,000	3
Environment	Completed	2,013,937	2,013,937	8
Others	Completed	7,887,635	7,887,635	4
	On-Going	10,007,468.42	10,007,468.42	1
	Sub- Total	17,895,103.42	17,895,103.42	5
Grand Total		69,209,061.42	69,209,061.42	111

In the circumstance, it was not possible to ascertain that the Fund would implement all projects as budgeted and constituents will get value for money.

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 going concern basis of accounting unless the management either intends to cease operations. 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 of Kenya. 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 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 continue offering 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 consolidated/ 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 Offering 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 of the fund's activities 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

23 August 2018