

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

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Mathioya Constituency set out on pages 5 to 26 which comprise the statement of financial assets as at 30 June 2017, 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, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Mathioya Constituency as at 30 June 2017, 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 2015 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing 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 Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Mathioya 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. There were no key audit matters to report in the year under review.

## Other Matters

### 1. Project Implementation Analysis

A review of project implementation status report revealed that the CDF management had identified and allocated funds in 2016/2017 amounting to Kshs.104,901,281 to complete eighty three (83) projects. However, only seventy five (75) projects worth Kshs.90,337,199 were implemented during the year as summarized below:

Project Category	No. of Projects Budgeted	No. of Projects Implemented	Projects not Started	Amount Budget Amount - Kshs.	Amount Spent - Kshs.	Actual as % of Budget
Transfer to Other Government Units	51	48	3	29,616,380	22,826,380	77%
Other Grants and Transfers	32	27	5	75,284,901	67,510,819	90%
<b>Total</b>	<b>83</b>	<b>75</b>	<b>8</b>	<b>104,901,281</b>	<b>90,337,199</b>	<b>86%</b>

However, the underutilization of budget during the year was not explained. Further, failure to implement projects in time denies the community benefits that would have accrued from the projects intended to improve their standard of living.

### 2. Unconfirmed Bursary for Aviation Training

As previously reported, the NG-CDF initiated the Mathioya Aviation Scholarship bursary program for eight (8) students from eight divisions within the Constituency. The programme was approved by Mathioya Constituency Bursary Committee executive meeting on 1 July 2014. The total cost of the programme was to be Ksh.24,000,000 over four years. As at 30 June 2017, the CDF management had paid a total of Ksh.24,097,721 to the Kenya School of Aviation which includes Ksh.4,292,904 incurred in 2016/2017 for fees and exams. However, the following observations were noted:

- i. It was not clear how Kenya School of Aviation was considered since there was no evidence of competitive tendering by various aviation schools as per the requirement of the Public Procurement and Disposal Act. Further, contract agreement between the CDF and Kenya School of Aviation was not presented for audit verification.
- ii. Audit review revealed that the Fund did not designate the aviation training programme funding from the normal bursary programme funding during the budgeting process. This programme was funded from the tertiary institutions bursary allocation.
- iii. Use of bursary of Kshs.24,097,721 to fund aviation courses for only eight students within the constituency was noted to be limited and unfair to other deserving

students in secondary school and tertiary institutions. This is against the CDF bursary management guidelines which emphasizes that the bursary management should be geared to achieving equity and wide coverage to the orphans, self-sponsored without guardians or parents and socially/economically disadvantaged including vulnerable students. Consequently, value for money for the expenditure so far spent on this programme could not be confirmed.

### **3. Stalled Project-Gatunguru Dispensary**

A review of project implementation status report revealed that during the financial year 2015/2016, the CDF management allocated Kshs.2,000,000 for the construction of Gatunguru Dispensary. However, physical inspection of progress of works revealed that construction had stalled at walling level and the contractor was not on site at the time of audit in July 2018. Further, the CDF did not allocate for completion of the project in 2016/2017 as health service is a devolved function of the County Governments. The CDF management has not provided steps being taken to ensure the construction is completed to avoid waste of public funds so far spent on the project.

### **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 management intends to cease operations of the Fund, 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.

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. 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.

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 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 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**

**15 October 2018**