

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - GARSEN 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 Constituency Development Fund- Garsen Constituency set out on pages 6 to 25 which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows for the year ended, 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 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.

In addition, 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. Presentation of Financial Statements

The financial statements for the year ended 30 June 2017 presented for audit had the following presentation issues;

- i. Table of contents on page 1 reads 'forward by the cabinet secretary' where it is 'forward by the Chairman.
- ii. Page 5, paragraph 2 of the financial statement reads 'for the year ended June 30, 2016' instead of 'for the year ended 30 June 2017.'
- iii. Date of signing the financial statement is not indicated on pages 5 to 10.
- iv. Page 11, paragraph 1, on significant accounting policies, indicates that all values are rounded to the nearest one shilling, but in the contrary, the figures in these financial statements are not rounded off.

In the circumstances, the financial statements presented for the year ended 30 June 2017 do not comply with International Public Sector Accounting Standards No.1 on presentation of financial statements as prescribed by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June 2017 presented for audit, had the following errors.

2.1. The comparative figures in the statement of receipts and payments were at variance with the last years audited financial statements as shown in the table below.

Item	Balance as per 2015/2016 Audited Account Kshs.	Balance as per the 2016/17 financial statement Kshs.	Variance Kshs.
Compensation of employees	968,242	1,056,264	(88,022)
Use of goods and services	13,326,343	8,134,844	5,191,499
Transfer to other Government units	80,820,690	75,455,110	5,365,580
Other grants and transfers	36,186,371	49,449,848	(13,263,477)
Acquisition of assets	2,794,420	-	2,794,420
Cash balance (cash at hand)	0	2,943,131	2,943,131
Outstanding imprest	2,943,131	0	2,943,131
Total	137,039,197	137,039,197	0

In the circumstances, the accuracy, validity and completeness of the financial statements presented for audit for the year ended 30 June 2017 could not be confirmed.

3. Cash and Cash Equivalents

3.1. Bank Balance

Note 10A to the financial statement reflects bank balance of Kshs.79,867 as at 30 June 2017. However, bank reconciliation statement included bank charges amounting to Kshs.58,696 which ought to have been expensed in these financial statements. Also, included in the bank reconciliation statement are payment in the bank not recorded in the cash book of Kshs.200,000 which have been long outstanding and receipts in the cash book of Kshs.10,000 was not banked. Management did not explain failure not to record the transactions in the cash book and to bank the cash intact.

Again the bank reconciliation statement as at 30 June 2017 reflects payments in cash book not in bank statement (un-presented cheques) amounting to Kshs.2,233,244.15, However, bank statements were not availed for audit to confirm when the cheques were subsequently cleared.

Consequently, the accuracy, validity and completeness of bank balance of Kshs.79,867 as at 30 June 2017 could not be confirmed.

3.2. Cash in Hand

Note 10B to the financial statements reflects cash in hand balance of Kshs.233,131 as at 30 June 2018. However, board of survey certificate on cash was not availed for audit review. Further, the comparative reflects cash balance of Kshs.2,794,420 while the 2015/2016 audited financial statement reflected nil balance. In the circumstances, the stated cash at hand could not be confirmed.

Consequently, the accuracy, validity and completeness of cash and cash equivalent balance of Kshs.312,998 as at 30 June 2017 could not be Confirmed.

3.3. Outstanding Imprest

The statement of assets reflects a nil balance in respect to outstanding imprest. However, the imprest register and imprest warrants were not availed for audit review. It was not possible to confirm the nil outstanding imprest balance as at 30 June 2017.

Further, the outstanding imprest comparative figure for the previous year reflects nil balance while the audited financial statements reflect a balance of Kshs.2,794,420 as at 30 June 2016.

Consequently, the accuracy of outstanding imprest with a nil balance as at 30 June 2017 could not be confirmed.

4. Unsupported Expenditure

Statement of receipts and payments for the year ended 30 June 2017, reflected total expenditure of Kshs.159,290,100. However, schedules to support these expenditure, were not availed for audit review as shown below.

	Expenditure Item	Note	Amount	Observation
1	Basic Wages for Contractual Employees	4	1,334,403.20	No support schedules, no payroll, no employment letters, no employees files
2	Employer Contribution to NSSF	4	143,876.00	No support schedule to support what the balance is made off, no payroll
3	Gratuity	4	487,149.70	No support schedule, no list of beneficiaries, no contracts, no employee files
4	Utilities, Supplies and Services	5	218,778.40	No support schedules to support what the balance is constitutes off

5	Domestic Travel and Subsistence	5	75,000.00	No support schedules to support what the balance is constitutes off, no invitation letters, no work tickets
6	Hospitality Supplies and Services	5	99,100.00	No support schedules to support what the balance is constitutes off
7	Other Committee Expenses	5	7,017,960.70	No support schedule to support the balance, no invitation letters, no minutes, no attendance register
8	Committee Allowance	5	267,932.50	No support schedule to support the balance, no invitation letters, no minutes, no attendance register
9	Office and General Supplies and Services	5	475,094.00	No support schedules to support what the balance is constitutes off
10	Fuel, Oil and Lubricants	5	1,594,383.00	No support schedule to support the balance, no work tickets, no fuel register, no fuel detail orders, no minutes of procurement
11	Other Operating Expenditure	5	218,683.30	No support schedules to support what the balance is constitutes off
12	Routine Maintenance - Vehicles and Other Transport Equipment	5	145,330.00	No support schedules to support what the balance is constitutes off, no maintenance log books, no certificate of repairs, no minutes of procurement
13	Transfers to Primary School	6	43,600,000.00	No support schedule to support what the balance constitutes off, no PMC files
14	Transfers to Secondary School	6	48,900,000.00	No support schedule to support what the balance constitutes off, no PMC files
15	Bursary - Secondary	7	17,199,957.30	No support schedule to support what the balance constitutes off, no acknowledgement receipts, no criteria to identify need of students, no minutes of the bursary committee
16	Bursary - Tertiary	7	10,501,590.00	No support schedule to support what the balance constitutes off, no acknowledgement receipts, no criteria to identify need of students, no minutes of the bursary committee

17	Mocks and CAT	7	3,000,000.00	No support schedule to support what the balance constitutes off
18	Security	7	8,300,000.00	No support schedule to support what the balance constitutes off, no PMC files
19	Sports	7	3,637,931.00	No support schedule to support what the balance constitutes off, no PMC files
20	Environment	7	3,637,931.00	No support schedule to support what the balance constitutes off, no PMC files
21	Other Capital Grants and Transfers	7	4,435,000.00	No support schedule to support what the balance constitutes off, no PMC files
22	Emergency Projects	7	4,000,000.00	No support schedule to support what the balance constitutes off, no PMC files
	TOTAL		159,290,100.10	

Consequently, the accuracy, validity and completeness of expenditure of Kshs.159,290,100 for the year ended 30 June 2017 could not be confirmed.

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 National Government Constituency Development Fund- Garsen Constituency's ability to continue as a going concern/ 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 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.

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 National Government Constituency Development Fund - Garsen Constituency'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 matter 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 Government Constituency Development Fund- Garsen 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

06 July 2018