

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SABOTI 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 - Saboti Constituency set out on pages 6 to 29, 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 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

1.0 Errors in the Financial Statements

1.1 Statement of Assets

The statement of assets net liabilities reflect a figure of Kshs.11,868,221 which is at variance with the computed figure of Kshs.34,049,669 resulting in a variance of Kshs.22,181,448 which has not been explained or reconciled.

1.2 Summary Statement of Appropriation

A review of the summary statement of appropriation revealed the following anomalies:

- a) The statement reflects payments total final budget figure of Kshs.101,491,751 which is at variance with the computed figure of Kshs.81,896,511 resulting in an unexplained variance of Kshs.19,595,240.
- b) The summary statement of appropriate contains an adjustments figure of Kshs.19,595,200 under transfer from Constituencies Development Fund Board and which has not been analysed or explained.

Under the circumstances, the accuracy of the financial statements for the year ended 30 June 2017 could not be confirmed and are not in accordance with International Public Sector Accounting Standards.

2.0 Use of Goods and Services

2.1 Committee Expenses

Included in the use of goods and services figure of Kshs.5,240,144 reflected in the statement of receipts and payments under note 5 is committee expenses figure of Kshs.3,830,000 which is at variance with the supporting documents figure of Kshs.3,185,300 resulting to unexplained variance of Kshs.644,700.

In addition, invitation letters to attend the meeting, attendance register, minutes of the meetings attended and the monitoring and evaluation reports were not availed for audit verification.

Under the circumstances, the regularity of committee expenses of Kshs.3,830,000 could not be confirmed.

2.2 Routine Maintenance-Vehicles and Other Transport Equipment

Included also in the use of goods and services figure of Kshs.5,240,144 reflected in the statement of receipts and payments under note 5 is routine maintenance-vehicles and other transport equipment expenditure of Kshs.1,100,821. However, the expenditure includes fuel and insurance expenditure of Kshs.500,000 and Kshs.366,461 respectively which do not relate to routine maintenance-vehicles and other transport equipment expenses.

Under the circumstances, the expenditure of Kshs.866,461 in respect of fuel and insurance is not appropriately classified.

3.0 Transfer to Other Government Units

3.1 Purchase of Land

Included in the transfer to other government entities figure of Kshs.63,781,034 reflected in the statement of receipts and payments is an expenditure of Kshs.2,800,000 incurred on purchase of land for some schools. However, procurement records such as tender advertisement, tender opening, evaluation and award minutes, and letter of offer were not availed for audit review. Further, land title deeds, search from Kitale land office, valuation reports and sale agreements were not availed for audit verification.

Under the circumstances, the ownership and regularity of purchase of land expenditure of Kshs.2,800,000 could not be confirmed.

3.2 Transfers to Primary Schools -Tuwan Primary School

Included in the transfer to other government entities figure of Kshs.63,781,034 reflected in the statement of receipts and payments is a transfer of Kshs.1,000,000 to Tuwan

Primary School for foundation, walling and roofing of two classrooms. However, actual expenditure returns from the project management committee were not availed for audit review. Further, physical verification of the projects during the month of May 2018 revealed that the project did not exist.

Under the circumstances, validity and regularity of Kshs.1,000,000 could not be confirmed.

3.3 Transfers to Primary Schools - Muliro Primary School

The transfer to other government entities figure of Kshs.63,781,034 reflected in the statement of receipts and payments further includes a transfer of Kshs.500,000 to Muliro Primary School for construction of a foundation, walling and roofing of two classrooms. However, actual expenditure returns from the project management committee were not availed for audit verification.

Consequently, the validity and regularity of Kshs.500,000 could not be confirmed.

3.4 Purchase of Six Buses

Included in the transfer to other government entities figure of Kshs.63,781,034 reflected in the statement of receipts and payments is disbursements amounting to Kshs.19,732,284 for purchase of six buses. However, procurement records such as tender advertisement, tender opening, evaluation and award minutes, letter of offer, acceptance inspection and acceptance committee report and logbooks were not availed for audit review.

Under the circumstances, the ownership and regularity of Kshs.19,732,284 could not be confirmed.

3.5 Insurance of Buses

Included in the transfer to other government entities figure of Kshs.63,781,034 reflected in the statement of receipts and payments is an expenditure of Kshs.2,718,750 on insurance of buses. However, the expenditure was not budgeted for and procurement records such as tender advertisement, tender evaluation and award minutes, letter of offer and policy documents were not availed for audit review.

Under the circumstances, the regularity of insurance expenditure of Kshs.2,718,750 could not be confirmed.

3.6 Transfer to Secondary Schools

Included in the statement of receipts and payments is transfer to other Government units figure of Kshs.63,781,034 which includes transfers to secondary schools of Kshs.33,681,034 which is at variance with supporting documents figure of Kshs.34,081,034 resulting in unexplained and unreconciled variance of Kshs.400,000.

Consequently, the accuracy and completeness of the transfers to secondary schools figure of Kshs.33,681,034 could not be confirmed.

4.0 Other Grants and Transfers

4.1 Bursary Sub-committee

The statement of receipts and payments for the year ended 30 June 2017 reflects grants and transfers figure of Kshs.41,131,173 which include bursary to secondary schools disbursements of Kshs.22,755,310. However, minutes of the bursary subcommittee indicating how the beneficiaries were identified and confirming that two co-opted members, one from the area education office seconded by the Ministry of Education as required by Constituency Development Fund circular reference no. Vol.1/111 dated 13 September 2010, were not availed for audit review. In addition, the lists of beneficiaries and acknowledgement letters from recipient institutions were not availed for audit review.

Consequently, the regularity of Kshs.22,755,310 could not be confirmed.

4.2 Bursary - Secondary Schools

Included in other grants and other payments figure of Kshs.41,131,173 is bursary – secondary schools figure Kshs.22,755,310 which is at variance with the supporting documents figure of Kshs.33,488,160 resulting in an unexplained variance of Kshs.10,732,850.

Under the circumstances, the accuracy and completeness of bursary expenditure of Kshs.22,755,310 could not be confirmed.

4.3 Security Projects

Included also in other grants and other payments figure of Kshs.41,131,173 is disbursements to security projects balance of Kshs.13,000,000 for the construction of various Administration police and chiefs camps. However, a list of projects funded and actual expenditure returns from the project management committee for each project were not availed for audit verification.

Under the circumstances, the regularity of Kshs.13,000,000 expenditure on security projects could not be confirmed.

4.4 Sports Projects

Other grants and other payments figure of Kshs.41,131,173 further includes disbursements to sports projects balance of Kshs.1,637,932 for purchase of uniforms, boots and balls for various secondary schools. However, actual expenditure returns from the respective project management committee for each project and the distribution list were not availed for audit verification.

Under the circumstances, the validity and regularity of Kshs.1,637,932 expenditure on sports projects could not be confirmed.

4.5 Environment Projects

Other grants and other payments figure of Kshs.41,131,173 in addition includes disbursements to environment projects figure of Kshs.1,637,932 for purchase of seedlings for various Administration police posts, chiefs' camps and primary schools. However, actual expenditure returns from project management committee for each project and distribution list of the seedlings were not availed for audit verification.

Under the circumstances, the validity and regularity of Kshs.1,637,932 expenditure on environment projects could not be confirmed.

5.0 Bank Balances

The statement of assets reflects a bank balances figure of Kshs.11,868,221. A review of the bank reconciliation statement for the month of June 2017 revealed that cheques totaling Kshs.175,900 were stale but had not been reversed in the cash book. No explanation has been provided for this anomaly.

Under the circumstances, the accuracy of bank balances of Kshs.11,868,221 could not be confirmed.

6.0 Prior Year Adjustment

The statement of assets reflects prior year adjustments figure of Kshs.11,090,724 whose supporting documents were not provided for audit review. Under the circumstances, the validity and accuracy of the prior year adjustments figure of Kshs.11,090,724 as at 30 June 2017 could not be confirmed.

7.0 Project Management Committee Bank Balances

Note 15.4 to the financial statements shows that the project management committee account had balances of Kshs.1,298,329. However, the cash books, bank confirmation and bank reconciliation statements were not availed for audit review.

Under the circumstances, the accuracy, completeness and existence of the project management committee bank balance of Kshs.1,298,329 at 30 June 2017 could not be confirmed.

8.0 Budgetary Control and Performance

8.1 Budget Absorption

During the year under review, the constituency had a total budget of Kshs.81,896,511 while the actual expenditure amounted to Kshs.111,617,525 resulting in an over expenditure of Kshs.31,059,519 or 38% which was not explained as follows:

Item	Budget 2016/2017 (Kshs)	Actuals 2016/2017 (Kshs)	Under Expendi-ture (Kshs)	Over Expendi- ture (Kshs)	Under Expend- iture (%)	Over Expendi- ture (%)
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Compensation of Employees	792,000	1,465,174		673,174	0	85
Use of goods and services	6,578,649	5,240,144	1,338,505		20	
Transfer to other Government Units	39,181,034	63,781,034		24,600,000	0	63
Other grants and transfers	35,344,828	41,131,173		5,786,345	0	16
Total	81,896,511	111,617,525	1,338,505	31,059,519	2	38

From the above summary, it is clear that the fund incurred an over expenditure of Kshs.31,059.519 or 38% of its budget allocation which was not authorised. Further, the Fund failed to utilise Kshs.1,338,505 allocated to use of goods and services expenditure. Failure to utilize all the funds as budgeted for is an indication that programs or activities were not implemented as planned thus not achieving the intended objective of improving delivery of goods and services to the people of Saboti Constituency. It may also be an indication that the budgetary process was not properly estimated and thus there may be need for the management to relook at the budgeting process to ensure that only priority areas are allocated funds.

8.2 Project Implementation Status

During the year under review, Saboti CDF had an approved budget Kshs.49,956,896 to fund forty two (42) projects. According to the status report seven (7) projects with an estimated budget of Kshs.24,418,965 were fully completed and thirty-five (35) projects with an estimated budget of Kshs.25,537,931 were on going as shown below:

	Project name	Activity	Completion Date	Amount (Kshs)	Status
1	Sports	Purchase of uniforms, boots and balls in the constituency	1-Jan-17	1,637,931	Complete
2	St. Aquinas Kapretwa Secondary School	Contribution towards purchase of 51 seater school bus	1-Apr-17	3,796,839	Complete
3	St. Patrick's Koy koy Secondary School	Contribution towards purchase of 51 seater school bus	1-Apr-17	3,796,839	Complete
4	Nakami Friends Secondary School	Contribution towards purchase of 51 seater school bus	1-Apr-17	3,796,839	Complete
5	Matisi Friends Secondary School	Contribution towards purchase of 51 seater school bus	1-Apr-17	3,796,839	Complete
6	Tuwan Girls Secondary School	Contribution towards purchase of 51 seater school bus	1-Apr-17	3,796,839	Complete
7	St. Columbans Secondary School	Contribution towards purchase of 51 seater school bus	1-Apr-17	3,796,839	Complete

		Sub Total		24,418,965	
1	Environment	Purchase of tree seedlings for distribution to the various institution	Not yet	1,637,931	On-going
2	Mung'oma Primary School	Purchase of land one acre	Not yet	800,000	On-going
3	Chetoto Primary School	Foundation, walling, roofing of two classrooms	Not yet	1,000,000	On-going
4	Matisi Primary Sch	Renovation of four classrooms-reroofing, re-plastering, repainting	Not yet	1,000,000	On-going
5	Rafiki Primary School	Roofing, plastering, painting of two classrooms	Not yet	500,000	On-going
6	Farm Prison Primary School	Roofing, plastering, painting of four classrooms	Not yet	1,000,000	On-going
7	Makhele Primary School	Renovation three classrooms-reroofing, re-plastering ,repainting	Not yet	600,000	On-going
8	Panacol Primary School	Foundation, walling, roofing of two classrooms	Not yet	1,000,000	On-going
9	Kisawai Primary School	Roofing, plastering, painting of two classrooms	Not yet	500,000	On-going
10	Sango Primary School	Foundation, walling, roofing of a classroom	Not yet	500,000	On-going
11	Cheptumbelio Primary School	Foundation, walling, roofing of a classroom	Not yet	1,000,000	On-going
12	Kaloleni Annex Primary School	Completion of Administration block Plastering, doors, windows, painting, Ceiling board	Not yet	1,300,000	On-going
13	Muliro Primary School	Foundation, walling, roofing of two classrooms	Not yet	500,000	On-going
14	Tuwan Primary School	Foundation, walling, roofing of two classrooms	Not yet	1,000,000	On-going
15	St. Columbans School for the Deaf	Foundation, walling, roofing of a classroom	Not yet	500,000	On-going
16	Gituamba Primary Sch	Foundation, walling, roofing of two classroom	Not yet	1,100,000	On-going
17	Legemet Primary School	Purchase of one and half acre of land	Not yet	1,000,000	On-going
18	Mengo Primary Sch	Renovation of two classrooms-reroofing, re-plastering, repainting.	Not yet	500,000	On-going
19	Sukwo Primary School	Foundation, walling, roofing of a classroom	Not yet	500,000	On-going
20	Lukesi Primary School	Renovation of three classrooms-reroofing, re-plastering, repainting	Not yet	500,000	On-going
21	Lukhome Primary School	Renovation of three classrooms-reroofing, replastering, repainting	Not yet	600,000	On-going
22	Maeni Primary School	Foundation, walling, roofing of a classroom	Not yet	500,000	On-going

23	St. James Bondeni Primary Sch	Foundation, walling, roofing of a classroom	Not yet	500,000	On-going
24	Wamuini Police Post	Foundation, walling, roofing of office	Not yet	800,000	On-going
25	Kinyoro AP Camp	Roofing, painting of staff houses	Not yet	700,000	On-going
26	Teldet AP Camp	Foundation, walling, roofing of office	Not yet	1,000,000	On-going
27	Saboti Police Station	Foundation, walling, roofing of police armoury & cells	Not yet	700,000	On-going
28	Kalaha AP Camp	Foundation, walling, roofing of office	Not yet	700,000	On-going
29	Rengecha AP Camp	Roofing, painting of the staff houses	Not yet	700,000	On-going
30	Kipsagam Police Post	Foundation, walling, roofing of office	Not yet	800,000	On-going
31	Machewa Chief's Office	Foundation, walling, roofing of Chief's office	Not yet	500,000	On-going
32	Chemichemi AP Camp	Foundation, walling, roofing of office	Not yet	500,000	On-going
33	Lukhome AP Camp	Foundation, walling, roofing of office	Not yet	300,000	On-going
34	Kakunga AP Camp	Foundation, walling, roofing of office	Not yet	300,000	On-going
35	Tuwan Ass. Chief's office	Foundation, walling, roofing of office	Not yet	500,000	On-going
		Sub Total		25,537,931	
		Grand Total		49,956,896	

Projects which were not fully implemented with a total budget of Kshs.25,537,931 may impact negatively on the service delivery to the people of Saboti Constituency.

8.3 Projects Verification

Out of forty-two (42) projects costing Kshs.49,956,896, the following observations were made regarding eight (8) projects that were physically verified with a cost of Kshs.6,900,000 as detailed below:

Project Name	Project Activity	Amount (Kshs)	Observation
Kaloleni Annex Primary School	Completion of Administration block, plastering, doors, windows, painting, ceiling board	1,300,000	Completion of Administration block, plastering, doors, windows, painting, ceiling board is complete. The structure is already in use
Farm Prison Primary School	Plastering, roofing, painting of four classrooms	1,000,000	The plastering, roofing, painting of the classrooms is complete and in use. Although instead of the renovation of 4 classrooms, 6 classrooms were done.

Tuwan Primary School	construction of two classrooms	1,000,000	Construction of two classrooms was not done. Instead funds were used in renovating classrooms as opposed to building.
Chetoto Primary School	foundation, walling of two classrooms	1,000,000	Foundation, walling, roofing of two classrooms complete and in use
Muliro Primary School	foundation, walling of two classrooms	500,000	Foundation, walling of two classrooms was not done. No project on ground
St. Columbans Primary School	Foundation, walling of a classroom	600,000	Foundation, walling of a classroom complete and in use. No branding on the project was done.
Waumini Police Post	Foundation, walling, roofing of office	800,000	Substructure works done and completed, roof structure done and covered using iron sheets, fittings i.e. steel casement windows and doors done. Wiring, paint job not done.
Grassland AP Camp	Construction of two new houses for staff	700,000	Works done include: substructure works, floor concrete cast, lintel cast, roof structure and covered with ordinary corrugated iron sheets, fittings i.e. 12 steel casement windows, plastering and rendering. Pending works include: paint works, plastering incomplete and labelling.
Total		6,900,000	

The Fund's failure to complete some projects may adversely affect service delivery to the people of Saboti Constituency.

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 continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund's or to cease operations, or have no realistic alternative but to do so.

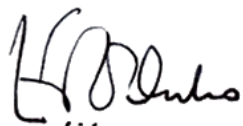
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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 Constituencies Development Fund - Saboti 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 Constituencies Development Fund - Saboti 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

01 August 2018