

# **REPORT OF THE AUDITOR-GENERAL ON THE RELIEF AND REHABILITATION CASH TRANSFERS FUND FOR THE YEAR ENDED 30 JUNE 2018**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Relief and Rehabilitation Cash Transfers Fund set out on pages 1 to 10 which comprise financial position as at 30 June 2018, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts 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.

### **Basis for Disclaimer of Opinion**

#### **1. Other Grants and Transfers and Payments/Expenses**

The statement of receipts and payments reflects other grants and transfers and payments/expenses amounting to Kshs.1,921,450,388 all of which relate to amounts transferred to World Food Programme in line with the service provision agreement between the Fund and World Food Programme. However, no accountability documentation including details of beneficiaries were provided for audit verification to show how the World Food Programme utilized the funds. There were no confirmation or acknowledgment of receipt of the cash by the beneficiaries. Further, though the agreement requested World Food Programme to submit a monthly return on all expenditure, no such returns had been filed as they were not produced for audit review.

Under the circumstances, the accuracy, validity, completeness and propriety of other transfers amounting to Kshs.1,921,450,388 for the year ended 30 June 2018 could not be ascertained.

#### **2. Receipts**

In the Statement of receipts and payments under transfer from Government entities there are nil receipts. The fund was to receive and implicitly received technical Support from the World Food Programme and the Parent Ministry to set up and operate the system. However, there are no disclosures in the financial statements for the technical support. In addition, the management responsibility of the Relief and Rehabilitation Cash Transfer fund is vested in a project team comprising employees of the parent ministry appointed by the Principal Secretary and drawing salaries from the ministry. This is a benefit in kind to the fund for the services rendered from the project team which have not been accounted for in the Fund's financial statements. The financial statements therefore do not show a fair statement of receipts of the Fund for the year ended 30 June 2018.

In the circumstances, the accuracy and completeness of the financial statements as at 30 June 2018 could not be confirmed.

### **3. Fund Implementation**

The State Department for Special Programmes on behalf of the Government signed an Agreement with World Food Programme (WFP) on 9 June 2017 through which WFP agreed to facilitate in implementation of emergency cash transfers to 1.3 million drought affected people in thirteen Arid and Semi-Arid Counties. However, no documentation was made available for audit review on how the World Food Programme was procured as the service provider for the fund.

Consequently, the identification and procurement of the World Food Programme as a service provider could not be confirmed.

### **4. Beneficiaries Identification**

The objective of the Relief and Rehabilitation cash transfer fund is to mitigate the effects of acute shortage amongst families in arid and semi-arid counties. The Government as indicated in the Agreement was to conduct the targeting, registration and transfer cash to 1.3 million drought affected people in 13 arid and semi-arid counties. The process of identifying the house holds targeted have not been ascertained since no documents were availed to support the same. It is therefore not possible to ascertain whether the above target was achieved or not.

In addition, the implementation as stated was to be in two phases in July to August 2017 while phase two was to be implemented in September 2017. It was not possible to ascertain the exact amount of disbursements that each household was to get and the duration over which they received the cash disbursements. It was also not possible to ascertain actual payments made and the beneficiaries.

In the circumstances, the accuracy, validity and completeness of the financial statements as at 30 June 2018 could not be confirmed.

### **5. Legislative Framework**

The financial statements Information available indicates that Relief and Rehabilitation cash Transfer fund was established on unspecified date in the year 2017 following the Government's declaration of drought and famine facing parts of the country as a national disaster.

However, no documentation has been provided in support of the establishment of the Relief and Rehabilitation Cash Transfer fund as required by the law. This then implies the budget allocation and the appropriation there from is inappropriate utilization of public funds as the section of the fund including the mode of operation have not been done in line with the existing laws.

In consequence, legality and validity of the operations of the fund could not be ascertained.

### **6. Previous Year Issues not Resolved**

## **Non-Compliance with the Law**

According to Regulation 208 of the Public Finance Management (National Government Regulations) 2015, the Cabinet Secretary responsible for matters relating to Finance is required to provide for management, operation and winding up procedures in the guideline for establishing each National Public Fund pursuant to Section 24(11) of Public Finance Management Act, 2012. Information available indicates that Relief and Rehabilitation Cash Transfer Fund was established on unspecified date in the year 2017 following the Government's declaration of drought and famine facing parts of the country as a national disaster in February, 2017.

Further, the State Department for Special Programme on behalf of the government signed an Agreement with World Food Programme (WFP) on 9 June 2017 through which, WFP agreed to facilitate in implementation of emergency cash transfers to 1.3 million drought affected people in thirteen arid and semi-arid counties. During the year under review, an amount of Kshs.2,000,017,657 was transferred to the Fund account. However, no documents have been provided in support of the management, operation and winding up procedures in respect of this Fund as required under the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Street Families Rehabilitation Trust Fund 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.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. 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 my audit conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. 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 my audit conclusion.

## **Basis for Conclusion**

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue sustaining 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 or to cease operations, or have no realistic alternative but to do so.

The 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the 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.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7 (1) (a) 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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Fund 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**

**24 May 2019**