

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TURKANA EAST 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 (NGCDF) –Turkana East Constituency set out on pages 5 to 31, 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: 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.

Further, 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 Presentation of the Financial Statements

An audit review of the financial statements indicated that the statement of assets, statement of receipts and payments and the statements of cash flows do not indicate the financial period they relate to. In addition, the management of the fund did not include the summary of fixed assets register in the financial statements.

Consequently, the financial statements are not accurately presented in accordance with International Public Sector Accounting Standards (Cash Basis) as prescribed by Public Sector Accounting Standards Board.

2.0 Bank Balances

The statement of assets as at 30 June 2017 reflects bank balances of Kshs.2,234,093.70. The bank reconciliation statement for the month of June 2017 reflected payments in the cash book not yet recorded in bank statement in respect of unrepresented cheques amounting to Kshs.1,532,012 out of which cheques with a total of Kshs.629,625 were stale and no reason or explanation was provided for not reversing the stale cheques in the cash book as required by Government Financial Regulations and Procedures. In addition, no information was availed for audit review showing the dates when the unrepresented cheques with a total of Kshs.902,387 were subsequently cleared in the bank.

Consequently, the accuracy, validity and completeness of the bank balance could not be confirmed.

3.0 Unsupported Project Management Committee Bank Balances

Annex 4 of the financial statements reflects Project Management Committee (PMC) bank balances totalling Kshs.1,853,379 as at 30 June 2017. However, cash books, bank balance confirmation certificates and bank statements for two bank accounts namely NGDF-CDF office account number 1206899646 at Kenya commercial Bank with a closing bank balance of Kshs.897,753 and Lotubae Girls secondary school account number 01141591384900 at Cooperative Bank with a closing bank balance of Kshs.2,498 were not provided for audit review. Further, AIC Katilia Primary school bank account indicated Kshs.248,238.90 while the bank statement reflected a balance of Kshs.1,238.90 resulting in a variance of Kshs.247,000 which has not been reconciled.

Consequently, the existence, accuracy, validity and completeness of the project management committee bank balance of Kshs.1,853,378.90 could not be confirmed.

4.0 Acquisition of Assets

4.1 Omission of Acquisition of Asset from the Notes

The statement of receipts and payments reflects acquisition of assets figure of Kshs.4,000,000. However, note 10 of the financial statements reflects a nil balance resulting in a variance of Kshs.4,000,000 which has not been explained or reconciled.

Consequently, the accuracy of acquisition of assets figure Kshs.4,000,000.00 could not be confirmed.

4.2 Construction and Fencing of NGCDF-Turkana East Constituency Office

The statement of receipts and payments reflects acquisition of assets figure of Kshs.4,000,000. Turkana East NGCDF management transferred a total of Kshs.4,000,000 for the construction of CDF office and perimeter fence. The payment was made in two equal instalments of Kshs.2,000,000 vide cheque number 1575 dated 10 March 2017 and cheque number 1627 dated 14 June 2017. Physical verification of the project in May 2018 revealed that only a perimeter wall of chain link and a gate had been erected. There was no evidence of official office structures at the site. Further, tender documents such as tender advertisement, tender opening, evaluation and award committee minutes, project file and contract agreement were not availed for audit review.

Consequently, the propriety of Kshs.4,000,000.00 spent on the construction of CDF office could not be confirmed.

5.0 Transfers to Other Government Entities

5.1 Unsupported Expenditure

The statement of receipts and payments reflects transfers to other government units amount of Kshs.58,341,118 relating to funds disbursed to various Project Management Committees. However, actual expenditure returns and acknowledgement letters from institutions that received the funds were not availed for audit verification. This is contrary to Section 15(1) (d) of the National Constituency Development Fund Regulations, 2016 which states that the Project Management Committees shall prepare returns and file them with a Constituency Committee.

Under the circumstances, it was not possible to confirm whether the funds totalling Kshs.58,341,118 were actually received and utilized for the budgeted projects in the year under review.

5.2 Transfer to Secondary Schools

Included in the transfers to other government units figure of Kshs.58,341,118 is transfers to secondary schools amount of Kshs.23,369,987 as disclosed under note 7 to the financial statements which is at variance with supporting schedules figure of Kshs.24,000,000 resulting in an unreconciled variance of Kshs.630,013.

Under the circumstances, the accuracy and completeness of the secondary schools figure of Kshs.23,369,987 could not be confirmed.

6.0 Transfers to Primary Schools

6.1 Irregular Procurement

Included in transfer to other government entities figure of Kshs.58,341,118 under note 7 to the financial statement is transfer to primary school's balance of Kshs.34,971,131 out of which Kshs.26,025,471 was disbursed to fourteen (14) primary schools for the construction of twelve classrooms, supply of three hundred desks, construction of a school fence and erection and completion of cable wall. However, information availed for audit review indicates that the tenders amounting to Kshs.26,025,471.00 were opened, evaluated and awarded by one committee contrary to Section 78(1) (10) of the Public Procurement and Asset Disposal Act, 2015 which requires tender opening committee to open and prepare tender opening minutes while Section 80 (4) of the same Act requires evaluation committee to evaluate and prepare evaluation reports.

Under the circumstances, the management is in breach of the law and the regularity of Kshs.26,025,471 could not be confirmed.

6.2 Unsupported Prime Costs and Provisional Sums

Included in the transfer to other government unit's expenditure of Kshs.58,341,118 reflected under note 7 of the financial statements is transfer to primary school's figure of Kshs.34,971,131 and transfers to secondary school's figure of Kshs.23,369,987 out of which Kshs.5,360,000 was set aside for provisional and prime cost for projects which were to be undertaken during the year under review. However, although the projects were completed, it is not clear how the provisional and prime costs were utilized.

Consequently, the regularity of prime and provisional cost figure of Kshs.5,360,000 could not be confirmed.

7.0 Transfers to Secondary Schools

7.1 Irregular Procurement

Included in transfer to other government entities figure of Kshs.58,341,118 under note 7 to the financial statement is transfer to secondary school's balance of Kshs.23,369,987 out of which Kshs.5,460,000 was disbursed to two (2) secondary schools for the renovation of school, construction of toilet and fittings and construction of three (3) roomed house with one toilet and bathroom. However, information availed for audit review indicates that tenders amounting to Kshs.5,460,000 were opened, evaluated and awarded by one committee contrary to Section 78(1) (10) of the Public Procurement and Disposal Act, 2015 which requires tender opening committee to open and prepare tender opening minutes while Section 80 (4) of the same Act requires evaluation committee to evaluate and prepare evaluation reports.

Under the circumstances, the management is in breach of the law and the regularity of Kshs.5,460,000 could not be confirmed.

7.2 Purchase of School Bus- Morulem Mixed Secondary School

Included in the transfers to other government units figure of Kshs.58,341,118 reflected in the statement of receipts and payments is transfer to secondary school's figure of Kshs.23,369,987 out of which Kshs.7,500,000 was paid to Morulem Mixed Secondary School vide cheque no 1197 and payment voucher no 282 for the purchase of a 51 seater Isuzu Minibus. However, tender documents such as tender advertisement, tender opening, evaluation and award committee minutes, project file, local purchase order, contract agreement and log book were not availed for audit review.

Consequently, the regularity of Kshs.7,500,000 spent on the purchase of school bus could not be confirmed.

7.3 Purchase of School Bus-AIC Katilia Boys Secondary School

Included in the transfers to other government units figure of Kshs.58,341,118 reflected in the statement of receipts and payments is transfer to secondary school's figure of Kshs.23,369,987 out of which Kshs.7,500,000 was paid to AIC Katilia Boys Secondary School vide cheque no 848 and payment voucher no 271 for the purchase of a 51 seater semi luxury Isuzu Minibus broken down into Kshs.6,920,000 paid to the supplier, M/S Kenya Coach Industries, Kshs.484,400 spent on insurance while Kshs.95,600 was indicated as spent on administration purposes. However, tender documents such as tender advertisement, tender opening, evaluation and award committee minutes, project file, local purchase order, contract agreement and log book were not availed for audit review. Further, the insurance cost was not supported by an insurance policy cover and the procurement records on how the insurer was identified. In addition, it could not be established and the management have not provided explanation or evidence on the nature of the administration expenses.

Consequently, the regularity of Kshs.7,500,000 spent on the purchase of school bus could not be confirmed.

8.0 Other Grants and Other Payments

8.1 Bursary

Included in the other grants and transfers balance of Kshs.37,305,155 reflected in the statement of receipts and payments are bursary disbursements totaling Kshs.23,391,417 to secondary schools and tertiary institutions of Kshs.13,391,417 and Kshs.10,000,000 respectively as disclosed under note 8 to the financial statements. However, minutes of the bursary subcommittee indicating how the beneficiaries were identified and confirming 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. Voll 1/111 dated 13 September 2010, were not availed for audit review. In addition, a list of those who were awarded bursaries and acknowledgement letters by the schools and tertiary institutions were also not provided for audit review.

Under the Circumstances, the management breached the law and the accuracy and propriety of the bursary disbursements of Kshs.23,391,417 for the year under review could not be confirmed.

8.2 Emergency Projects

Included in the figure of Kshs.37,305,155 is emergency projects figure of Kshs.4,362,474 out of which Kshs.2,496,750 was paid to a company vide payment voucher no. 275 and cheque no 1052 for the purchase of cereals and cooking fat for the needy people of Kamuge and Lomelo villages. However, procurement records and the signed distribution list by the beneficiaries of the emergency food items was not provided for audit review.

Consequently, the regularity of Kshs.2,496,750 spent on the purchase of cereals and cooking fat could not be confirmed.

8.3 Purchase of no 14 Tyres for Deputy County Commissioner's Land Cruiser and Lorry

Included in the figure of Kshs.37,305,155 is emergency projects figure of Kshs.4,362,474 out of which Kshs.404,600 was paid to a garage vide payment voucher no 299 and Cheque no 1228 for the purchase of fourteen (14) tyres for Deputy County Commissioner's land cruiser and lorry. However, the registration numbers of the vehicles, pre and post inspection report from the district public works officer were not provided for audit review.

Consequently, the regularity of Kshs.404,600 spent on the purchase of tyres could not be confirmed.

9.0 Committee Expenses

Included in Committee Expenses figure of Kshs.3,672,200 reflected in Note 6 to the financial statements is other committee expenses figure of Kshs.2,699,400. Audit review and examination of payment vouchers revealed that the payments were not supported by minutes of the meetings as well as the attendance register for meetings held.

Consequently, the propriety of committee expenditure amount of Kshs.2,699,400 could not be confirmed.

10.0 Unauthorized Expenditure

The summary statement of appropriation: recurrent and development combined reflects under three (3) components a total approved budget of Kshs.33,551,445 against actual expenditure of Kshs.46,535,368 resulting in an over expenditure of Kshs.12,983,923 as summarized below.

Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Over expenditure (Kshs)
Use of goods and services	2,493,441.06	2,703,237.00	(209,795.94)
Committee Expenses	1,846,360.06	3,672,200.00	(1,825,839.94)
Other grants and transfers	26,452,585.00	37,305,155.00	(10,852,570.00)
Total	30,792,386.12	43,680,592	(12,888,205.88)

However, no evidence was availed for audit review to confirm that the over expenditure of Kshs.12,888,205.88 was authorized by Constituency Development Fund Board.

Under the circumstances, the propriety of the over expenditure of Kshs.22,888,208.88 for the year ended 30 June 2017 could not be confirmed.

11.0 Budgetary Control and Performance

11.1 Budget Absorption

Turkana East constituency approved budget for 2016/2017 amounted to Kshs.119,977,539.92 comprising of Kshs.81,896,551.72 for 2016/2017 and unspent brought forward balance of Kshs.38,060,988.20. During the year, the Fund incurred expenditure of Kshs.108,943,446 or 91% of the approved budget resulting in an under expenditure of Kshs.11,034,093.92 or 9% of the final budget as follows:

Receipts/Expense Item	Approved Budget for 2016/2017	Actual Expenditure for 2016/2017	Under Expenditure	% of Utilisation
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	(Kshs)	(Kshs)	(Kshs)	
Transfer from CDF Board	119,957,539.92	111,157,539.90	8,800,000.02	93
Total	119,957,539.92	111,157,539.90	8,800,000.02	93
Compensation of employees	2,759,058.60	2,854,776	(95,717.40)	103
Use of goods and services	2,493,441.06	2,703,237	(209,795.94)	108
Committee expenses	1,846,360.06	3,672,200	(1,825,839.94)	199
Transfer from other government units	82,336,815.20	58,341,118	23,995,697.20	71
Other grants and transfer	26,452,585	37,305,155	(10,852,570)	141
Social security	89,280	66,960	22,320	75
Acquisition of assets	4,000,000	4,000,000		
Other payments				
Total	119,977,539.92	108,943,446	11,034,093.92	91

From the above summary, it is clear that the Fund failed to utilize Kshs.11,034,093.92 or 9% of its budget allocation. 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 Turkana East Constituency. It may also be an indication that the budgetary process was not properly estimated.

11.2 Project Implementation Status

During the financial year 2016/2017, National Government Constituency Development Fund –Turkana East Constituency had an approved budget of Kshs.68,852,585 to be spent on twenty-five (25) projects out of which an amount of Kshs.65,652,585 was disbursed to twenty-three (23) projects while two (2) projects with a budget of Kshs.3,200,000 were not started, three (3) projects with a budget of Kshs.4,400,000 were incomplete and twenty (20) projects with a budget of 57,652,582 were complete as at 30 June 2017 as follows:

S/no	Project Name	Project Activity	Amount	Disbursements 2016/2017	Amount Paid as at 30.06.2017	Status as at 30.06.2017	Percentage Of Completion As At 30.06.2017
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1	Bursary Secondary School	To pay bursary for needy students in the constituency	10,000,000.00	10,000,000.00	10,000,000.00	Complete	100%
2	Bursary Tertiary Institutions	To pay bursary for needy students in the constituency	13,340,517.00	13,340,517.00	13,340,517.00	Complete	100%
3	Sports	For Organizing a football tournament for the constituency to help bring peace and integrations by buying kits trophies.	1,556,034.00	1,556,034.00	1,556,034.00	Complete	100%
4	Kochodin Secondary School	To construct 5 pit latrines in the school to stop open defecation which can lead to Cholera outbreak.	1,556,034.00	1,556,034.00	1,556,034.00	Complete	100%
5	Naukotolem Primary School	Refurbish 3 classrooms by repainting, fixing grill windows ,flooring and re-roofing with steel 2.0 and supply of 75 Desks Kshs 600,000 and supply 25 desks 200,000	2,800,000.00	2,800,000.00	2,800,000.00	Complete	100%
6	Lokorkor Primary School	Renovate by rebuilding cable wall	800,000.00	800,000.00	800,000.00	Complete	100%

7	Namorutunga Primary School	Construct 1 classroom and supply 25 desks Kshs 1.8M and completion 3 classrooms by painting, and flooring and Fixing Windows Kshs 1.0M	2,800,000.00	2,800,000.00	2,800,000.00	Complete	100%
8	Lokamusio Primary School	Construct 1 classroom and supply 25 desks	1,800,000.00	1,800,000.00	1,800,000.00	Complete	100%
9	Kadam Primary School	Fence the school Compound	1,250,000.00	1,250,000.00	1,250,000.00	Complete	100%
10	Lokori Primary School	Refurbish the school, flooring 8classes, painting, fixing windows and doors	1,500,000.00	1,500,000.00	1,500,000.00	Complete	100%
11	Aic Katilia Primary School	Fence the school Compound	1,500,000.00	1,500,000.00	1,500,000.00	Complete	100%
12	Lokori Girls Primary School	Fence the school compound	1,250,000.00	1,250,000.00	1,250,000.00	Complete	100%
13	Lotubae Girls Secondary School	completion of the dormitory by painting outer walls Kshs 500,000 and supply of 80 double deck beds Kshs 1.0M	1,500,000.00	1,500,000.00	1,500,000.00	Complete	100%
14	Aic Katilia Secondary School	Fencing of the school compound	1,000,000.00	1,000,000.00	1,000,000.00	Complete	100%
15	Morulem Mixed Secondary School	purchase school 52 seater Bus	7,500,000.00	7,500,000.00	7,500,000.00	Complete	100%
16	Kochodin Secondary School	Fencing of the school compound	1,000,000.00	1,000,000.00	1,000,000.00	Complete	100%

17	Nakukulas Ap Camp	Completion of the Armory by painting and installing Strong room door Kshs 600,000 and furnishing by buying executive chairs , visitors chairs and Desks Kshs 400,000	1,000,000.00	1,000,000.00	1,000,000.00	Complete	100%
18	Katilia Ap Camp	Completion of the Armory by painting and installing Strong room door Kshs 600,000 and furnishing by buying executive chairs , visitors chairs and Desks Kshs 400,000 and Fencing Kshs 1.0M	2,000,000.00	2,000,000.00	2,000,000.00	Complete	100%
19	Napeitom Police Camp	Completion of the Armory by painting installing Strong room door Kshs 600,000 and furnishing by buying Executive chairs, visitors and desks Kshs 400,000	1,000,000.00	1,000,000.00	1,000,000.00	Complete	100%
20	Napeitom Ap Camp	Refurbishing of 4 staff houses , by re-roofing, painting fixing metal grills and flooring Kshs 1,5M and re-	2,500,000.00	2,500,000.00	2,500,000.00	Complete	100%

		instating the perimeter fence Kshs 1.0 M					
		Total	57,652,585.00	57,652,585.00	57,652,585.00		
21	Turkana East Ngcdf Office	Fence the compound Kshs 1.0 Million and start the construction of the CDFC office Kshs 3.0Million	4,000,000.00	4,000,000.00	4,000,000.00	Not Complete	25%
22	Kangitit Primary School	supply 25 desks and construction of 1 classroom	1,400,000.00	200,000.00	200,000.00	Not Complete	15%
23	Nakwasinyon Primary School	supply 25 desks and construction of 2 classroom	2,600,000.00	200,000.00	200,000.00	Not Complete	10%
	Total		8,000,000.00	4,400,000.00	4,400,000.00		
24	Naukolem Primary School	Construction of 1 classroom	1,200,000.00	0	0	Not Started	0%
25	Nakukulas Ap Camp	Refurbish and renovate the 6 administration Police rooms by flooring, repainting inner and outer walls, ceiling (Kshs 1,500,000) putting doors on the ablution block, unblocking and painting the walls (Kshs. 500,000)	2,000,000.00	0	0		
	Total		3,200,000.00	0	0		
	Grand Total		68,852,585.00	62,052,585.00	62,052,585.00		

Due to failure to complete 5 projects, the residents of Turkana East National Government Development (NGCDF) failed to receive the benefits accruing from planned programs and activities for the year under review.

11.3 Project Verification

During the year under review, twelve (12) projects costing Kshs.22,506,034.00 were verified during the audit in May 2018, eleven (11) projects were found to be complete and in use and one (1) project with a budget of Kshs.4,000,000 was incomplete as shown below.

S No	Project Name	Project Activity	Contract Sum	Project Level of Completion	Audit Remarks
1	Turkana East Ngcdf Office	Fence the compound Kshs.1.0 Million and start the construction of the CDFC office Kshs 3.0Million	4,000,000.00	25%	Fencing complete. CDFC office construction not started
2	Namorutunga Primary School	Construct 1 classroom and supply 25 desks Kshs 1.8M and completion 3 classrooms by painting, and flooring and Fixing Windows Kshs 1.0M	2,800,000.00	100%	Project complete and in use
3	Lokamusio Primary School	Construct 1 classroom and supply 25 desks	1,800,000.00	100%	Project complete and in use
4	Lokorkor Primary School	Renovate by rebuilding cable wall	800,000.00	100%	Project complete and in use
5	Kadam Primary School	Fence the school Compound	1,250,000.00	100%	Project complete and in use
6	Aic Katilia Primary School	Fence the school Compound	1,500,000.00	100%	Project complete and in use
7	Naukotolem Primary School	Refurbish 3 classrooms by repainting, fixing grill windows ,flooring and re-roofing with steel 2.0 and supply of 75 Desks Kshs 600,000 and supply 25 desks 200,000	2,800,000.00	100%	Project complete and in use
8	Lotubae Girls Secondary School	Completion of the dormitory by painting outer walls Kshs 500,000 and supply of 80 double	1,500,000.00	100%	Project complete and in use

		deck beds Kshs 1.0M			
9	Kochodin Secondary School	Construction of 5 pit latrines in the school to stop open defecation which can lead to Cholera outbreak.	1,556,034.00	100%	Project complete and in use
10	Kochodin Secondary School	Fencing of the school compound	1,000,000.00	100%	Project complete and in use
11	Napeitom Police Camp	Completion of the Armory by painting installing Strong room door Kshs.600,000 and furnishing by buying Executive chairs, visitors and desks Kshs.400,000	1,000,000.00	100%	Project complete and in use
12	Napeitom Administratio n Police Camp	Refurbishing of 4 staff houses, by re- roofing, painting fixing metal grills and flooring Kshs.1,500,000 and re-installing the perimeter fence Kshs.1,000,000.	2,500,000.00	100%	Project complete and in use
	Total		22,506,034.00		

The objective of the one project not completed was not obtained and no value for money was obtained from the incomplete 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 continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting.

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 Fund'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 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

25 July 2018