

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-TURKANA NORTH 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-Turkana North Constituency set out on pages 6 to 21, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows, 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

1.0 Presentation of the Financial Statements

1.1 Numbering of the Financial Statements

The table of contents reflects page numbers which do not correspond with the page numbers shown in the financial statements. The table of contents indicate that the significant accounting policies are on page 10, trial balance on page 8 and notes to the financial statements on page 11. However, significant accounting policies are on page 11, trial balance on page 10 while notes to the financial statements are on page 13.

1.2 Accounting Periods

The statement of receipts and payments, the statement of assets and the statement of cash flows do not indicate the accounting period that the financial statements relate to.

1.3 Notes to the Financial Statements

The notes to the financial statements have not been included as header from page 13 to 18 of the financial statements.

Under the circumstances, the financial statements are not in line with International Public Sector Accounting Standards(Cash Basis) as prescribed by Public Sector Accounting Standards Board

2.0 Variances in the Financial Statements

The statement of receipts and payments reflects various balances which are at variance with the respective supporting payment vouchers as detailed below.

Item	Financial Statements Figures (Kshs)	Supporting Payment Voucher Figures (Kshs)	Variances (Kshs)
Training expenses	1,745,248	2,042,746	(297,498)
Committee allowance	2,000,000	2,043,500	(43,500)
Total	3,745,248	4,086,246	(340,998)

Under the circumstances, the accuracy and completeness of the training expenses and committee allowance totaling Ksh.3,745,248 could not be confirmed.

3.0 Use of Goods and Services

3.1 Committee Expenses

Included in the use of goods and services figure of Kshs.6,693,234 reflected in the statement of receipts and payments is committee allowance figure of Kshs.2,000,000. However, payment vouchers availed for audit review were not supported by minutes of the meetings as well as attendance register of the meetings held.

Consequently, the propriety of the Kshs.2,000,000 could not be confirmed.

3.2 Training Expenses

Included in the use of goods and services figure of Kshs.6,693,234 reflected in the statement of receipts and payments is training expenses figure of Kshs.1,745,248 out of which expenditure amounting to Kshs.1,273,100 was not supported by attendance register and list of participants.

The propriety of training expenditure of Kshs.1,273,100 could therefore not be confirmed.

3.3 Unsupported Fuel, Oil and Lubricants

Included in the use of goods and services figure of Kshs.6,693,234 is an amount of Kshs.774,740 in respect of fuel, oil and lubricants. However, supporting documents such as fuel register, detailed orders and motor vehicle work tickets were not availed for audit review. Consequently, the propriety and validity of fuel, oil and lubricants expenditure of Kshs.774,740 could not be confirmed.

4.0 Transfers to Other Government Units

4.1 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government entities balance of Kshs.82,429,863 relating to funds disbursed to various project management committees. However, actual expenditure returns and acknowledgement letters from institutions that received funds were not availed for audit review. In addition, a record of minutes, accounting documents such as cashbooks and other related records in relation to projects which were being implemented showing how much had been spent and outstanding balances were also not availed for audit review contrary to Section 15(1) (d) of the National Constituency Development Fund Regulations, 2016.

Under the circumstances, it was not possible to confirm whether the funds totaling Kshs.82,429,863 were actually received and utilized for the budgeted projects in the year under review.

4.2 School Buses

Included in transfers to other government entities amount of Kshs.82,429,863 is transfer to secondary schools balance of Kshs.37,200,000 out of which Kshs.26,000,000 was disbursed to four (4) secondary schools for the purchase of four (4) school buses as detailed below:

Date	School	Payee	Payment voucher number	Cheque number	Amount (Kshs)	Particulars
17/2/2017	Lokitaung secondary school	Central farmers garage	48	4580	6,500,000	School Bus
17/2/2017	Kaikor Secondary School	Central Farmers Garage	48	4580	6,500,000	School Bus
17/2/2017	St Leo Secondary School	Central Farmers Garage	48	4580	6,500,000	School Bus
17/2/2017	Milimatatu Secondary school	Central Farmers Garage	48	4580	6,500,000	School Bus
	Total				26,000,000	

However, tender documents such as copy of the advertisement, tender opening, tender evaluation and tender award committee minutes and report of the inspection and acceptance committee were not availed for audit review. In addition, the logbooks for the buses purchased were not also provided for audit review. Although the four school buses were received in the schools, it was not possible to confirm that they were competitively procured and met the specifications as per the tender documents.

Under the circumstances, the propriety of the expenditure of Kshs.26,000,000 on the purchase of the four buses and their ownership status could not be confirmed.

4.3 Purchase of Desks for Primary Schools

Included in transfers to other government entities amount of Kshs.82,429,863 is transfer to primary schools balance of Kshs.35,229,863 out of which Kshs.5,875,000 was disbursed to Project Management Committee for the purchase of desks to various primary schools. However, tender documents such as copy of the advertisement, tender opening, tender evaluation and tender award committee minutes and report of the inspection and acceptance committee, delivery notes, goods received notes and distribution list of the schools were not availed for audit review.

Consequently, the propriety of the expenditure of Kshs.5,875,000 could not be confirmed.

4.4 Construction of four (4) Classrooms and Pit Latrines- Nattoo Primary School

The transfer to primary schools balance of Kshs.35,229,863 is an amount of Kshs.4,000,000 which was disbursed to Nattoo primary school for the construction of four (4) classrooms and pit latrines. However, the bill of quantities, tender documents such as copy of the advertisement, tender opening, tender evaluation and tender award committee minutes, contract agreement, minutes of site meetings, completion certificate and report of the inspection and acceptance committee were not availed for audit review.

The propriety of the expenditure of Kshs.4,000,000 could therefore not be confirmed.

4.5 Construction of Matili Technical Institute

Included in transfers to other government entities amount of Kshs.82,429,863 is transfer to tertiary institutions balance of Kshs.10,000,000 paid to a construction company for the construction of Matili Technical Institute at a contract sum of Kshs.10,000,000. However, bill of quantities, tender documents such as copy of the advertisement, tender opening, tender evaluation and tender award committee minutes, contract agreement, bills of quantities, expenditure returns, completion certificate and report of the inspection and acceptance committee were not availed for audit review.

Consequently, the propriety of the expenditure of Kshs.10,000,000 could not be confirmed.

5.0 Other Grants and Transfers

5.1 Unsupported Bursary Expenditure

The statement of receipts and payments reflects other grants and transfers figure of Kshs.54,641,518 which includes bursary to secondary school's expenditure of Kshs.10,697,000 and Kshs.29,245,300 bursaries to tertiary institutions all totaling Kshs.39,942,300. However, the criteria on how the needy cases were identified and bursaries awarded determined was not availed for audit review. Further, there was no report that the Constituency Development Fund Committee ratified the list of beneficiaries forwarded by the bursary committee as required by Constituencies Development Fund circular reference no. VOL1/111 dated 13 September 2010. In addition, the list of bursary sub-committee members including two co-opted members' one who must be the area Education Officer seconded from the Ministry was not availed.

It was therefore not possible to confirm the propriety and validity of bursaries figure of Kshs.39,942,300.

5.2 Emergency Projects

Included also in other grants and transfers figure of Kshs.54,641,518 is disbursements to emergency projects balance of Kshs.6,540,221. However, the list of projects which were to be funded and actual expenditure returns from the Project Management Committees were not availed for audit verification.

Under the circumstances, it was not possible to confirm whether the amount of Kshs.6,540,221 was used for the budgeted projects.

5.3 Sports Projects

Other grants and transfers figure of Kshs.54,641,518 further included disbursements to sports projects balance of Kshs.1,541,894. However, the list of projects which were to be funded and actual expenditure returns from the project management committees to show how the funds were utilized were not availed for audit verification.

Under the circumstances, it was not possible to confirm whether the money was used for the budgeted projects.

5.4 Mocks and Continuous Assessment Tests (CAT)

Included also in other grants and transfers figure of Kshs.54,641,518 is a balance of Kshs.4,579,172 in respect of mocks and CAT. Available information revealed that the payments were made to an individual. However, the list of projects which were to be funded and actual expenditure returns were not availed for audit verification. Further, no explanation was made why the money was paid to an individual.

It was therefore not possible to confirm whether the money was used for the budgeted projects.

5.5 Other Capital Grants and Transfer

Other grants and transfers figure of Kshs.54,641,518 further included an amount of Kshs.2,037,931 in respect of other capital grants and transfer. However, the list of projects which were to be funded and actual expenditure returns from the project management committees to show how the funds were utilized were not availed for audit verification.

Under the circumstances, it was not possible to confirm whether the money was used for the intended projects

6.0 Acquisition of Assets

The statement of receipts and payments for the year ended 30 June 2017 reflects acquisition of assets amount of Kshs.8,000,000 which was spent on the purchase of motor vehicle. However, tender documents such as copy of the advertisement, tender opening, tender evaluation and tender award committee minutes and report of the inspection and acceptance committee were not availed for audit review. In addition, the log book was not provided for audit verification.

Consequently, the propriety of the Kshs.8,000,000 could not be confirmed.

7.0 Bank Balance

The statement of assets reflects bank balances of Kshs.3,048,727. The bank reconciliation statement for the month of June 2017 reflected payments in the cash book not yet recorded in bank statement amounting to Kshs.5,051,386 out of which three cheques totaling Kshs.1,222,115 were stale and no reason or explanation was provided for not reversing the stale cheques in the cash book. In addition, no information was availed for audit review showing the dates when the unpresented cheques totalling Kshs.3,829,271 were subsequently cleared in the bank.

The bank reconciliation statement also reflects payments in bank statement not yet recorded in cash book figure of Kshs.294,538 which is in respect of bank charges whose analysis was not provided for audit review.

The accuracy and completeness of the bank balance of Kshs.3,048,727 could therefore not be confirmed.

8.0 Outstanding Imprests

The statement of assets reflects nil outstanding imprest balance (Kshs.1,328,223 for 2015/2016). However, the supporting surrender vouchers for outstanding imprests as at 30 June 2016 were not availed for audit review.

Under the circumstances, the accuracy and completeness of the nil imprest balance could not be confirmed.

9.0 Project Management Committee Bank Balances

Annex 5 to the financial statement reflects total project management committee bank balance of Kshs 54,849. However, cash books, bank confirmation certificates and bank reconciliation statements for these project management committee bank accounts were not availed for audit review.

Under the circumstances, the accuracy and completeness of the total project management committee bank balance of Kshs 54,849 could not be confirmed.

10.0 Prior Year Adjustments

The statement of assets as at 30 June 2017 reflects prior year balances of Kshs.49,500 whose nature and analysis was not availed for audit review.

Consequently, the accuracy, validity, and completeness of the prior year adjustment figure of Kshs.49,500 could not be confirmed.

11.0 Budgetary Control and Performance

11.1 Budget Performance

Turkana North Constituency approved budget for 2016/2017 amounted to Kshs.158,757,640 comprising of 2016/2017 of Kshs.81,896,552 and unspent brought forward balance of Kshs.76,861,088. During the same period, the fund incurred expenditure of Kshs.155,758,414 or 98% of the approved budget of Kshs.158,757,640 resulting to overall underutilization of Kshs.2,999,227 or 2% as detailed below;

Receipts/Expense item	Approved budget for 2016/2017 (Kshs)	Actual Expenditure for 2016/2017 (Kshs)	Under Expenditure (Kshs)	% of Utilization
RECEIPTS				
Transfers from CDF Board	158,757,640	158,757,641	(1)	100
Total	158,757,640	158,757,641	(1)	100
PAYMENTS			-	
Compensation of Employees	4,087,395	3,993,799	93,596	98
Use of goods and services	7,193,235	6,693,234	500,001	90
Transfers to Other Government Units	84,628,963	82,429,863	2,199,100	97
Other grants and transfers	54,848,047	54,641,518	206,529	100
Acquisition of Assets	8,000,000	8,000,000	-	100
Totals	158,757,640	155,758,414	2,999,226	98

Failure to utilize the funds as budgeted 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 North Constituency.

11.2 Project Implementation Status

During the financial year 2016/2017, Turkana North Constituency Development Fund had an approved budget of Kshs. 75,445,689.65 to finance twenty one (21) projects out of which one project with a budget of Kshs.4,000,000 for the construction of four classrooms and a pit latrine for Nattoo Primary School was 70% complete while the rest were all found to be complete as at 30 June 2017 as shown below.

	Project Name	Sub-project/Activities	Financial Year	Budgeted Amount (Kshs.)	Disbursement (Kshs)	Status	Percentage of completion %
1	Sports	Purchase of sport kits for Constituency wide sports tournament	2016/2017	1,037,931.03	1,037,931.03	Completed	100%

2	Environment	Planting of trees in schools to act as wind breakers to avoid wind erosion of the soil: St.Bakhita primary,Kaikor primary, Pelekech Primary Lokitaung primary	2016/2017	1,037,931.03	1,037,931.03	Completed	100%
3	Emergency	To Cater for any unforeseen occurrences in the Constituency during the financial year	2016/2017	4,094,827.59	4,094,827.59	Completed	100%
4	Bursary Secondary Schools	Payment of bursary to needy students	2016/2017	8,000,000.00	8,000,000.00	Completed	100%
5	Bursary tertiaries and colleges	Payment of bursary to needy students	2016/2017	15,000,000.00	15,000,000.00	Completed	100%
6	Lokitaung Secondary School	Purchase of 51 Seater School Bus	2016/2017	6,500,000.00	6,500,000.00	Completed	100%
7	Kaikor Secondary School	Purchase of 51 Seater School Bus	2016/2017	6,500,000.00	6,500,000.00	Completed	100%
8	St.leo secondary school	Purchase of 51 Seater School Bus	2016/2017	6,500,000.00	6,500,000.00	Completed	100%
9	Milimatatu secondary school	Purchase of 51 Seater School Bus	2016/2017	6,500,000.00	6,500,000.00	Completed	100%
10	Nagis Primary School	Construction of 4 Classrooms (Kshs4M),Construction of 2 Door Pit Latrines (Kshs.500,000) to complete	2016/2017	4,500,000.00	4,500,000.00	Completed	100%
11	Desks for Primary Schools	Purchase of Desks for varoius primary Schools	2016/2017	5,875,000.00	5,875,000.00	ongoing	100%
12	Kalopetaese Primary Schools	Construction of 2Door Pit Latrine (Kshs.500,000) to completion and purchase of 30 desks for classrooms (Kshs.150,000.00)	2016/2017	650,000.00	650,000.00	Completed	100%

13	Morueris primary school	Construction of 2 door pit latrine (Kshs.500,000) to completion and purchase of 15 desks Kshs.(75,000)	2016/2017	575,000.00	575,000.00	Completed	100%
14	Karioreng Primary School	Construction of 2 door pit latrine (Kshs.500,000) to completion and purchase of 45 desks Kshs.(225,000)	2016/2017	775,000.00	775,000.00	Completed	100%
15	Sasame Primary School	Construction of 2 door pit latrine (Kshs.500,000) to completion and purchase of 40 desks Kshs.(200,000)	2016/2017	700,000.00	700,000.00	Completed	100%
16	Prigan Primary School	Construction of 2 door pit latrine (Kshs500,000) to completion and purchase of 30 desks Kshs.(150,000)	2016/2017	650,000.00	650,000.00	Completed	100%
17	Kangaki primary school	Construction of 2 door pit latrine (Kshs500,000) to completion and purchase of 40 desks Kshs.(200,000)	2016/2017	700,000.00	700,000.00	Completed	100%
18	St.Bakhita Primary School	Construction of 2 door pit latrine (Kshs.500,000) to completion and purchase of 40 desks Kshs.(200,000)	2016/2017	700,000.00	700,000.00	Completed	100%
19	Kalem primary school	Construction of 2 door pit latrine (Kshs.500,000) to completion and purchase of 45 desks Kshs.(225,000)	2016/2017	650,000.00	650,000.00	Completed	100%
20	Jiriman Primary School	Construction of 2 door pit latrine (Kshs.500,000) .	2016/2017	500,000.00	500,000.00	Completed	100%
Sub Total				71,445,689.65	71,445,689.65		
21	Natoo Primary School	Construction of four class rooms and pit latrine	2016/2017	4,000,000.00	4,000,000.00	ongoing	70%
Sub Total				4,000,000.00	4,000,000.00		
Grand Total				75,445,689.65	75,445,689.65		

Failure to complete four classes at Nattoo primary school is an indication that state holders for the school did not receive the desired services.

Project Verification

During the year under review, six (6) projects with a budget of Kshs.25,600,000 were verified during the audit in May 2018, one (1) project with a budget of Kshs4,000,000 was incomplete and five (5) projects with a budget of Kshs.21,600,000 were all found to be complete and in use as shown below.

No	Project name	Activity	Budget	Disbursement	Observations
1	Narengewoi Primary School	Construction Dormitory	2,400,000	2,400,000	Complete and in Use
2	National Primary School	Construction of 4 class rooms	4,000,000	4,000,000	Complete and in Use
3	CDF Office	Purchase of Motor Vehicle	8,000,000	8,000,000	The Vehicle is in good working condition. GKB 536R
4	Lokitaung Girls Secondary School	Purchase of School Bus	6,500,000	6,500,000	The Vehicle is in good working condition. KCH 844R
5	Nattoo Primary School	Construction of 4 class rooms and pit latrine	4,000,000	4,000,000	70% Complete. Roofing done and windows fitted done though plaster not yet done
6	Kangaki primary school	Construction of Pit latrine	700,000	700,000	Complete and in Use
Total			25,600,000	25,600,000	

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 unless the management either intends to liquidate the Fund's or to cease operations, or have no realistic alternative but to do so.

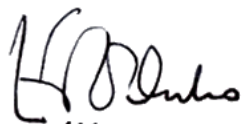
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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 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

13 August 2018