

REPORT OF THE AUDITOR - GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-TURKANA SOUTH 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 South Constituency set out on pages 6 to 27, 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.

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 Financial Statements

A review of the financial statements availed for audit review revealed that the page numbers are not sequentially numbered and the table of contents on page 1 indicated forward by the cabinet secretary instead of Chairman National Government Constituency Development Fund Committee.

Consequently, the financial statements are not in line with International Public Sector Accounting Standards as prescribed by Public Sector Accounting Standards Board.

2.0 Opening Balance

A review of the comparative figure reported in the financial statement for 2015/2016 for cash book balance as disclosed in note 10A to the financial statement indicate a figure of Kshs.26,200,507.80 instead of Kshs.27,367,052.80 which is stated in the certified financial statements for the year ended 30 June 2016 resulting in a variance of Kshs.1,166,545 which has not been explained or reconciled.

Consequently, the accuracy of the cash book balance comparative figure as stated in the financial statements could not be confirmed.

3.0 Prior year adjustment

The statement of assets as at 30 June 2017 reflects prior year adjustments balances of Kshs.1,166,545 whose nature and analysis was not availed for audit review.

Consequently, the accuracy, validity, and completeness of the prior year adjustment figure of Kshs.1,166,545 could not be confirmed.

4.0 Cash and Cash Equivalent

The statement of assets as at 30 June 2017 reflects bank balances of Kshs.66,815. However, bank confirmation certificate and board of survey report were not availed for audit review. Further, 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 unpresented cheques amounting to Kshs.2,422,900 out of which three cheques totaling to Kshs.290,465 were stale and it was not explained why they were not reversed in the cash book. In addition, no information was availed for audit review showing the dates when unpresented cheques totaling Kshs.2,132,435 were subsequently cleared in the bank.

Consequently, the accuracy and completeness of bank balance of Kshs.66,815 could not be confirmed.

5.0 Use of Goods and Services -Insurance Cost

Included in the use of goods and services figure of Kshs.6,346,919 reflected in the statement of receipts and payments is insurance cost figure of Kshs.446,520 which is at variance with the supporting documents balance of Kshs.1,196,520 resulting in unexplained or unreconciled variance of Kshs.750,000. Further, tender documents such as tender advertisement, tender opening, evaluation and award committee minutes, policy documents and contract agreement were not availed for audit verification.

Consequently, the accuracy and propriety of insurance cost figure of Kshs.446,520 could not be confirmed.

6.0 Transfers to Other Government Units

6.1 Unconfirmed Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government units figure of Kshs.95,934,265 relating to funds disbursed to various project management committees. However, actual expenditure returns and acknowledgement letters from project management committees that received funds were not availed for audit verification.

Under the circumstances, it was not possible to confirm whether the funds totaling Kshs.95,934,265 were actually received and utilized for the budgeted projects in the year under review.

6.2 Purchase of School Buses

Included in the transfers to other government units amount of Kshs.95,934,265 under note 6 to the financial statement is transfer to primary school's balance of Kshs.69,234,265 out of which Kshs.20,250,000 was disbursed to three primary schools for the purchase of school buses. However, tender documents such as tender advertisement, tender opening, evaluation and award committee minutes, contract agreement, inspection and acceptance committee reports and logbooks were not availed by the project management committees for audit verification.

Under the circumstances, the ownership status of these buses and propriety of Kshs.20,250,000 for the purchase of buses not be confirmed.

6.3 Construction Works at Nagetei Secondary School

Included also in the transfers to other government entities figure of Kshs.95, 934,265 is transfers to secondary schools figure of Kshs.26,700,000 out of which Kshs.8,000,000 was disbursed to Nagetei secondary school for the construction of an administration block, 2 classrooms, desks, dining hall and dormitory. However, tender documents such as tender advertisement, tender opening, evaluation and award committee minutes, contract agreement, inspection reports, interim certificates, inspection and acceptance committee reports and bill of quantities were not availed for audit review.

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

6.4 Construction Works at Lokapel Secondary School

Included also in the transfers to other government entities figure of Kshs.95,934,265 is transfers to secondary schools figure of Kshs.26,700,000 out of which Kshs.8,000,000 was disbursed to Lokapel secondary school on 9 November 2016 for the construction of construction of Administration block, 2 classrooms, desks, dining hall and dormitory. However, tender documents such as tender advertisement, contract agreement, interim certificates, inspection and acceptance committee reports were not availed for audit review.

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

7.0 Other Grants and Transfers

7.1 Bursary

Included in other grants and transfers figure of Kshs.32,364,957 under note 7 to the financial statement is total bursary disbursements of Kshs.21,661,357 comprising of tertiary figure of Kshs.9,150,866 and secondary schools amount of Kshs.11,510,491. However, the criteria on how the needy students were identified was not availed for audit review. Further, there was no evidence that the National Constituency Development Committee ratified the list of beneficiaries by the bursary subcommittee as required by National Constituency Development Fund circular reference no. Voll 1/111 dated 13 September 2010 which requires the bursaries vetting committee to approve bursaries before any disbursements is made.

Under the Circumstances, it was not possible to confirm whether the bursary disbursements amounting to Kshs.21,661,357 were awarded to needy students

7.2 Emergency Projects

The grants and transfers balance of Kshs.32,364,957 reflected in the statement of receipts and payments includes disbursements to emergency projects figure of Kshs.4,003,600 out of which a sum of Kshs. 2,000,000 was spent to facilitate Kraal forum and Kshs.1,000,000 in respect of emergency bursary funds to fifty-two (52) students all totaling to Kshs.3,000,000. However, the facilitation of Kraal forum and bursary funds to fifty-two (52) students do not appear to be emergency in nature.

Under the circumstances, the propriety of Kshs.3,000,000 incurred on facilitation of Kraal forum and bursary funds to fifty-two (52) students could not be confirmed.

7.3 Environment Projects

Included in other grants and transfers figure of Kshs.32,364,957 is disbursements to environment projects balance of Kshs.2,600,000. 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 Kshs 2,600,000 was used for the budgeted projects.

7.4 Sports Projects

Other grants and transfers figure of Kshs.32,364,957 further included disbursements to sports projects balance of Kshs.3,100,000 as disclosed in note 7 to the financial statements. 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, the validity and propriety of the expenditure of Kshs.3,100,000 could not be confirmed.

8.0 Project Management Committee Balances

Note 15.4 to the financial statements reflects project management committee balance of Kshs.1,900,000 being unutilized balances of disbursements to project management committee to fund various projects. However, available information revealed that fifteen (15) projects with a budget of Kshs.31,700,000 had not started though funds had been disbursed as at 30 June 2017. It is not clear and management has not explained whether payments had been made to these projects which had not started. In addition, name of the account, account number, cash book, bank confirmation certificate and bank reconciliation statement for the project management committee balance of Kshs.1,900,000 were not provided for audit review.

Under the circumstances, the accuracy, validity and completeness of the project management committee balance of Kshs.1,900,000 could not be confirmed.

9.0 Budgetary Control and Performance

9.1 Budget Performance

Turkana South Constituency approved budget for 2016/2017 amounted to Kshs.181,015,954.50 comprising of 2016/2017 of Kshs.81,896,551.70 and unspent brought forward balance of Kshs.99,119,402.80. During the same period, the fund incurred expenditure of Kshs.140,000,864 or 77% of the approved budget of Kshs.181,015,954.50 resulting to overall underutilization of Kshs.41,015,090.50 or 23% as detailed below.

Receipts/Expense item	Approved Budget for 2016/2017 Kshs	Actual Expenditure for 2016/2017 Kshs	Budget Utilization Difference	% of Under Utilization
Transfer from CDF Board	181,015,954.50	140,067,678.80	40,948,275.70	77
Total	181,015,954.50	140,067,678.80	40,948,275.70	77
Compensation of employees	4,366,666	2,954,723	1,411,943	32
Use of goods and services	8,421,422	6,346,919	2,074,503	25
Transfers to other government units	122,598,931	95,934,265	26,664,666	22
Other grants and transfers	42,628,936	32,364,957	10,263,979	24
Acquisition of assets	3,000,000	2,400,000	600,000	20
Total	181,015,955	140,000,864	41,015,091	23

Failure to utilize all 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 South Constituency.

9.2 Project Implementation Status

During the financial year 2016/2017, CDF-Turkana South had a budget of Kshs.70,950,000 to be spent on twenty-six (26) projects out of which fifteen (15) projects with a budget of Kshs.31,700,000 had not started, while four (4) projects with a budget of Kshs.11,500,000 were on going and seven (7) projects with a budget of Kshs.27,750,000 were completed as at 30 June 2017 as shown.

Project Name	Original Cost	Cumulative Allocation	Project Activity	Amount Allocated	Status	%
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1	Turkana South NGCDFC	3,000,000.00	0	Construction of 2 Classrooms to completion (2,600,000/=) and 50 desks (400,000/=)	3,000,000.00	completed	100
2	Ekisil Akide Community Social Hall	1,500,000.00	0	Construction of 1 Classroom to completion (1,500,000/=)	1,500,000.00	Completed	100
3	AGC Secondary School	500,000.00	0	Purchase of Generator for Office Use.	500,000.00	Procured and Delivered	100
4	Turkana South NGCDFC	2,500,000.00	0	Construction of Chain Link Perimeter Fence and a steel metal gate to completion	2,500,000.00	Project Completed and In Use	100
5	Kainuk Mixed School Bus	6,750,000	6,750,000	Purchase of School Bus	6,750,000	Completed	100
6	Korinyang Mixed School Bus	6,750,000	6,750,000	Purchase of School Bus	6,750,000	Completed	100
7	Lokichar Mixed School Bus	6,750,000	6,750,000	Purchase of School Bus	6,750,000	Completed	100
	Total	27,750,000	20,250,000		27,750,000		
8	Immaculate Primary School	7,000,000.00	7,000,000.00	Completion of Multipurpose Community Social Hall (Finishing, Septic tank, Pit Latrines, Painting, Fixing of Door and Windows, Tiling,	7,000,000.00	Completed	98
9	Kainuk Girls Primary School	4,800,000.00	4,800,000.00	Completion of Library Block (Roofing, Fixing of Doors and Windows, Painting, etc)	2,500,000.00	On-going - past the ring-beam, roofing was being done, trusses.	75

10	Turkana South NGCDFC	1,500,000.00	0	Construction of 1 Classroom to completion (1,300,000) and Equipping with 25 desks (200,000/=)	1,500,000.00	On-going - Classroom past the ringbeam - cables done awaiting fixing of trusses	60
11	Kainuk Mixed Secondary School	500,000.00	0	Purchase of Motorbike for the Clerk of Works for Monitoring and Evaluation of projects	500,000.00	Awaiting the 2nd disbursement	50
	Total	13,800,000.00	11,800,000.00		11,500,000.00		
12	Loupwala Primary School	1,000,000.00	0	Development of 5 year NGCDFC Strategic Plan(2nd Phase to Completion)	1,000,000.00	Not approved/Differed to the 2017/2018	0
13	Katioko Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0
14	Kaputir Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0
15	Kookito Primary School	3,000,000.00	0	Construction of Dormitory (2,500,000/=) and equipping with 40 double decker beds (500,000/=)	3,000,000.00	Not started but procurement/ tendering done	0

16	Naregaekamar Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0
17	Kagitankori Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0
18	Aburur Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0
19	Nabeye Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0
20	Nakabosan Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0

21	Amani Primary School	1,700,000.00	0	Construction of 1 Classroom to completion (1,500,000) and Equipping with 25 desks (200,000/=)	1,700,000.00	Not started but procurement/ tendering done	0
22	St. Theresa Kimabur Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0
23	Lochwaa Primary School	2,000,000.00	0	Construction of 1 Classroom to completion (1,400,000) and Equipping with 25 desks (200,000/=) and 2 VIP Pit Latrines (400,000/=)	2,000,000.00	Not started but procurement/ tendering done	0
24	Lokaburu Primary School	3,000,000.00	0	Construction of Dormitory (2,500,000/=) and equipping with 40 double decker beds (500,000/=)	3,000,000.00	Not started but procurement/ tendering done	0
25	Kaapese Primary School	3,000,000.00	0	Construction of 2 Classrooms to completion (2,600,000/=) and 2 VIP pit latrines (400,000/=)	3,000,000.00	Not started but procurement/ tendering done	0
26	Lomokomol Primary School	2,000,000.00	0	Construction of Chain Link Perimeter Fence and a steel metal gate to completion	2,000,000.00	Not started but procurement/ tendering done	0
		31,700,000.00	0.00		31,700,000.00		
		73,250,000.00	32,050,000.00		70,950,000.00		

Due to non-completion of the four (4) projects and fifteen (15) projects which have not started, the residents of Turkana South Constituency failed to receive the benefits accruing from planned programs and activities.

9.3 Project Verification

During the year under review, six (6) projects costing Kshs.11,500,000 were verified during the month of May 2018 and the following observations were made.

	Project Name	Activity	Budget	Disbursement	Observations
1	Kainuk Girls Primary School	Construction of a library Block	4,500,000.00	2,500,000	The project has been roofed but the windows, doors, and plumbing work have not been done
2	AGC Secondary School	Purchase of Generator	500,000	500,000	Procured and in good working condition
3	Lokichar Mixed School	Purchase of School bus	6,750,000	6,750,000	The vehicle is functional and in good working condition. Logbook not availed for audit to confirm ownership
4	Kainuk Mixed School	Purchase of School bus	6,750,000	6,750,000	The vehicle is functional and in good working condition but Logbook not availed for audit to confirm ownership
5	Immaculate Primary School	Construction of two classrooms and purchase of Desks	3,000,000	3,000,000	Complete and in use
6	AGC Secondary School	Construction of one classrooms	1,500,000	1,500,000	Complete and in use
	Total		23,000,000	21,00,000	

Kainuk Girls primary school may have missed the services of the planned library block which has not been completed. Further the ownership status of the two buses could not be ascertained due to absence of ownership documents.

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

10 August 2018