

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TURKANA WEST 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 West 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 the Financial Statements

A review of the financial statements availed for audit review revealed that the page numbers were not inserted sequentially. In addition , the fiduciary management on “Key constituency information and management” on page 2 indicated the financial statements are for the year ended 30 June 2015 instead of 2017. Further, the statement of management responsibilities, paragraph two (2) indicated the financial period as 30 June 2016 instead of June 2017.

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

2.0 Other Grants and Other Payments

2.1 Bursary Expenses

The statement of receipts and payments reflect grants and transfers figure of Kshs.50,010,993 which include bursary to secondary school’s expenditure of Kshs.11,924,000 and Kshs.3,976,500 bursary to tertiary institutions all totalling to

Kshs.15,900,500. However, the lists of beneficiaries and acknowledgement letters from recipient institutions were not available for audit review.

Consequently, the accuracy and regularity of Kshs.15,900,500 for the year ended 30 June 2017 could not be confirmed.

2.2 Security Project Expenditure

The statement of receipts and payments reflect other grants and transfers figure of Kshs.50,010,993 which include disbursements to security projects of Kshs.17,250,000 for the construction of various security structures. However, procurement records such as copy of advertisement, bill of quantities, tender/quotations, evaluation and award minutes, contract agreement, inspection reports and interim certificates were not availed for audit review. It was therefore not possible to confirm that the procurement of this constructions were subjected to competitive bidding process.

Consequently, the validity and regularity of Kshs.4,500,000 expenditure on security projects for the year ended 30 June 2017 could not be confirmed.

2.3 Unsupported Environmental Expenditure

The other grants and transfers figure Kshs.50,010,993, include disbursements of Kshs.3,495,000 for environment projects. However, a list of projects and actual expenditure returns giving details on how the money was spent was not availed for audit review.

Consequently, the validity and regularity of Kshs.3,495,000 disbursed to environmental activities for the year ended 30 June 2017 could not be confirmed.

2.4 Unsupported Expenditure on Emergency Funds

The statement of receipts and payments reflect grants and transfers balance of Kshs.50,010,993 which include emergency project expenditure of Kshs.7,365,493. However, expenditure returns with a list of projects funded were not availed for audit review.

Consequently, the regularity of the expenditure of Kshs.7,365,493 for the year ended 30 June 2017 could not be confirmed.

2.5 Roads Projects

The statement of receipts and payments reflects grants and transfers figure of Kshs.50,010,993, which include roads project expenditure of Kshs.5,000,000 for the construction of two roads. However, expenditure returns together with relevant procurement records such as bill of quantities, tender documents, opening, evaluation and award committee minutes, inspection reports, interim certificates and contract agreements were not availed for audit review.

Consequently, the regularity of the expenditure of Kshs.5,000,000 for the year ended 30 June 2017 could not be confirmed.

3.0 Bank Balance

3.1 Unsupported Cash Withdrawals

The bank statements availed for audit review reflects cash withdrawals amounting to Kshs.3,754,298.00 whose supporting documents were not availed for audit verification. Under the circumstances, it was not possible to confirm on what basis the money was spent for.

Consequently, the accuracy and validity of the cash withdrawal amount of Kshs.3,754,298 for the year ended 30 June 2017 could not be confirmed.

3.2 Stale Cheques

The statement of assets reflect a bank balances balance of Kshs.1,596,968.10. The bank reconciliation statements availed for audit review reflects payments in cash book not yet recorded in bank statement amount of Kshs.5,569,492.00 which included stale cheques totalling Kshs.3,474,804.00 some dating back to April 2015. No reason was provided as to why the stale cheques had not been reversed in the cash book. In addition, no information was provided for audit review showing the dates when the unrepresented cheques were subsequently cleared in the bank.

Under the circumstances, the accuracy and completeness of the bank balance of Kshs.1,596,968 as at 30 June 2017 could not be confirmed.

4.0 Use of Goods and Services

4.1 Unsupported Expenditure on Fuel, Oil and Lubricants

The statement of receipts and payments reflect total payments of Kshs.150,656,796 which includes use of goods and services figure of Kshs.5,608,272 as disclosed under note 5 to the financial statements out of which an amount of Kshs.711,000 relates to expenditure on fuel, oil and lubricants. However, records including the ledger, fuel register, detail orders and motor vehicle work tickets were not availed for audit review.

Consequently, the regularity of fuel, oil and lubricants expenditure of Kshs.711,000 for the year ended 30 June 2017 could not be confirmed.

4.2 Irregular Expenditure on Handing Over of School Buses

Included in the use of goods and services figure Kshs.50,010,993 is Committee Allowance of Kshs.3,620,904 out of which expenditure of Kshs.576,000 was incurred while handing over school buses to school management boards for which there was no approved budget by the Constituency Development Fund Committee.

Consequently, the regularity of expenditure of Kshs.576,000 for the year ended 30 June 2017 could not be confirmed.

5.0 Compensation of Employees

Included in the compensation of employees balance of Kshs.3,605,131 is basic salaries for contractual employees figure of Kshs.2,494,148 which is at variance with supporting documents amount of Kshs.2,427,428 resulting in unexplained or unreconciled variance of Kshs.66,720.

Consequently, the accuracy and completeness of compensation of employees for the year ended 30 June 2017 could not be confirmed.

6.0 Acquisition of Asset

The statement of receipts and payments reflect acquisition of assets balance of Kshs.603,200. Available records revealed that the amount was in respect of purchase of a Motorbike Yamaha DT 175 CC paid vide cheque no 2531 to M/s Toyota Kenya Limited. However, no evidence was provided for audit review to confirm that the procurement of the motorbike was subjected to competitive bidding process. Further, no logbook was availed for audit review to confirm ownership.

Under the circumstances, the regularity of Kshs.603,200 spent on the purchase of the motorbike could not be confirmed.

7.0 Project Management Committee Bank Balances

Annex 4 to the financial statements reflects total project management committee bank balance of Kshs.12,000,000 for which account numbers for Lokicchoggio Administration Police (AP) houses project management committee of Kshs.3,500,000 and Oropoi Primary school project management committee of Kshs.1,500,000 have not been disclosed. In addition, cash books, bank confirmation certificates and bank reconciliation statements for the project management committee bank balance of Kshs.12,000,000 were not availed for audit review.

Under the circumstances, the accuracy and completeness of the total project management committee bank balance of Kshs.12,000,000 as at 30 June 2017 could not be confirmed.

8.0 Imprest

The statement of assets reflects nil imprest balance Kshs.2,749,500 for 2015/2016. However, the supporting surrender voucher for outstanding imprest as at 30 June 2016 were not availed for audit review, Under the circumstances, the validity of nil imprest balance as at 30 June 2017 could not be confirmed.

9.0 Budgetary Control and Performance

9.1 Budget Absorption

Turkana West constituency's approved budget for 2016/2017 amounted to Kshs.193,202,039 out of which Kshs.150,656,796 or 78% was spent on various expenditure items. The total budget reflected overall under absorption of Kshs.42,545,243 or 22% of as summarized below:

Receipts/Expense item	Approved budget for 2016/2017 (Kshs)	Actual Expenditure for 2016/2017 (Kshs)	Under absorption (Kshs)	% of Utilisation
Transfer from CDF Board	193,202,039.20	152,253,764.10	40,948,275.10	79
Total	193,202,039.20	152,253,764.10	40,948,275.10	79
Compensation of employees	8,056,547.70	3,605,131.40	4,451,416.30	45
Use of goods and services	5,,937,342	5,608,271	329,070.40	94
Transfer to other government units	99,536,273.50	90,829,200	8,707,073.50	91
Other grants and transfer	78,171,876	50,010,993	28,160,883	64
Acquisition of assets	1,500,000	603,200	896,800	40
Total	193,202,039.20	150,656,796	42,545,243.20	78

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 West 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.

9.2 Project Implementation Status

During the financial year 2016/2017, Turkana West National Government Constituency Development Fund had an approved budget of Kshs.74,526,052 to be spent on twenty (20) projects and the entire amount was disbursed to funds these projects as summarized below:

S/No.	Project Name	Project Activity	Amount Allocated (Kshs)	Original Cost(Kshs)	Status As At 30.6.2017	% Of Completion
1	Lomunyenpus Primary School	Supply of 100 Desks (500,000/=) and Construction of Chain Link Perimeter Fence (2,000,000/=)	2,500,000.00	2,500,000.00	Completed and In Use	100%
2	Lochorangierengo Primary School	Construction of Chain Link Perimeter Fence with a steel metal gate	2,700,000.00	2,700,000.00	Completed and In Use	100%
3	Nakoyo Primary School	Construction of 2 Classrooms to completion (2,400,000/=) and equipping with 50 desks (300,000/=)	2,700,000.00	2,700,000.00	Completed and In Use	100%
4	Lokichoggio Secondary School	Construction of Various projects Dining Hall Kitchen - 4,000,000/=, 2 Classrooms - 2,600,000/=, 1 Staff duplex - 3,500,000/= TO COMPLETION	10,100,000.00	10,100,000.00	Completed and In Use	100%
5	Loritit Community Project	Construction of 4 VIP Pit Latrines to completion	1,000,000.00	1,000,000.00	Completed and In Use	100%
6	Kakuma Police Station	Construction of 6 VIP Inmates Pit Latrines to Completion	1,500,000.00	1,500,000.00	Completed and In Use	100%
		Total	20,500,000.00	20,500,000.00		
7	Environment	Purchase and Planting of tree seedlings in the 10 schools across the 5 wards of the constituency -	1,600,000.00	1,600,000.00	Not Approved	0%
8	Kalemchuch Primary School	Construction of 2 Classrooms (2,500,000/=) and 4 VIP Pit Latrines (1,000,000/=) To Completion	3,500,000.00	3,500,000.00	Not Started - Procurement done	0%
9	Lochoredome Primary School	Construction of Chain Link Perimeter Fence with a steel metal gate	2,500,000.00	2,500,000.00	Not Started - Procurement done	0%

10	Natiira Primary School	Construction of Chain Link Perimeter Fence with a steel metal gate	2,700,000.00	2,700,000.00	Not Started - Procurement done	0%
11	Lokipoto Primary School	Construction of Chain Link Perimeter Fence with a steel metal gate	2,500,000.00	2,500,000.00	Not Started - Procurement done	0%
12	Nanam Primary School	Construction of Chain Link Perimeter Fence with a steel metal gate	2,500,000.00	2,500,000.00	Not Started - Procurement done	0%
13	Loukomor AP Camp	Construction of Chain Link Perimeter Fence with a steel metal gate	3,000,000.00	3,000,000.00	Not Approved	0%
14	Loteteleit Chief Office	Construction of Chief's Office to completion	2,500,000.00	2,500,000.00	Not Started - Procurement done	0%
15	Kalobeyei DO Office	Renovation of Assistant County Commissioners' Office, Residential house and Furniture for the Office	1,500,000.00	1,500,000.00	Not Approved	0%
16	CDF Office	Purchase of Office Furniture : 1 Fireproof Safe, 2 Conference tables (to accommodate 12 pax each), 6 High Leather back Seats, 4 Executive Desks , 10 Conference Seats)	1,500,000.00	1,500,000.00	Not Started - Call for Quotations done	0%
		Total	23,800,000.00	23,800,000.00		
17	Emergency	To cater for any unforeseen occurrences in the constituency during the financial year	4,094,828.00	4,094,828.00	Ongoing	Not indicated
18	Bursary - Secondary Schools	Bursary for Secondary Schools	11,000,000.00	11,000,000.00	Ongoing	Not indicated
19	Bursary - Tertiary	Bursary for	13,531,224.00	13,531,224.00		Not

	Institutions	Tertiary Institutions			Ongoing	indicated
20	Sports	Purchase of sports kits i.e. balls, uniforms for teams in the constituency (Kakuma Ward Football Team, Lokichoggio Ward Football Team, Songot Ward Football Team and Kalobeyei Ward Football Team)	1,600,000.00	1,600,000.00	Approved	Not indicated
	Grand Totals	Total	74,526,052.00	74,526,052.00		

According to the status report as at 30 June 2017, out of the twenty projects, six (6) projects with a budget of Kshs.20,500,000 were complete and in use, ten (10) projects with a budget of Kshs.23,800,000 had not started and no indication was made on the status of four (4) projects with a budget of Kshs.30,226,052.

Due to non-completion of the ten (10) projects, the residents of Turkana West Constituency failed to receive the benefits accruing from planned programs and activities for the year ended 30 June 2017.

9.3 Project Verification

During the year under review, nine (9) projects costing Kshs.30,700,000 were verified during the audit in May 2017 and were all found to be complete and in use as shown below.

S.No	Project Name	Project Activity	Approved Budget (Kshs)	Amount Allocated (Kshs)	Status	Auditors Comments
1	Lomunyenpus Primary School	Supply of 100 Desks (500,000/=) and Construction of Chain Link Perimeter Fence (2,000,000/=)	2,500,000	2,500,000	Completed and In Use	The desks were purchased and Chain link constructed.
2	Lochorangiengo Primary School	Construction of Chain Link Perimeter Fence with a steel metal gate	2,700,000	2,700,000	Completed and In Use	Completed
3	Nakoyo Primary School	Construction of 2 Classrooms to completion (2,400,000/=) and equipping with 50 desks (300,000/=)	2,700,000	2,700,000	Completed and In Use	Completed and desks purchased .BQs and procurement records not availed.

4	Lokichoggio Secondary School	Construction of Various projects Dining Hall Kitchen - 4,000,000/=, 2 Classrooms - 2,600,000/=, 1 Staff duplex - 3,500,000/= TO COMPLETION	10,100,000	10,100,000	Completed and In Use	The projects were completed and in use. BQs and procurement records not availed.
5	Loritit Community Project	Construction of 4 VIP Pit Latrines to completion	1,000,000	1,000,000	Completed and In Use	The toilets were completed and in use
6	Kakuma Police Station	Construction of 6 VIP Inmates Pit Latrines to Completion	1,500,000	1,500,000	Completed and In Use	Inspected and found completed. However, doors are already broken down
7	Loukomor Security structures PMC	Construction of perimeter fence	4,000,000	4,000,000	Completed and In Use	Verification confirmed completed
8	Lokichoggio AP CAMP	Construction of AP Quarters	3,500,000	3,500,000	Completed and In Use	The projects were completed and in use. Completion certificate and hand over report not availed
9	Namon Pry school PMC	Construction two classrooms & 50 Desks	2,700,000	2,700,000	Completed and In Use	Project were completed and in use
	TOTAL		30,700,000	30,700,000 30,700,000		

Though the construction of the VIP inmate pit at Kakuma was complete no value for money was obtained on Kshs.1,500,000 since the doors were already broken.

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.

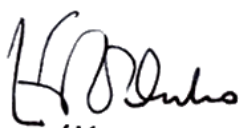
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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 July 2018