

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT
OF



THE AUDITOR-GENERAL

ON

**TOWNSHIP ROADS AND DRAINS
ACCOUNT**

**FOR THE YEAR ENDED
30 JUNE 2014**

**MINISTRY OF LANDS, HOUSING
AND URBAN DEVELOPMENT**



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON TOWNSHIP ROADS AND DRAINS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014 – MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Township Roads and Drains Account as set out on page 4, which comprise the statement of financial position as at 30 June 2014 in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 8 of the Public Audit Act, 2003.

Management Responsibility for the Financial Statements

The 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Statement of financial position

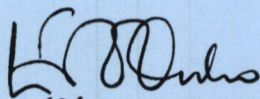
The statement of financial position as at June 2014 reflects cash and cash equivalents balance of amounting to Kshs.276,155. However, the balance is not supported by verifiable documents such as cash book, board of survey report and bank certificate. As a result the accuracy and existence of this balance could not be confirmed as at 30 June 2014.

2. Previous year Audit matters.

In the Audit reports for 2012/2013 and prior years, reference was made to unsupported book entry of Kshs.361, 196,634.45 dated 30 September 2005 used to clear accumulated deficit of Kshs.345,585,533.65 against Township Roads and Drains Account as at 30 June 2004. Available information indicates that the Treasury in January 2012 declined to grant the Ministry authority to write off the deficit. No explanation has been given on why the ministry cleared the balance without Treasury authority as required by Public Financial Management Act, 2012.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the Township, Roads and Drains financial statement.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 April 2015



**REGULATORY AND OTHER NON-COMMERCIAL ENTITIES
(TOWNSHIP ROADS AND DRAINS)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

Table of Content

Page

I.	KEY ENTITY INFORMATION AND MANAGEMENT	1
II.	REPORT OF THE INDEPENDENT AUDITORSON THE TOWNSHIP ROADS AND DRAINS ..	3
III.	STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2014	4
IV.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014	5
V.	STATEMENT OF CASHFLOWS	6
VI.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	7
VII.	NOTES TO THE FINANCIAL STATEMENTS	8

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Township Roads and Drains was formed in 1990s under the former Ministry of Lands. There was misappropriation of funds and the National Treasury referred the matter to the Kenya Ethics and Anticorruption Commission (EACC) which is to date inquiring into the allegations of misappropriation of funds to its legal conclusion as recommended by Parliamentary Accounts Committee (PAC).

(b) Key Management

The Ministry's day-to-day management is under the following key organs:

(i) Principal Secretary;-	Mariam El Maawy
(ii) Director of Administration - Lands	Magdalene Wambua
(iii) Ag Lands Secretary	Peter Kahuho
(iv) Senior Assistant Secretary	Anfred Ombima
(v) Lands Senior Accountant	Ndungu Kiarie

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Principal Secretary	Mariam El Maawy
2.	Senior Deputy Secretary	Erifazi W. Barasa
3.	Senior Chief Finance Officer	Melisa Musoma
4.	Head Accounting Unit	Samson M. Ongalo

(d) Entity Headquarters

Ardhi House Building
1ST Ngong Avenue
P.O. Box 30450-00100
Nairobi, KENYA

(e) Entity Contacts

Telephone: (254) (0) 202718050
E-mail: hacculands@ardhihouse.go.ke
Website: www.ardhihouse.go.ke

(f) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(g) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(h) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya


II. REPORT OF THE INDEPENDENT AUDITORS ON THE TOWNSHIP ROADS AND DRAINS

Auditor General

Date

III. STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2014

	Note	2013-2014	2012-2013
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	26	276,155.00	276,155.00
Total assets		<u>276,155.00</u>	<u>276,155.00</u>
Net assets			
Accumulated surplus		276,155.00	276,155.00
Total net assets and liabilities		<u>276,155.00</u>	<u>276,155.00</u>



Mariam El Maawy
Principal Secretary

Date. 30/05/2015

**IV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE
2014**

The fund has been dormant.

V. STATEMENT OF CASHFLOWS

The fund has been dormant

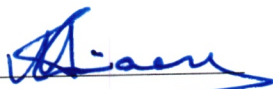
VI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The fund has been dormant

VII. NOTES TO THE FINANCIAL STATEMENTS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Para 1001	Un-authorized Clearance of Accumulated Deficit	It is true the audit report for 2011/2012 and prior years, reference was made to an unsupported book entry of Kshs.361,196,634.45 dated 30 th September 2005 used to clear an accumulated deficit of Kshs.345,585,533.65 against township road and drains account as at 30 th June 2004. The matter was referred to Kenya Anticorruption Authority as per parliamentary accounts committee recommendation for the years 2000/2001 to 2003/2004 report. KACC is still enquiring into the allegation of misappropriation of public funds to its logical conclusion as per letter ref: KACC/INV./6/16 (170) dated 31 st July 2009. As a result of the ongoing investigation by KACC treasury is unable to grant authority to write off the accumulated deficit as requested through the letter Ref Ag.18/17 VOL.5/(88) dated 16 th January 2012	Mariam El Maawy	Not Resolved	15 October 2014



Mariam El Maawy
Principal Secretary

Date

30/05/2015

