

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-BARINGO CENTRAL CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund-Baringo Central Constituency set out on pages 6 to 26, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and 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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund-Baringo Central Constituency as at 30 June, 2017, and (of) its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with The National Government Constituencies Development Fund Act, 2015

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Other Matter section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund-Baringo Central Constituency 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

### **Other Matter**

## **1. Proposed Construction of Multi-Purpose Hall for AIC VISA Oswal Primary School**

In financial year 2016/2017 the CDF paid Kshs.4,300,000 towards construction of multi-purpose hall at AIC VISA Oswal Primary School. This increased the total payments towards this project to Kshs.5,500,000. The project was started in financial year 2014/2015 at a contract sum of Kshs.14,766,551.80. Despite this expenditure, the management did not provide certificates issued by technical personnel as evidence that the building was inspected and certified to meet the required standards at different stages of completion. A site visit revealed that only part of the substructure and the superstructure had been constructed. The foundation has been partially done with some sections without floor slab. Some sections of the walls have been raised but none has reached the lintel level. Further, no materials were on site, the contractor was not on site and no work was going. Further, the CDF did not budget any funds towards this project in financial year 2017/2018. The funds already incurred on the project are likely to go into waste if additional funding is not provided and construction resumes. Payments for work not done or not properly done are likely to be made if technical personnel are not involved in implementation.

## **2. Bursary Expenditure**

During the year under review Baringo central CDF budgeted to spend Kshs.28,031,034.50 on bursary but the financial statements reported bursary expenditure of Kshs.33,821,800 leading to a variance of Kshs.5,790,765.50 that was not authorized or approved by the Board. It was noted that the individual student applications were incomplete and lacked relevant supporting documents. The policy adopted to identify the needy and deserving cases was not stated or provided for audit. However, the Chiefs and their Assistants were tasked to identify, vet and award bursaries, a process that was likely to be subjective. There were no official acknowledgement letters from the respective schools to ascertain that their students received bursary.

Bursary may not have been awarded to the needy and deserving students of the constituency.

## **3. Completed Kaplop Community Water Project not in use**

In financial year 2016/2017 the CDF paid Kshs.800,000 for construction of 100m<sup>3</sup> tank at Kaplop community water project. Audit verification revealed that pipes were disconnected from the borehole that supplies water to the tank due to a dispute with a local resident who claims the land on which the borehole is drilled belongs to him. The relevant land ownership documents were not provided for audit. Consequently, the tank has not been put into use and the intended benefits of accessing water by the constituents living around Kaplop community water project are not being realised. The cost incurred on this project is likely to go into waste.

## **4. Kitaktak water project**

The CDF undertook the construction of Kitaktak water project which involved drilling of borehole, construction of pump house, construction of reservation water tank from where residents would be connected and laying of pipes to the reservoir tank. Payments made towards this projects amounted to Kshs.3,800,000 with Kshs.1,100,000 being paid in financial year 2016/2017.

The payment in financial year 2016/2017 was for laying of 1km water distribution line to the constituents living around the water project. Physical verification revealed that indeed the piping was done to the homesteads. It was noted that the entire project was not functional and no single homestead was drawing water from this project.

### **5. Stalled Project (Kiboino Chief's Office)**

During the financial year under review, Baringo Central CDF made payments amounting Kshs.1,300,000 towards Kiboino chief's office construction. The project was however still incomplete since flooring, plastering, windows panes, wiring, cementing and painting were not yet done. It was noted that the project may have stalled since there was no evidence that construction was going on. The delay in completion of the project denies the residents the much needed security services.

### **6. Kapkiyai Athletic Camp**

The CDF awarded contract tender No: CDF/BCC/04/2014-2015 for the proposed construction of hostels, dining hall/kitchen and offices at Kapkiai (Ng'etmoi) athletics' camp site in Baringo central constituency to M/s Kipnyekwei Building Contractors at contract price of Kshs.16,819,814.40. The contract was signed on 18/11/2014 with a completion period of 150 days. The CDF has so far made payments of Kshs.16,778,201 towards the project. Physical verification of the project revealed that separate structures of the boys' hostel, girls hostel and a gymnasium were being constructed. The original bills of quantities indicated that these structure were joined together with the gymnasium being constructed at the middle of the two hostels. The inside doors were not fitted, window panes not fitted, the ceiling was not done, floor plastering not done, electrical and plumbing works not done and also painting was not done. It was also noted that the contractor was not on site and it appears that the project has been abandoned. The boundaries of the land on which the camp is being built are not clearly demarcated and fencing has not been done. Under the circumstances, the intended benefits of the project have not been realized.

### **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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund 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 Constituency's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**09 August 2018**