

# **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – BAHATI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2020**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Bahati Constituency set out on pages 1 to 33, which comprise the statement of financial assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the 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 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 - Bahati Constituency as at 30 June, 2020, 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 and the Public Finance Management Act, 2012.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Bahati Constituency Management in accordance with ISSAI 130 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**

### **Budgetary Control and Performance**

The summary statement of appropriation:- recurrent and development combined for the year ended 30 June, 2020 reflects that the Fund had a total receipt budget of Kshs.147,753,076 against actual receipts of Kshs.142,053,076 resulting to underfunding of Kshs.5,700,000 or 4% of the budget. Similarly, the statement

reflects a total expenditure budget of Kshs.147,753,077 against actual expenditure of Kshs.117,484,796 resulting to an under expenditure of Kshs.30,268,280 or 20% of the budget.

The underfunding and under expenditure may have affected delivery of services to the residents of the constituency.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Project Implementation Status

The project status report indicated that a total of Kshs.136,267,724 was allocated for 85 projects during the financial year ended 30 June, 2020. Scrutiny of the project implementation report revealed the following status:

Status	Number of Projects	Allocation Kshs
Ongoing Projects	28	87,087,724
Completed Projects	57	49,180,000
<b>Total</b>	<b>85</b>	<b>136,267,724</b>

The Management explained that the 28 ongoing projects at the closure of the year were because the funds were received towards the end of the financial year 2019/2020. The possible delay in completion of projects may impact negatively on delivery of goods and services to the residents of Bahati Constituency.

#### 2. Project Verification

Ten (10) projects with a total allocation of Kshs.14,100,000 were physically inspected in the month of February, 2021. The inspection revealed that four(4) of the projects had been completed and put into use while the other six had not been completed and a number of shortcomings including non-adherence to the bill of quantities specifications and poor workmanship were noted as detailed in Appendix 1.

Consequently, it has not been possible to confirm if and when value for money will be realized from the incomplete and unsatisfactorily implemented projects.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Overall Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of Land Ownership Documents**

The statement of receipts and payments for the year ended 30 June, 2020 reflects other grants and transfers of Kshs.56,808,976 as detailed in Note 7 to the financial statements. Included in this figure is Kshs.26,288,493 in respect of security projects out of which, Kshs.800,000 was disbursed for construction of the office of the Assistant Chief and a 2 -door toilet at Land Mawe and Kshs.2,200,000 for purchase of land measuring 50ft x100ft at Kshs.1,000,000 and construction of the Assistant Chief's office at Wanyororo at a cost of Ksh.1,200,000. However, ownership documents for the parcels of lands on which the construction works was carried out were not provided for audit verification.

Consequently, the National Government Constituencies Development Fund – Bahati Constituency may face legal suits from ownership claims for the parcel of land where the offices have been built.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and those Charged with Governance**

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 maintaining effective 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 and for its assessment of the effectiveness of internal control.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the cash basis of accounting unless Management is aware of the intention to abolish the Fund or to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

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.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund policies and procedures may deteriorate.

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.
- 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 applicable 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.



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**04 February, 2022**

## Appendix 1: Project Verification Status

	<b>Name of Project</b>	<b>Activity of project</b>	<b>Allocated Amount (Kshs)</b>	<b>Observations</b>
1.	Bahati P.C.E.A Girls Secondary	Completion of final face of dining hall	1,000,000	Project complete and in use.
2.	Bishop Edward Donovan Secondary School	Construction of 1No. classroom and a staircase	1,500,000	Classroom incomplete but in use. Works not done: - Staircase finishes including thick terrazzo pavings, buffing and polishing, plastering 100mm girth and painting - BQ provided for 2 steel doors but only 1 was fixed. - Timber used was not treated as per BQ specifications - Roofing sheet gauge 28 could not be confirmed as no gauge was indicated on the roofing sheets
3.	J.M Kariuki Memorial Secondary	Construction of multi-purpose hall	1,600,000	Project funded for 3 years at cumulative cost of Kshs.4.2m but not yet complete. Project not labelled. The works not done include: plastering, finishes, paintings, fixing of 2 steel doors, fixing of 2 windows, flooring, electrical works, keying and fascia board. One door fixed not gauge 14 as per BQ specifications Roofing sheet gauge 28 could not be confirmed as no gauge

	<b>Name of Project</b>	<b>Activity of project</b>	<b>Allocated Amount (Kshs)</b>	<b>Observations</b>
				was indicated on the roofing sheets
4.	St. Anthony Engoshura Secondary School	Completion of administration block (1 <sup>st</sup> floor slab, walling and roofing)	2,000,000	Incomplete project, Not labelled Works not done include: finishes, plastering, electrical, doors, windows, painting, flooring. Timber used on roofing not treated as per BQ specifications Roofing sheet gauge 28 could not be confirmed as no gauge was indicated on the roofing sheets
5.	Limuko Secondary School	Completion of storey building made up of 3 classrooms (walling, roofing and finishing up of one classroom)	1,600,000	Project complete and in use
6.	Jomo-Kenyatta Boys Secondary School	Construction of 1No. classroom and 6 door pit latrine	1,500,000	2No classrooms constructed instead of 1.No. Project incomplete and not in use. Not labeled. Works not done include: ceiling board, flooring, painting Timber used on roofing not treated as per BQ specifications Roofing sheet gauge 28 could not be confirmed.
7.	Heshima Secondary School	Construction of 2 classrooms in 2 <sup>nd</sup> floor to completion (walling, staircase, balustrades, roofing)	1,800,000	Project complete and in use
8.	Heroes Secondary School	Construction of a dormitory (Foundation works)	1,500,000	Foundation works complete.
9.	ST. Gerald's	Completion of one storey building (completion of 2	1,000,000	Project complete and in use

	<b>Name of Project</b>	<b>Activity of project</b>	<b>Allocated Amount (Kshs)</b>	<b>Observations</b>
	Secondary School	classrooms, finishes and painting, flooring, ceiling, staircase)		
10	Lanet police station	Construction of pit latrine	600,000	6 door toilet constructed. Poorly done batten door some already hanging out yet not used.
	<b>Total</b>		<b>14,100,000</b>	