

REPORT OF THE AUDITOR-GENERAL ON KWS-KENYA ROADS BOARD PROJECT FOR THE YEAR ENDED 30 JUNE, 2019 - KENYA WILDLIFE SERVICE

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of KWS - Kenya Roads Board Project set out on pages 1 to 9, which comprise the statement of financial assets as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts 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 the KWS-Kenya Roads Board Project as at 30 June, 2019, 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 the provisions of Kenya Roads Board Act of 1999.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of KWS-Kenya Roads Board Project 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 judgement, are of most significance in the audit of financial statements of the current year. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of Comparative Budget and Actuals indicates that the Project received Kshs.708,635,422 against the approved budget of Kshs.551,250,000, therefore resulting to an over-collection by Kshs.157,385,422 or 29% of the approved budget. Further, the Project spent an amount of Kshs.425,088,444 or 77% of the budgeted amount of Kshs.551,250,000. In addition, Management has disclosed that the work plan for

2017/2018 with an approved budget of Kshs.551,250,000 was implemented in 2018/2019 while most of the works for the 2018/2019 work plan will be implemented in 2019/2020. Due to the low absorption, the public particularly the tourists who visit the National Parks may not have obtained value in respect of roads earmarked for routine maintenance.

Management has however, explained measures put in place to accelerate the implementation of its work plans which includes shortening the implementation contract period from six months to three months and fast tracking of the procurement processes to clear the backlog.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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 Conclusion

Non-completion of Bridge Rehabilitation Works-Meru Park

During the year under review, an amount of Kshs.29,455,734 was paid to a Contractor for repairs and maintenance at Meru Park. Examination of documents availed for audit review indicated a payment was made in respect of Certificate No.3 for repairs and maintenance. However, the bill of quantities and contract agreement between KWS and the contractor indicated that the contractor was meant to rehabilitate two bridges on the road. Physical inspection carried out on the road in September and October, 2019 revealed the following:

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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 procedures performed, except for the matter(s) 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

1. Poor Projects Management on Road Works

1.1 Poor Workmanship on Voi - Sala Gate Road E682 –Tsavo East

During the year under review, the Project Management awarded Contract No. KWS/OT/R&F/42/2017-2018 to a construction firm for road construction at a contract sum of Kshs.14,396,180.00 against a budget of Kshs.17,333,682. The Project estimated start date was 13 November, 2018 and end date of 13 February, 2019. The field visit carried out in early October, 2019 showed that the routine maintenance had been done on the Voi-Sala Gate Road E682. The Works included light grading, gravel patching and culverts constructed to drain water from the road. However, it was noted that the road level was generally lower as compared to the surrounding land level making some sections of the road to have poor drainage and water clogging on the road surface. Most of the road length did not have camber resulting in water clogging on the road surface. The drains in some sections of the road were no longer effective for draining water from the road and the bill of quantities did not clearly give provisions for drainage works on the road.

The road may therefore, not serve the intended purpose for long and public resources may not have been applied lawfully and in an effective manner.

1.2 Poor Repairs and Maintenance on Road D213 and D210 – Ruma Park

The Project Management awarded a contract No. KWS/OT/R&R/58/2017/2018 for routine maintenance of roads in Ruma Park, to a construction firm, on 16 July, 2018 at a cost of Kshs.9,844,224 against a budget of Kshs.12,667,838 from 13 November, 2018 to 13 February, 2019 which had been completed by then. However, physical verification carried out on 1 October, 2019 on Wiga Junction–Kamato-Nyatoto road revealed that, it was in a dilapidated state and almost non-motorable due to lack of proper maintenance despite having been under routine maintenance by the same construction firm.

The circumstances, the park may not have obtained value in respect of the road earmarked for routine maintenance.

1.3 Non-Maintenance of Ruhuru-Kanjora Road E580 - Aberdares National Park

Inspections carried out in September, 2019 revealed that the road was last repaired and maintained in February, 2019 by a construction firm at a cost of Kshs.8,240,756 against a budget of Kshs.10,301,580. The road has not been attended to since then. Physical verification seven (7) later, indicated that the road had overgrown vegetation and culverts were blocked making drainage of run off waters to spill on to the road base.

1.4 Non Rehabilitation of Kindani Bridge and Roje Weru Bridge

Kindani Bridge had been washed off by the rains and vehicles were forced to by-pass the bridge through a temporary road diversion. The road was constructed through a

temporary road. Available records revealed that during the implementation stage, the span on ground was longer than what was provided for in the drawings and the height of the deck was lower hence the reason why the deck had been washed off. The contractor was supposed to rehabilitate the bridge but had not done so at the time of the inspection. Further, Roje Weru Bridge was constructed with timber and was to be replaced with timber deck but was yet to be rehabilitated. The beams meant to replace the timber were ready but the contractor had not presented a quotation as had been requested for approval for rehabilitation. In addition, it was noted that replacing the bridge with equivalent timber deck would not last for long since timber was susceptible to decay as evidenced by the state of the current bridge.

Consequently, the bridge rehabilitation works were not done as per the specifications given and public resources may not have been applied lawfully and efficiently.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit so as to obtain limited assurance as to 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 the financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Project's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the sustainability of services assumption unless Management is aware of the intention to terminate the Project 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 compliance with the authorities which govern them, and that public resources are applied in an effective manner.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the Project 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 of Kenya. 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 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 about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resource are applied in an effective way 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.

Further, in planning and performing the audit of the financial statements and audit 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 Project's policies and procedures may deteriorate.

As part of an audit 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 our 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 sustainability of services 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 Project's ability 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 report. However, future events or conditions may cause the Project fail to cease 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 Project 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 the Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

24 September, 2020