

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - RABAI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Rabai Constituency set out on pages 1 to 28, which comprise the statement of assets as at 30 June, 2019 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 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 National Government Constituencies Development Fund - Rabai Constituency 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 comply with National Government Constituency Development Fund Act, 2015 and the Public Management Finance Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Rabai 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 judgement, 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 Matters

1.0 Budgetary Controls and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.172,655,305 and Kshs.163,825,359

respectively resulting to an under-funding of Kshs.8,829,946 or 5% of the budget. Similarly, the Fund spent Kshs.144,857,032 against an approved budget of Kshs.172,655,305 resulting to an under-expenditure of Kshs.27,698,273 or 16% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Rabai Constituency.

1.1 Projects Implementation

According to the Fund's projects implementation status report as at 30 June, 2019, the Fund had forty-four (44) approved projects with a budget Kshs.102,101,134. Analysis of the report revealed the following:

1.1.1 Projects in Progress

Twenty (20) projects with a budget Kshs.53,316,977 were in progress by December, 2019.

The slow implementation of projects may impact negatively on delivery of goods and services to the residents of the Rabai Constituency who may not get timely value for money.

1.1.2 Projects not Started

Two (2) projects with a total budget of Kshs.6,080,818 for the year under review had not been implemented by December, 2019.

Non-implementation or delayed implementation of development projects negatively affects delivery of goods and service to the residents of Rabai Constituency and the intended purpose of the projects may not be realized/achieved.

1.2 Projects Inspection

During the year under review, eighteen (18) projects with a total allocation of Kshs.50,147,795 were inspected, out of which ten (10) projects with a value of Kshs.32,690,409 had the following anomalies;

No.	Project Verified	Description	Amount (Kshs.)	Observations
1.	Lugwe Primary School	Construction of 2 classrooms	2,600,000	Project completed and already in use. However, cracks in the floor were observed.
2.	Kajiwe Secondary School	Construction of twin laboratory	3,750,000	The project is complete and in use. However, one of the doors is not closing properly, the fume chamber fan is faulty while 2 sockets had not been fixed. Further, one socket had loose wires.

No.	Project Verified	Description	Amount (Kshs.)	Observations
3.	Kambe Secondary School	Renovation of 5 classrooms; reroofing, plastering painting and flooring	4,000,000	The project is complete and in use, However, cracks at the joints were observed.
4.	Mikomani Secondary School	Construction of two (2) classrooms	2,800,000	At the time of audit inspection, the contractor was not on site but the slab and two courses were done.
5.	Ribe Girls Secondary School	Construction of a dormitory block	5,200,000	The contractor was not on site. However, roofing and plastering had not been done nor doors fixed.
6.	Kasidi Primary School	Purchasing and fixing of 10,000 litre tank	340,409	The project is complete and in use but the tank was seen leaking.
7.	Mgumo wa Mpatsa	Mgumo wa mpatsa Assistant chiefs office	900,000	The project is complete and in use but cracks were seen on the floor.
8.	Muleji Asst Chief Office	Muleji Asst. chief office	1,600,000	Walling had been done but the contractor was not on site. Also, roofing had not been done.
9.	Kambe Secondary School	Construction of six (6) of toilets	1,500,000	The contractor was not on site. Roofing and walling had been completed although plastering, flooring and painting had not been done.
10.	Godoma Technical Training College	Construction of a technical and vocational college at Gandani	10,000,000	The contractor was not on site although ground slab had been completed and beams erected/built.
	Total		32,690,409	

Although the Management indicated that the contractors will make good the defects before releasing the retention monies, the above observations casts doubts on projects supervision and value for money on projects valued at Kshs.32,690,409.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(26) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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 authority 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 overall 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 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 and for its assessment of the effectiveness of internal control, risk Management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 describes 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 resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial Fund's reporting process, reviewing the effectiveness of how the Management 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 the 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 ISSAs 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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transaction and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources 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 Fund's 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 overall 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 ISSAs. A material weakness is a condition in which the design or operation 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 controls, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks or 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 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 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

17 September, 2021