

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Changamwe Constituency set out on pages 15 to 43 which comprise the statement of financial assets and liabilities as at 30 June, 2020, and 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 Constituencies Development Fund – Changamwe 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.

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 – Changamwe 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

1. Budgetary Control and Performance

The summary statement of appropriation reflects total revenue budget and actual receipts on comparable basis of Kshs.226,266,242 and Kshs.147,898,517 respectively, resulting to a budget under funding of Kshs.78,481,773 or 35% of the budget. Similarly, the Fund's overall budget expenditure for the year under review was Kshs.226,266,242 against actual expenditure of Kshs.97,159,078, resulting to budget under absorption of Kshs.129,107,164 or 57% of the budget.

The underfunding and under absorption of the budget is an indication that planned projects were not implemented and may have negatively affected service delivery to the public.

2. Projects Implementation Status

Delay in Implementation of Projects

The project status report as at 30 June, 2020 provided for audit review reflects ten (10) projects with a total budget and disbursements of Kshs. 25,263,647 as on-going and at various stages of completion as detailed in Appendix I.

The project status report as at 30 June, 2020 also reflects sixteen (16) projects with a total budget of Kshs.64,592,862.53 that had not been started as detailed in **Appendix II**.

The slow pace of projects implementation negatively affects goods and service delivery to the residents of Changamwe Constituency and the intended purpose of the projects may not be realized.

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 matter 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 of Conclusion

Unutilized Project Management Committee Bank Balances

Annex 5 to the financial statements for the year ended 30 June, 2020 reflects project management committee bank balances amounting to Kshs.87,575,949, out of which funds totaling to Kshs.22,827,982 were lying idle in the bank accounts since the respective projects were complete as detailed below:

Project Management Committee Unutilized Fund	Bank Balance as at 30 June, 2020 (Kshs.)
Airport Primary School Constituency Development Fund Project	10,399,582
Bomu Secondary School Project	24,540
Chaani Police Post	32,844
Chaani Secondary School	2,520
Changamwe Chiefs Office Project	630
Changamwe Ng-Cdf Footbridge Project	39,055
Changamwe Primary School	90,673
Changamwe Secondary School	874,100
Environment Project	595,145
Floodlights Ng-Cdf Project Ac.	220
Magongo Soweto Road	665
Mikadini Primary	10,265
Mlolongo Water	6,224
Mwijabu Primary	1,395
Mwijabu Secondary School	18,996
Portreitz Primary School	249,780
Portreitz School For The Physically Handicapped	1,828
St Lwanga Full Primary School	3,770
Mwijabu Primary School	1,395
Changamwe NG – CDF Office Project	10,477,095
Total	22,827,982

This is contrary to Section 12(8) of National Government Constituencies Development Fund Act, 2015 which states that all unutilized funds of the Project Management Committee shall be returned to the constituency account.

Therefore, the Management was in breach of the Laws.

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 SYSTEMS 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.

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, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of the Fund 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 dissolve 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 resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund 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 Fund's financial statements, a compliance audit 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 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 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 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 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

10 February, 2022

Appendix I On-Going Projects

S/No.	Financial Year		Project Name	Project Activity	Allocated Amount	Disbursed Amount (Kshs.)	Completion Date	Implementation Status	Remarks
					(Kshs.)				
1	2019/2020	4-001-001-264050 9-112-2019-2020-001	Constituency Sports - Magongo Primary School	Construction of perimeter wall around the 180 m School play ground	2,747,354	2,747,354	16.3.2021	Ongoing	Walling to be done
2	2019/2020	4-001-001-263020 4-104-2019-2020-001	Kwahola Primary School	Construction of perimeter wall 50 meter (final phase)	800,000	800,000	04-May-21	Ongoing	Walling to be done
3	2019/2020	4-001-001-263020 4-104-2019-2020-003	Changamwe Primary School	Construction of perimeter wall 350M (second phase)	5,000,000	5,000,000	30.6.2021	Ongoing	Awarded, site handover to be done
4	2019/2020	4-001-001-263020 4-104-2019-2020-006	St. Lwanga Primary School	Renovations of 3 classrooms (removal of asbestos, re-roofing, painting)	1,800,000	1,800,000	14/03/2021		Flooring, painting, windows to be done
5	2019/2020	4-001-001-263020 5-104-2019-2020-002	Changamwe Girls Secondary School	Construction of 6 room modern toilet 1,650,000 with slab base concrete tank of 3000 liter plumbing piping, booster pump Kshs 350,000 to completion	2,000,000	2,000,000	21.04.21	Ongoing	Plastering, doors & windows, flooring and painting to be done
6	2019/2020	4-001-001-263020 5-104-2019-2020-007	Changamwe Secondary School	Completion of hall 1,000 capacity (ceiling Kshs.500,000 & tiles kshs.500,000)	1,000,000	1,000,000	15.03.21	Ongoing	Ceiling and tiles to be done
7	2019/2020	4-001-001-264050 7-113-2019-2020-001	Airport Chief's Office	Renovation of Hall 500 capacity (windows, doors, wall repair, roof repair, floor repair)	3,000,000	3,000,000	16.03.21	Ongoing	Painting, flooring, doors to be done
8	2019/2020	4-001-001-263020 5-104-2019-2020-006	Changamwe Girls Secondary School	Construction of 7-roomed Administration block(Principal, deputy, staffroom, Bursar, store, washroom, Kitchenette) with storey foundation to completion	6,000,000	6,000,000	21.03.21	Ongoing	Awarded, site handover to be done

	2019/2020	4-001-001-263020 5-104-2019-2020-008	Changamwe Secondary School	Upgrading of basketball pitch(concrete floor slab, painting and steel goal post	735,475	735,475	15.03.21	Ongoing	Murraming and concrete floor slab to be done
					23,082,829	23,082,829			
10	2018/2019	4-001-001-264050 9-112-2018-2019-001	Umoja Primary School	Construction of Basketball Court	2,180,818	2,180,818	15.04.21	Ongoing	Excavation , hardcore filling, murraming, concrete floor slab to be done
		Total			25,263,647	25,263,647			

Appendix II

Un-implemented projects									
S/N	Financial Year	Project Code	Project Name	Project Activity	Allocated Amount (Kshs.)	Disbursed Amount (Kshs.)	Implementation Status	Completion Date	Remarks
1	2019/2020	4-001-001-2630204-104-2019-2020-004	Magongo Primary School	Renovations of 10 room toilet block (removal of asbestos, re-roofing, mechanical works, painting)	1,200,000	-	Not started	30 June, 2020	Awaiting funds from the Board
2	2019/2020	4-001-001-2630204-104-2019-2020-005	Kipevu Primary School	Renovations of 9 classrooms (removal of asbestos, re-roofing, painting)	5,000,000	-	Not started	30 June, 2020	Awaiting funds from the Board
3	2019/2020	4-001-001-2630204-104-2019-2020-007	Umoja Primary School	Renovations of 7 classrooms (removal of asbestos, re-roofing, painting)	4,500,000	-	Not started	30 June, 2020	Awaiting funds from the Board
4	2019/2020	4-001-001-2630206-104-2019-2020-001	Ahmed S. Mwidani TTI	Construction of 350M perimeter wall (second phase)	5,000,000	-	Not started	30 June, 2020	Awaiting funds from the Board
5	2019/2020	4-001-001-2630205-104-2019-2020-001	St. Charles Lwanga Secondary School	Construction of Dining hall and Kitchen of 1,000 students capacity with storey foundation to completion	13,000,000	-	Not started	30 June, 2020	Awaiting funds from the Board
6	2019/2020	4-001-001-2640510-110-2019-2020-001	Environment	Construction of gabions at Hodi Valley (2 gulleys approx. 60m long by 6 m deep and 30m long by 4 m deep)	2,747,354	-	Not started	30 June, 2020	Awaiting funds from the Board
7	2019/2020	4-001-001-2630204-104-2019-2020-009	Bomu Primary School	Purchase of 25 desks @ Kshs. 6,000	150,000	-	Not started	30 June, 2020	Awaiting funds from the Board
8	2019/2020	4-001-001-2630204-104-2019-2020-010	Chaani Primary School	Purchase of 25 desks @ Kshs. 6,000	150,000	-	Not started	30 June, 2020	Awaiting funds from the Board
9	2019/2020	4-001-001-2630204-104-2019-2020-008	Umoja Primary School	Purchase of 25 desks @ Kshs. 6,000	150,000	-	Not started	30 June, 2020	Awaiting funds from the Board
10	2019/2020	4-001-001-2630204-104-2019-2020-013	Mwingo Primary School	Purchase of 41 desks @ Kshs.6,036	257,500	-	Not started	30 June, 2020	Awaiting funds from the Board
11	2019/2020	4-001-001-2630204-104-2019-2020-012	Gome Primary School	Purchase of 25 desks @ Kshs.6,000	150,000	-	Not started	30 June, 2020	Awaiting funds from the Board
12	2019/2020	4-001-001-2630204-104-2019-2020-011	St. Lwanga Primary School	Purchase of 25 desks @ Kshs.6,000	150,000	-	Not started	30 June, 2020	Awaiting funds from the Board
13	2016/2017		NG-CDFC Office	Construction of 1st floor (walling, partitions, plastering, mechanical and electrical works, painting, slab)	4,637,931				
14	2017/2018		NG-CDFC Office	Construction of 1st floor (walling, partitions, plastering, mechanical and electrical works, painting, slab)	6,000,000				

Un-implemented projects									
S/N	Financial Year	Project Code	Project Name	Project Activity	Allocated Amount (Kshs.)	Disbursed Amount (Kshs.)	Implementation Status	Completion Date	Remarks
15	2018/19	4-001-001-3110202-108-2018-2019-001	NG-CDFC Office	Construction of 1 st floor (walling, partitions, plastering, mechanical and electrical works, painting, slab	15,000,000	15,000,000	Not started	30 June, 2019	Awaiting land documentation
16	2018/2019	4-001-001-2630205-104-2018-2019-003	Airport Secondary School	Extension of Dormitory (walling, roofing, windows, doors, painting, electrical and mechanical works)	6,000,000	6,000,000	Not started	30 June, 2019	Awaiting Design and BQ
Total					64,092,785	21,000,000			