

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Jomvu Constituency set out on pages 14 to 44 which comprise the statement of assets and liabilities as at 30 June, 2020, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Jomvu 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 No.30 of 2015 and the Public Finance Management Act,2012.

Basis for Qualified Opinion

Unutilized ICT Equipment and Overpayment to Supplier

The statement of receipts and payments for the year ended 30 June, 2020 reflects other payments amounting to Kshs.7,675,627, out of which Kshs.4,677,027 relate to supply, installation, testing and commissioning of ICT equipment. Records provided for audit indicated that 52 laptops, 52 power adapters and 4 filing cabinets remained idle at the Jomvu Constituency Offices, awaiting installation at the sites. Management explained that the delay was due to the proposed sites, mostly schools, having been rendered inaccessible to the youth, who were target beneficiaries, due to the Covid 19 pandemic. However, the contractor was paid in full before installation and commissioning of the equipment.

Under the circumstances, it was not confirmed whether the residents of Jomvu Constituency received value for the money on ICT equipment costing Kshs.4,677,027 for the year ended 30 June, 2020.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Jomvu Constituency 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 qualified 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 – recurrent and development combined reflects final receipts budget and actual on comparable basis of kshs.276,011,120 and kshs.121,502,521 respectively resulting to shortfall of kshs.154,508,599 or 56% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to kshs.276,011,120 and kshs.89,529,814 respectively, resulting in underperformance amounting to kshs.116,286,878 or 58% of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the residents of Jomvu constituency.

2. Projects Implementation Status

The projects implementation status report as at 30 June, 2020 by Management provided for audit review indicated that the National Government Constituencies Development Fund – Jomvu Constituency, had 20 projects with approved budget of Kshs.97,351,89, out of which thirteen (13) projects with a funding allocation of Kshs.57,970,000 had not started while seven (7) projects with an allocation of Kshs.39,361,897 were ongoing.

Delay in implementation of the projects may have denied residents of Jomvu Constituency the intended benefits, and value for money since the allocated funds remain idle.

3. Projects Inspection

An audit inspection of nine (9) projects with a total allocation of Kshs.50,344,313 in the month of January 2021 revealed as follows:-

S/No	Financial Year	Project Name	Approved Activity	Amount Allocated (Kshs)	Remarks
1.	2017/2018	Environment	Construction of Gabions and Terraces at Jomvu Girls High School at Kshs.1,000,000 and	1,736,206.90	Completed and in use.

S/No	Financial Year	Project Name	Approved Activity	Amount Allocated (Kshs)	Remarks
			Mkupe at Kshs.736,206.90		
2.	2017/2018	Aldina Primary School	Construction of two storey building classrooms Kshs.3,000,000, digging a well at Kshs.500,000 soak pit and septic tank at Kshs.500,000	4,000,000.00	The classrooms are complete but not yet handed over to the PMC, soak pit and septic complete.
3	2017/2018	Constituency Innovation Hubs	Installation of satellite antennae, Router, Digital access kit, digital ruggedized Tablet, Wi-Fi with outdoor wireless device complete with 12U cabinet with installation accessories by Telkom Ltd at 4 sites.	4,677,027.20	All the equipment procured but not installed.
4	2018/2019	Kwa Jomvu primary school	Renovation of Four (4) classrooms by replacing roofs, windows, doors, painting & flooring	3,600,000.00	Completed and in use.
5	2018/2019	Jomvu Sub-County Office Complex	Construction of Sub-County Headquarters with NG-CDF offices in same block - Phase 2	18,831,080.00	Super structure complete, fixing of windows and portioning going on.
6	6.2019/2020	Aldina Primary School	Construction of a perimeter wall approximately 300m, security office and fixing of gate	6,300,000.00	Foundation of the wall done.
7	2019/2020	Kwa Shee Primary School	Renovation of Pupils' toilet block consisting of 24 cubicles and urinal – wall repairs, flooring, replacement of asbestos roof, plumbing, fixing doors & windows	5,750,000.00	One block and soak,pit and septic tank complete

S/No	Financial Year	Project Name	Approved Activity	Amount Allocated (Kshs)	Remarks
8	2019/2020	Jomvu Kuu ACC Office & AP units	Construction of 2No. AP units each comprising sitting room, bedroom, kitchenette and washroom	4,600,000.00	Project at wall level.
9	2019/2020	Aldina Primary School	Water harvesting consisting of guttering and installation of 2No. 10,000-litre tanks, construction of water tower and pump booster	850,000.00	Building of water tower on going.
Total				50,344,313.00	

The above table indicates that three (3) projects which started in the financial year 2017-2018 were completed in 2020/2021, an indication of slow implementation or ineffective monitoring and evaluation of projects which in turn denies the residents of Jomvu Constituency the desired development and services.

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

1.0 Unrefunded Project Management Committee Bank Balances

Annex 5 to the financial statements reflects project management committee (PMC) bank balances amounting to Kshs.74,622,249 held in 38 bank accounts. The amount includes Kshs.902,329 in respect of eight (8) PMC bank accounts in Equity Bank (K) Ltd which remained idle throughout the year without being refunded to the Constituency Development Fund (CDF) bank account contrary to Section 12(8) of the 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".

Consequently, the Management was in breach of the Law.

2.0 Failure to Establish Constituency Oversight Committee

As previously reported, the National Government Constituencies Development Fund - Jomvu Constituency had not constituted a Constituency Oversight Committee contrary to Section 53(1) of the National Government Constituencies Development Fund Act, 2015 which requires establishment of a Constituency Oversight Committee for projects undertaken under this Act.

In the circumstances, the oversight role of the committee was not undertaken effectively as required by the National Government Constituencies Development Fund Act, 2015.

The Management was therefore in breach of the Law.

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, 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 overall governance.

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 is aware of the intention to terminate 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 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 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 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 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 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

08 February, 2022