

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - RABAI 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 - Rabai Constituency set out on pages 1 to 27, which comprise the statement of assets and liabilities as at 30 June, 2020, 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, 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 National Government Constituency Development Fund Act, 2015.

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 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 Matter

1.0 Budgetary Control and Performance

The summary statement of appropriation: recurrent and development reflects final expenditure budget and actual on comparable basis of Kshs.165,065,997 and Kshs.97,705,457 respectively resulting to an under-funding of Kshs.67,360,541 or 41% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the constituents of Rabai Constituency.

Although the management has attributed the situation to delays in receiving funds from the National Government Constituencies Development Fund Board, and the Covid 19 pandemic, this may affect delivery of goods and services to the residents of Rabai Constituency, contrary to values and principles of public service as provided for under Article 232 (1-c) of the Constitution of Kenya which requires responsive, prompt, effective, impartial and equitable provision of services. Therefore, there is need to re-look at the budgeting mechanism with a view to focusing on priority areas with high impact in improving the standards of living for the citizens of Rabai Constituency.

2.0 Projects Implementation Status

Review of the projects' implementation status report as at 30 June, 2020, revealed that the Fund had thirty-four (34) approved projects with a budget of Kshs.90,257,274. The report further shows that thirty (30) projects with a budget of Kshs.73,759,033 were complete and in use as of March, 2021.

In addition, four (4) projects with a budget of Kshs.16,498,241 were in progress as of March, 2021.

Although slow implementation of projects was attributed to the Covid 19 pandemic and slow disbursement of funds by the Board, this may impact negatively on delivery of goods and services to the residents of Rabai Constituency. The residents of Rabai Constituency did not get value for money due to delayed projects implementation.

3.0 Unsatisfactory Implementation of Projects

During the audit, ten (10) projects with total disbursements amounting to Kshs.30,274,000 were inspected and several observations made regarding unsatisfactory performance of eight (8) projects with a total cost of Kshs.28,300,000 as shown in **Appendix I**. Further, although the management indicated that the contractors will make good the defects before releasing the retention monies, the observations made cast doubt on the projects supervision.

In the circumstances, it could not be confirmed whether value for money was obtained from the projects.

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.

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 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 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 ability of the Fund 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 liquidate 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 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 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 Fund's 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 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 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 controls, 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 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 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 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2022

Appendix I – Unsatisfactory Implementation of Projects

So. No	Payee	Description	Amount (Kshs.)	Observations/Findings
1	Waresa Kisurutini - Mweri Assistant Chiefs Office	FY 2019/2020 to construct Assistant Chief's office.	1,700,000	<ul style="list-style-type: none"> Copy of title deed was not available as the Sub-Chief indicated that it was in the custody of the Kilifi County. There was a visible crack on the floor in the Assistant chief's office.
2	Rev. Canon Kuri - Mr. Mataba Deputy Principal	Construct Twin Laboratory	7,000,000	<ul style="list-style-type: none"> The twin laboratory has been handed over temporarily to the school in preparation for the examinations. The twin laboratory is not in use. The twin laboratory is equipped with working work benches, taps and Bunsen burners. Doors of the laboratory are made of soft-wood while the Bill of Quantities specified hard wood. The 3000 litres tank specified in the Bill of Quantities has not been provided or installed in the Laboratory.
3	Kajiwe Primary School	Construct 2x Classrooms	2,600,000	<ul style="list-style-type: none"> Floors to these classrooms have potholes.
4	Kajiwe Primary School	Installation of culverts at two points on access road	4,500,000	<ul style="list-style-type: none"> First set of culverts were installed near Kajiwe Primary contained 8 Culverts. The completed project does not have a sign-post. Second set of culverts were installed near Mgalla Primary School to give relief during floods. These are double stacked culverts contained 12 culverts. There is no guard rail posing as risk to future users during flood times. The completed project does not have a sign-post.

So. No	Payee	Description	Amount (Kshs.)	Observations/Findings
5	Mwamtsunga Assistant Chiefs Office - Mwawesa Ward	Construct Assistant Chief's office.	1,700,000	<ul style="list-style-type: none"> The completed project does not have a sign-post.
6	Bwagamoyo Secondary School	Construct 3x Classrooms at Bwagamoyo Secondary School	3,300,000	<ul style="list-style-type: none"> Classroom doors are not closing properly. Classroom doors have no glasses on the windows. Three windows do not have locks while others have glasses falling off.
7	Kinunguna Forodhani Assistant Chiefs Office	Construction of Assistant Chief's office.	1,600,000	<ul style="list-style-type: none"> Complete and in use.
8	Kambe Secondary School - Renovation of Administration Block	Renovation of Administration Block.	3,500,000	<ul style="list-style-type: none"> Renovation involved Roofing, flooring and plastering of the wall. There are visible cracks on the wall and the floor. The office block leaks when it rains.
9	Kambe Assistant Chief's Office Toilet	Construct Assistant Chief's office toilet.	374,000	<ul style="list-style-type: none"> 1x toilet that is complete. The toilet contains 1x sink, 1x WC and 1x cubic tank (200 litres). 1x septic tank and 1x manhole has been constructed. The toilet has 2x windows and 1x wooden door.
10	Ribe Primary School - 4x Classrooms	Construct 4x Classrooms	4,000,000	<ul style="list-style-type: none"> The construction is made up of 4x classroom which are currently in use. The Bill of Quantities specified steel doors while wooden doors were used in the classroom. Windows did not have mosquito gauges as specified by the bill of quantities.
	Total		30,274,000	