

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Wundanyi Constituency set out on pages 13 to 49 which comprise the statement of financial assets and liabilities as at 30 June, 2020, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Government Constituencies Development Fund - Wundanyi 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

1.0 Inaccuracies in the Financial Statements

As reported previously, the statement of assets and liabilities as at 30 June, 2020 reflects Kshs.14,037,349 as fund balance brought forward which includes outstanding imprest balance of Kshs.731,220. The trial balance availed in support of the balance was not supported by a general ledger or an accounting journal. As a result, the figure may have been used to balance the financial statements.

Consequently, the accuracy and completeness of the statement of financial position as at 30 June, 2020 could not be confirmed.

2.0 Cash and cash Equivalents

The statement of assets and liabilities as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.12,227,387. The supporting bank reconciliation statement as at the same date reflects payments in bank statements not yet recorded in cashbook amounting to Kshs.128,616, out of which Kshs.73,616, relates to the year 2014/2015 and earlier years. The bank reconciliation further reflects unrepresented cheques amounting to Kshs.435,833, out of which cheques amounting to Kshs.161,382 were stale. Although the

management has indicated that the cheques were reversed in January, 2021, no evidence was availed to confirm the same.

In addition, the reconciliation reflects receipts in cashbook not yet recorded in bank statement of Kshs.29,861. No explanation has been provided as to why the receipts were not banked intact.

Consequently, the validity, accuracy and completeness of the cash and cash equivalents balance of Kshs.12,227,387 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Wundanyi 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 qualified 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. Budgetary Control and Performance

The summary statement of appropriation: recurrent and development combined reflect a final receipts budget for the year under review of Kshs.206,345,949 against total actual receipts of Kshs.136,978,225, resulting to budget under funding of Kshs.69,367,724 or 44%. Similarly, the Fund expended Kshs.124,750,837 against the approved budget of Kshs.206,345,949 resulting to budget under expenditure of Kshs.81,595,111 or 40% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the citizens of Wundanyi Constituency.

2. Project Implementation Status

The projects implementation status report as at 30 June, 2020 availed for audit review reflected eight (8) projects with a total budget of Kshs.60,200,000. Seven (7) projects with a budget of Kshs.49,700,000 were ongoing while One (1) project with a budget of Kshs.10,500,000 had not started.

Delay in implementation of development projects negatively affects goods and service delivery to the residence of Wundanyi Constituency and the intended purpose of the projects may not be realized.

3. Unsatisfactory Project Implementation

Audit inspection of ten (10) projects with total allocation and disbursement of Kshs.39,561,490 carried out in the month of February,2021 revealed anomalies in the project implementation as detailed in appendix 1.

The inspection revealed instances of non-adherence to the bill of quantities specifications and poor workmanship which casts doubts on projects supervision and value for money spent on the projects.

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 for Conclusion

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.92,653,636, out of which Kshs.4,190,309 was for projects completed in 2018/2019 which had not been refunded to the Constituency Development Fund. This is 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”.

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 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 ability of the Fund to sustain its 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 Fund's 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 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 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 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

04 February, 2022

Appendix 1: Project Implementation Status

No	Name of the Project	Financial Year	Activity	Amount Allocated Kshs.	Disbursed Amount Kshs.	Remarks
1	Maghimbiny Primary School	2014/2015	Construction of 4 door toilet	800,000	800,000	Project was complete and in use. However the walls had cracks. Also, although the bill of quantities availed for audit provided for 4 hand wash basin the site visit confirmed that there was only one hand wash basin, and the pipe had been disconnected. Provisional sum of Kshs. 30,000 was paid to the contractor, but there is no supporting documents on how it was spent.
2	Lushangonyi community	2013/2014	Construction of Administration Police Camp	4,000,000	4,000,000	Project is on-going and the contractor was on site. The contractor used box profile roofing sheets instead decra tiles. The floor tiling had not as provided for in the BQ. Also, the cornice for the outside ceiling were broken in pieces.
3	St Peter's Ikuminyi	2018/2019	Renovation of 4 no. classrooms	1,476,564	1,476,564	Floor is plastered but not coloured as per Bills of Quantities
4	Dr. Aggrey	2018/2019	Construction of 3 no. classrooms	3,903,695	3,903,695	The project was 50% complete contractor on site. Cracks were noted between sub wall and floor slab
5	Sacred Heart Mwakiwiwi	2019/2020	Construction of a dormitory block	4,742,451	4,742,451	The project was incomplete and contractor not on site. Back filling done had not been done. There were

No	Name of the Project	Financial Year	Activity	Amount Allocated Kshs.	Disbursed Amount Kshs.	Remarks
						cracks on walls and the ablution block had not been erected
6	Mghambonyi Secondary School	2019/2020	Completion of a science laboratory block	1,931,754	1,931,754	The project was 90% complete but contractor not on site. The base cabinets were incomplete and poor workmanship on the fittings was noted. Skirting had not been done.
7	Shimbo Seconadry School	2019/2020	Construction of dormitory block	14,887,173	14,887,173	The project was 75% complete and contractor is not on site
8	Mkanyatta Primary School	2019/2020	Construction of 1 classroom and 4 door toilet	1,970,057	1,970,057	The Bill of quantities provided for treated cypress Timber, however site visit confirmed that timber was not treated. Also, the Bill of quantities provided for pre painted box profile corrugated roofing for gauge 28, site visit confirmed that Normal roofing sheets was used and rain water harvesting gutters had not been fixed properly. The masonry base foe the tank had been done but tank not installed
9	Kimangachughu Primary School	2018/2019	Proposed completion of Admin. Block	2,881,356	2,881,356	Project is 90% complete and the contractor was on site. Bill of quantities provided for thick hardwood solid panelled door however site visit confirmed that flash

No	Name of the Project	Financial Year	Activity	Amount Allocated Kshs.	Disbursed Amount Kshs.	Remarks
						doors were fitted instead. Cracks were noted on the floor. 10,000 litres plastic water tank had not been installed 12mm thick chip board ceiling fixed however Ceiling paint was falling off. Approved hardwood student chairs and lockers had not been delivered.
10	Marungu Primary School	2018/2019	Proposed construction of 2no. Classrooms and 2 door girls' toilet	2,968,440	2,968,440	Ramp is separating from the pavement, with minor cracks Minor cracks on the walls Bill of quantities provided for treated cypress Timber However Site visit confirmed that timber was not treated
	Total			39,561,490	39,561,490	