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2/12/2021

PARLIAMENT OF KENYA

THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT- FIFTH SESSION

SPECIAL FUNDS ACCOUNTS COMMIITTEE

THE ELEVENTH REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR TWENTY-SIX (26) CONSTITUENCIES IN THE COUNTIES OF MOMBASA, KILIFI, KWALE, TAITA TAVETA, LAMU AND TANA RIVER FOR FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 02 DEC 2021 DAY. Thursday PM

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The Directorate of Audit, Appropriations & Other Select Committees
The National Assembly
Nairobi

DECEMBER, 2021

Approved for tabling in the House.
BKM NA
2/12/2021

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ABBREVIATIONS AND ACRONYMS

AIA	Appropriations-in-Aid
AIE	Authority to Incur Expenditure
BQ	Bill of Quantities
CDF	Constituencies Development Fund
CDFC	Constituency Development Funds Committee
CoK	Constitution of Kenya, 2010
FAM	Fund Account Manager
FY	Financial Year
GDP	Gross Domestic Product
GOK	Government of Kenya
IPSAS	International Public Sector Accounting Standards
KENAO	Kenya National Audit Office
KeRRA	Kenya Rural Roads Authority
LSO	Local Service Orders
MDAs	Ministries, Departments and Agencies
MP	Member of Parliament
NGCDF	National Government Constituencies Development Fund
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
PAYE	Pay As You Earn
PMC	Project Management Committee
PSASB	PSASB*

ANNEXURES

Annexure 1	-	Committee Minutes
Annexure-II	-	Submissions

CHAIRPERSON'S FOREWORD

Hon. Speaker, on behalf of the Special Funds Accounts Committee pursuant to Standing Orders 199, it is my pleasant duty and honor to present to the House the report of the Committee on audited financial statements for the National Government Constituencies Development Fund for twenty-six (26) Constituencies in the Counties of Mombasa, Kilifi, Kwale, Taita Taveta, Lamu and Tana River for financial years 2013/2014, 2014/2015 and 2015/2016.

Oversight over national revenue and expenditure is amongst the roles of the National Assembly as stipulated under Article 95 (4) (c) of the Constitution of Kenya, 2010. Further, Article 226 of the Constitution provides that an Act of Parliament shall provide for the designation of an Accounting Officer in every public entity at the national level who is accountable to the National Assembly for its financial management. In addition, Article 229(8) mandates this House to debate and take appropriate action on audit reports from the Auditor-General.

In fulfillment of these constitutional provisions, the National Assembly's Standing Order Number 205A establishes the Special Funds Accounts Committee, whose mandate is to examine reports of the Auditor-General for the National Government Constituencies Development Fund among other funds. The Committee, which was established in the Twelfth (12th) Parliament, received a backlog of audited reports dating back from the financial year 2013/14 from the two hundred and ninety (290) constituencies. Given that each constituency is audited independently, the Committee adopted a strategy of examining reports for constituencies in each County for the three financial years concurrently.

To date, the Committee has been able to dispense with reports of fifty-two (52) Constituencies in the Counties of Nairobi, Kisumu, Kiambu, Mombasa, Kilifi, Kwale, Taita Taveta, Lamu and Tana River for financial years 2013/14, 2014/15 and 2015/16. In discharging its mandate, the Committee held twenty-eight (28) sittings under unique circumstances occasioned by the COVID-19 pandemic.

The Committee received written evidence from the Chief Executive Officer of the National Government Constituencies Development Fund being the accounting officer of the NG-CDF as provided under Section 67 (1) of PFM Act, 2012. Committee also engaged the Fund Account Managers, both present and former to clarify various issues raised by the Auditor-General during their tenure in office given the critical role that they play as AIE holders as stipulated under Section 12(4) of the NG-CDF Act, 2015

The Committee also undertook inspection visits to various NG-CDF projects in the Counties of Kilifi, Mombasa, Kwale and Taita Taveta to verify information submitted by both the accounting officer and Fund Account Managers on completeness of various projects and their benefits to the citizens. Minutes of the Committee's meetings and submissions by the accounting officer are annexed to this report.

Hon. Speaker, I wish to commend the office of the Chief Executive Officer of the NG-CDF Board for ensuring that Fund Account Managers prepared their responses in time and appeared before the Committee as scheduled. I also commend the Project Management Committees in the constituencies for engaging the public in project identification which ensured that priority projects which had the greatest benefits to the communities were implemented. The majority of these projects were on infrastructure development in various public schools and public utilities. This is in addition to tree planting geared towards environmental conservation in remote and dry parts of the Coastal region.

In conclusion, Hon. Speaker, I wish to express appreciation to my fellow Honourable Members of the Committee, the Office of the Speaker and the Clerk of the National Assembly and the Parliamentary Liaison Offices of the Auditor-General and the National Treasury for facilitating the Committee in the production of this report.

Finally, I thank the sitting honorable Members of this House representing the twenty-six (26) constituencies who made time to attend and participate in Committee deliberations during consideration of reports of their Constituencies. Your invaluable contributions have greatly enriched this report.

Hon. Speaker, on behalf of the Special Funds Accounts Committee, I now wish to table this report and urge the House to adopt it and its recommendations therein.



HON. KATHURI MURUNGI, M.P.
CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

CHAPTER ONE

1.0 PREFACE

1.1 Establishment and Mandate of Special Funds Accounts Committee

1. Article 124 of the Constitution of Kenya 2010 provides for the establishment of Committees of Parliament and empowers each House of Parliament to make Standing Orders for the orderly conduct of proceedings including Committee Proceedings. The National Assembly Standing Order 205A establishes the Special Funds Accounts Committee (SFAC) to examine audited accounts laid before the House of the Equalization Fund, the Political Parties Fund, the Judiciary Fund, the National Government Constituencies Development Fund and such other Fund established by law as the Speaker may direct.

1.2 Guiding Principles: Constitutional and Legal provisions on Public Finance

2. The principles of public finance under Article 201 of the Constitution of Kenya 2010 guide the Committee in the execution of its mandate. The principles require openness, accountability and public participation in financial matters as well as prudence and responsible use of public funds amongst others. Further, the provision of Article 226 (5) of the Constitution of Kenya on direct personal liability guides the Committee in its examination of the audited accounts. The Article provides that *"If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not".*

3. The various legal provisions as contained in various Acts of Parliament which include the PFM(PFM) Act, 2012, the repealed Public Audit Act, 2003, the Public Audit Act, 2015, the repealed Public Procurement and Disposal Act, 2005, the Public Procurement and Asset Disposal Act, 2015 as well as established customs, traditions, practices and usages also guided the Committee.Section 68 (1) of the PFM Act, 2012 provides, inter alia, that- *"An accounting officer for a national government entity including Public Funds, Parliamentary Service Commission and the Judiciary is accountable to the National Assembly. The Accounting Officer is required to ensure that the resources of the respective entity for which he or she is responsible are used in a way that is lawful and authorized, and effective, efficient, economical and transparent."*

4. These Constitutional and legal provisions obligated the Accounting Officer of the NG-CDF as the responsible Accounting Officer together with the Fund Account Managers for each Constituency to appear before the SFAC to respond to audit Matters raised by the Auditor-General. Each Fund Account Manager, whether present or former is directly and personally liable for any loss of public funds during their tenure as the Constituency Fund Account Manager.

1.3 Committee Membership

5. The Committee comprises the following members: -

Chairperson
Hon. Kathuri Murungi, M.P.
Member for South Imenti Constituency
Independent Member

Vice-Chairperson
Hon. William Kamuren Chepkut, M.P.
Member for Ainabkoi Constituency
Independent Member

Members

Hon. Justus Gesito Mugali, M.P.
Member for Shinyalu Constituency
Orange Democratic Movement Party

Hon.Alfred Agoi Masadia, M.P
Member for Sabatia Constituency
Amani National Congress Party

Hon. Dennitah Ghati, HSC, M.P.
Nominated Member (representing Persons with Disabilities)
Orange Democratic Movement Party

Hon. Mark Lomunokol, M.P
Member for Kacheliba Constituency
Party of Development and Reforms

Hon. Shakeel Shabbir, M.P
Member for Kisumu Town East Constituency
Independent Member

Hon. (Dr.) Robert Pukose, M.P
Member for Endebess Constituency
Jubilee Party

Hon. Erastus Kivasu Nzioka, M.P
Member for Mbooni Constituency
New Democrats Party

Hon. Esther M. Passaris, M.P
Member for Nairobi County
Orange Democratic Movement Party

Hon. Geoffrey Omuse, M.P.
Member for Teso South Constituency
Orange Democratic Movement Party

Hon. Jared Okelo, M.P
Member for Nyando Constituency
Orange Democratic Movement Party

Hon. Marwa Maisori Kitayama, M.P
Member for Kuria East Constituency
Jubilee Party

Hon. Mohamed M. Ali, M.P.
Member for Nyali Constituency
Independent Member

Hon. Mwambu M. Mabongah, M.P.
Member for Bumula Constituency
Independent Member

Hon. Mohamed Ali Lokiru, M.P
Member for Turkana East Constituency
Orange Democratic Movement Party

Hon. Faith Gitau, MP
Member for Nyandarua County
Jubilee Party

Hon. (Dr.) Enock Kibunguchy, M.P
Member for Likuyani Constituency
Ford Kenya Party

Hon. Koske Gideon Kimutai, M.P
Member for Chepalungu
Chama Cha Mashinani Party

1.4 Committee Secretariat

6. The Secretariat facilitating the Committee comprises of the following staff:

Ms. Lucy Kimathi
Principal Clerk Assistant II

Ms. Hellen Ekadeli
Clerk Assistant II

Ms. Emma Essendi
Legal Counsel I

Mr. Josphat Bundotich
Senior Serjeant-at-Arms

Ms. Fiona Musili
Research Officer I

CPA. Joash Kosiba
Lead Fiscal Analyst

CPA. Kennedy Okinyi Owuoth
Fiscal Analyst III

Ms. Noelle Chelagat
Media Relations Officer III

Ms. Naserian Kaare
Serjeant-at-Arms II

Mr. Job Owaga
Audio Officer II

CHAPTER TWO

2.0INTRODUCTION

2.1 The National Government Constituencies Development Fund

7. The Constituency Development Fund (CDF) was set up in 2003 through the Constituency Development Fund Act (2003) sponsored by the then Ol Kalou Member of Parliament and former Senator for Nyandarua County, Hon. Muriuki Karue, MP.

8. In a bid to align the CDF with the Constitution of Kenya 2010, Parliament passed the National Government Constituencies Development Fund (NG-CDF) Act, 2015. The NG-CDF is a national fund that comprises monies of an amount of not less than 2.5% of all the national government's share of revenue as divided by the annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution.

9. Since its introduction, the Constituency Development Fund has made a significant impact, with various Constituency Development Fund projects being implemented throughout the country. The success of the model of the Constituency Development Fund has been linked to the bottom-up approach to development which requires public participation and the decentralization of resources that go directly to the local level.

2.2 Examination of audited financial statements for the National Government Constituencies Development Fund

10. To examine the audited accounts of the two hundred and ninety (290) Constituencies, the Committee adopted a strategy of scrutinizing financial statements of each Constituency for 2013/14, 2014/15 and 2015/16 financial years concurrently.

11. The Committee also resolved to complete examining reports of Auditor General of Constituencies per County. The Committee has so far examined the audited financial statements of Nairobi, Kisumu and Kiambu Counties.

12. This report contains observations, findings and recommendations arising from examination of seventy-eight (78) reports of the Auditor General for the National Government Constituencies Development Fund for financial years 2013/14, 2014/15 and 2015/16 for the following twenty-six (26) Constituencies in the Coastal Region.

Mombasa County

(1) Likoni Constituency;
(2) Kisauni Constituency;
(3) Mvita Constituency;
(4) Nyali Constituency;
(5) Changamwe Constituency;

(6) Jomvu Constituency;

Kwale County
(7) Msambweni Constituency;
(8) Lunga Constituency;
(9) Matuga Constituency;
(10) Kinango Constituency;

Tana River County
(11) Garsen Constituency;
(12) Galole Constituency;
(13) Bura Constituency;

Lamu County
(14) Lamu East Constituency;
(15) Lamu West Constituency;

Taita Taveta County
(16) Wundanyi Constituency;
(17) Taveta Constituency;
(18) Voi Constituency;
(19) Mwatate Constituency;

Kilifi County
(20) Ganze Constituency;
(21) Kaloleni Constituency;
(22) Kilifi South Constituency;
(23) Magarini Constituency;
(24) Malindi Constituency;
(25) Rabai Constituency;
(26) Kilifi North Constituency.

CHAPTER THREE: MOMBASA COUNTY

3 EXAMINATION OF THE REPORT OF THE AUDITOR-GENERAL ON FINANCIAL STATEMENTS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR CONSTITUENCIES IN THE COUNTY OF MOMBASA FOR THE FINANCIAL YEARS 2013/14, 2014/15 AND 2015/16 FINANCIAL YEARS

3.1 LIKONI CONSTITUENCY

13. Mr. Bawazir Mohamed, the current Fund Account Manager who had served in the Constituency since November, 2018 appeared before the Committee on 28th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Likoni Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:
    1. Mr. James Chebii, Ag. Manager, Field Financial Services, NG-CDF Board
    2. Ms. Christine Mwangolo, Ag. Manager Field Operations, NG-CDF Board
    3. Ms. Gladys Ngala, Former Fund Account Manager from July 2012 to August 2016.

3.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

14. The Auditor General flagged out five audit Matters during the examination of 2013/2014 financial statements of Likoni Constituency relating to Cash and Cash Equivalents, Other receipts, Transfer to other Governments units, Other Grants and Transfers and Other payments.

3.1.1.1 Cash and cash equivalents

15. Excluded in cash and cash equivalent balance of Ksh. 2,569,544 were un-presented and stale cheques amounting to Ksh. 604,428 which had not been reversed to the cashbook as at 30th June 2015. In addition, the bank balance excluded a payment amounting to Kshs. 234,501 paid in September 2010 and which had not been posted in the cashbook. Further, the balance excluded bank charges amounting to Kshs. 25,357 that had accumulated since December, 2012 and had not been recorded in the cashbook. In the circumstances, the validity and accuracy of cash and cash equivalents balance of Kshs. 2,569,544 as at 2014 could not be confirmed.

Submission by the Fund Account Manager

16. Mr. Bawazir Mohamed, the Fund Account Manager stated that Likoni CDF did not have a KRA PIN for the office and an effort to acquire one had proven to be unfruitful for quite some time. That notwithstanding, the office deducted its staff PAYE, NHIF and NSSF but could not remit them to the relevant authorities at the time of audit. The office acquired the PIN on 23rd October 2015 hence all the stale cheques had been reversed,

replaced and paid. Bank charges of Kshs. 25,357 plus charges up to 27th November 2014 totalling to Kshs. 29,169 had been expensed against an administration vote on 6th March 2015 on Cashbook folio 49.

17. The Fund Account Manager, in addition, stated that a voucher for vehicle repairs amounting to Kshs. 234,501 paid in September 2010 which had not been posted was posted to the Cashbook on 30th June 2015 on Cashbook folio 55. Letters to KRA to seek registration, Pin certificate showing when registration was granted, copy of minutes showing approval of cheques reversal, copy vouchers for writing off bank charges and posting of voucher note posted plus excerpts of cashbook folios had not been provided to auditors for review.

Committee Observations

18. The Committee observed that-
    (i) Un-presented and stale cheques amounting to Ksh. 604,428 had not been reversed to the cashbook as at 30th June 2015.
    (ii) A payment amounting to Ksh. 234,501 paid in September 2010 had not been posted in the cashbook as at 30th June 2015. In addition, Bank charges amounting to Ksh. 25,357 that had accumulated since December, 2012 had not been recorded in the cashbook as at 30th June 2015.
    (iii) The stale and unpresented cheques were later reversed and replaced. The omitted payments were later recorded in the cashbook.

Committee Recommendations

19. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers keeps financial and other records are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4) of the PFM (National Government), 2015**

3.1.1.2 Outstanding imprests

20. Included in the outstanding imprest balance of Kshs. 292,000 was a long outstanding imprest amounting to Kshs. 92,000 whose holder ceased being in the employment of the Fund making recovery uncertain. No provision for certain impairment on this imprest had been made in these financial statements. Consequently, the accuracy and validity of the outstanding imprest balance of Kshs. 292,000 as at June 2014 could not be ascertained.

Submission by the Fund Account Manager

21. Mr. Bawazir Mohamed, the Fund Account Manager stated that Kshs.92, 000 had stayed in the books for a long time. The district treasury had moved from Kilindini to Likoni and records from Kilindini District Development Officer (DDO) indicated that the

voucher for surrender had been submitted to the treasury but it had erroneously been misplaced in the archives, long before the employment of the Fund Account Managers. Unfortunately, the Imprest holder died. Since the Board had not employed accountants in the constituencies to advise the Fund Account Manager on accounting issues, making provisions in the financial accounts for impairments was overlooked.

22. The Kshs. 200,000 had been issued to the Fund Account Manager for the training of PMCs on 24th June 2014 and was surrendered thereafter in the following month. The imprests had been surrendered fully and records were made available to auditors. To avoid such a scenario in the future Likoni CDFC had since been issuing imprests only to Government Officers or relevant persons and been accounting for them as stipulated in the law.

Committee Observations

23. The Committee observed outstanding imprest amounting to Ksh. 92,000 whose holder (now deceased) stopped being in the employment of the Fund making recovery uncertain and the audit query is not resolved

Committee Recommendations

24. **The Accounting Officer should within three months of the adoption of this report, seek approval from the Cabinet Secretary of the National Treasury for the write off of the imprest in accordance with Section 69 of the PFM Act, 2012 and Regulation 148(5), (6) and (7) of the PFM (National Government) Regulations, 2015.**

3.1.1.3 Other receipts

25. The statement of receipts and payments for the year ended 30th June 2014 reflected a nil balance in respect of other receipts. However, information availed indicated that the Fund owned a bus that was normally hired out for revenue generation and the same had not been disclosed in the financial statements. Further, records on how the bus operated during the year were not availed for audit review. Consequently, the accuracy and completeness of other receipts for the year ended 30th June 2014 could not be confirmed.

Submission by the Fund Account Managers

26. Mr. Bawazir Mohamed, the Fund Account Manager stated that the Likoni CDFC owned a bus meant to facilitate CDFC in projects supervision and social responsibility within the constituency thus was also made available for community purposes at an affordable rate. Cash generated therein was receipted and banked into the CDFCs bank account as AIA. Banking slips and returns had been availed to the auditors for review.

Committee Observations

27. The Committee observed that-

(i) The Fund owned a bus that was normally hired out for revenue generation. At the time of the audit, the Fund Account Manager had not provided records showing how the bus operated during the year;

(ii) The cash generated was receipted and banked into the fund's bank account as Appropriation-In-Aid; and

(iii) The Banking slips and returns had been availed to the auditors for review hence audit query is resolved.

Committee Recommendations

28. The Committee recommends that: -

(i) Within three months of the adoption of this report, the NG-CDF Board initiate a review of policy guidelines including applicable rates on the hiring of vehicles owned by the various Constituency Funds to ensure efficiency and prudent use; and

(ii) The Accounting Officer ensures at all times that, all the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents for Audit.

3.1.1.4 Transfers to Other Government Units

29. Transfers to other Government units amounting to Kshs. 40,779,176 reflected in the financial statement included Kshs. 30,263,515 released to various projects whose expenditure returns were not made available for audit verification. In addition, an amount of Kshs. 10,222,058 was paid to project implementing contractors directly by the Fund Manager contrary to the CDF Act 2013 which requires that the Project Management Committee provides oversight over project implementation and makes payments to the project implementers. Consequently, the propriety, validity and accuracy of transfers to other government units amounting to Kshs. 40,779,176 for the year ended 30th June 2014 could not be ascertained.

Submission by the Fund Account Manager

30. Mr. Bawazir Mohamed, the Fund Account Manager stated that the expenditure returns for each of these projects were available for verification. However, projects for Kshs. 10,515,661 were paid through the main account as some of them were just balances to completed projects. All the projects were completed and in use.

Committee Observations

31. The Committee observed that-

(i) At the time of the audit, the Fund Account Manager did not provide expenditure returns for audit verification on Ksh. 30,263,515 released to various projects. The

expenditure returns were however availed for verification after the audit review period.

(ii) The Fund Account Manager paid Kshs. 10,222,058 to project implementing contractors directly.

(iii) The audit query is not resolved.

Committee Recommendations

32. The Committee recommends that-

1) **Within three months of the adoption of this report, the accounting officer issue a reprimand to the then Fund Account Manager for violation of the laid down procedures on payments of projects as per the CDF Act, 2013 repealed; and**

2) **The Accounting Officer ensures at all times that, all the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents for Audit.**

3.1.1.5 Other grants and transfers

33. Included in the balance of other grants and transfers of Kshs. 10,105,168 were bursaries of Kshs. 5,807,125 paid to various students during the year under review. However, the basis and criteria of selection of the beneficiaries was not availed for audit review and therefore it was not possible to establish the existence of the beneficiaries.

34. Further, information availed for audit indicated that the Constituency Development Fund Committee had not constituted a bursary committee to vet and approve the beneficiaries in line with the law. In the circumstance, the propriety and validity of the payment of bursary amount of Kshs. 5,807,125 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

35. Mr. Bawazir Mohamed, the Fund Account Manager submitted that at the time of the audit, the Constituency Development Fund Committee had a bursary sub-committee. The Committee had a criterion for vetting as depicted by the Bursary application form. The CDFC minutes approving the lists of bursary beneficiaries, correspondences for constitution of Bursary sub-committee and the criteria for selection of beneficiaries, sample application forms filled by beneficiaries signed and stamped by their area chiefs that they are in school and that the information given in the forms was true to their knowledge were available for verification.

Committee Observations

36. The Committee observed that the Fund Account Manager had not provided at the time of the audit, the minutes approving the lists of bursary beneficiaries, correspondences for constitution of Bursary sub-committee and the criteria for selection of beneficiaries for audit verification. The documents were later provided and verified by the auditors.

Committee Recommendations

37. The Committee recommends that-

1) **The National Government Constituencies Development Fund Board should within three months of the adoption of the report, reviews the *NG-CDF 2010 Guidelines on Issuance of Bursaries to Beneficiaries with a view to streamline the process;***

2) **The NG-CDF Board should develop an overarching policy framework to guide the Constituency Bursary committee in line with the needs of the constituency. Each NG-CDF bursary committee to establish criteria and guidelines for identifying, categorizing and awarding bursaries to needy students; and**

3) **The National Government Constituencies Development Fund Board should within three months of the adoption of the report, initiates an online application platform and fast-track adoption of electronic funds transfer in the disbursement of bursaries.**

3.1.1.6 Other payments

38. The financial statement reflected other payments balance of Kshs. 1,973,161 relating to direct payments made to project contractors with unpaid bills at the beginning of the year for works undertaken in the previous year. However, the CDF Act, 2013 stipulates that bill payments in respect of the projects should be paid by the Project Management Committee (PMC) and therefore this is a violation of the Act. Under the circumstances, the propriety and validity of other payments balance Kshs. 1,973,161 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

39. Mr. Bawazir Mohamed, the Fund Account Manager stated that the CDFC meeting of 7th October, 2013 vide Min 20/10/2013 allocated and paid Kshs. 1,973,162 towards payment of Mtongwe Waiting sheds, a project started in the year 2012/2013 and completed. The amounts paid were last payments to the contractors thus the CDFC thought it would be wise paying the contractor directly to save time and cost in terms of bank charges.

Committee Observations

40. The Committee observed that-

(i) The Fund Account Manager paid Kshs. 1,973,162 to Project Implementing Contractors directly.

(ii) The Fund Account Manager provided a satisfactory explanation to the Committee

Committee Recommendations

41. The Committee recommends that-

1) **The accounting officer should within three months of the adoption of this report, institute disciplinary action against the then Fund Account Manager for**

violation of the laid down procedures on payments of projects as per the CDF Act, 2013 repealed; and

2) **The Accounting Officer ensures that, at all times, all the Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents for Audit.**

3.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

42. The Auditor General raised four issues during the examination of the 2014/2015 financial statements of Likoni Constituency.

3.1.2.1 Cash and cash equivalents

43. The statement of financial assets as at 30 June 2015 reflected cash and cash equivalents balance of Kshs. 29,830,800. However, included in the bank reconciliation statements as at 30 June 2015 were stale cheques amounting to Kshs. 177,725.55 not reversed in the cashbook. Further, the dates when cheques of Kshs. 30,790 were subsequently cleared in the bank had not been indicated. Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs. 29,830,800 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

44. Mr. Bawazir Mohamed, the Fund Account Manager stated that the cheques were for statutory deductions. The cheques of Kshs. 177,725.55 and Kshs. 30,790 were all reversed on 8th December, 2015 and 19th February 2016. The schedules of cheques giving details and Cashbook Folio Nos. 35507 and 35527 had been availed to auditors for review.

Committee Observations

45. The Committee observed that as at 30th June 2015, the Fund Account Manager had stale cheques amounting to Kshs. 177,725.55, which had not been reversed in the cashbook. The stale cheques were reversed on 8th December, 2015 and the supporting schedules were provided to the auditor for audit verification. The audit query is resolved.

Committee Recommendations

46. **The Accounting Officer ensures that all the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB (PSASB) as per Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4) of the PFM (National Government) Regulations 2015.**

3.1.2.2 Transfer to Other Government Units

47. The statement of receipts and payments reflected transfers to other government units' balance of Kshs. 46,094,168 for the year ended 30 June 2015. However, out of this amount, a total of Kshs. 26,222,944 was not supported with various documents. Consequently, the propriety and value for money for Kshs. 26,222,944 transferred to the schools and health center for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

48. Mr. Bawazir Mohamed, the Fund Account Manager informed the meeting that at the time of audit returns were provided to the auditors, which turned to be irrelevant. Bank statements and other documents had been provided for verification.

No.	Project Name	Amount Transferred (Kshs)	Documents not availed for audit review
1.	Likoni Primary school –Construction of volleyball, netball and basketball pitches	1,241,652	Bank statements showing receipt and usage
2.	Mwahima Primary School-Construction of Administration Block	4,000,000	Bank statements showing receipt and usage
3.	Mweza Secondary school- Construction of a new school	3,000,000	Bank statements showing receipt and usage
4.	Bububu secondary school- Construction of 4 classrooms	1,460,000	Bank statements showing receipt and usage
5.	Bububu secondary school- Construction of Dormitory	4,250,000	Bank statements showing receipt and usage
6.	Mrima Health center- Construction of ramps, fixing of tiles and washer basins in delivery rooms	1,315,000	Bank statements showing receipt and usage
7.	Mrima health center – supply of examination coaches, office furniture and waiting benches	1,365,000	Purchase requisitions, quotations, counter receipts voucher/delivery notes, inspection report, bank statements and stores ledger/asset register
8.	Mrima health center – supply of laboratory equipment	2,100,000	Purchase requisitions, quotations, counter receipts voucher/delivery notes, inspection report, bank statements and stores ledger/asset register
9.	Mrima health center –Construction of pre-fabricated staff houses	4,482,759	Requisitions for the works, Bills of Quantities, tender advertisement, quotations and architectural drawings
10.	Mrima health center – installation of incinerator, ash pot and shade	3,008,533	Bank statements, bills of quantities and engineer's completion certificates
	Total	**26,222,944**	

Committee Observations

49. The Committee observed that-

(i) At the time of the audit, the Fund did not provide supporting documents for Kshs. 26,222,944 spent on various schools and health projects. However, the Fund Account managers submitted documents that were not relevant to the matter during the examination of the Accounts by the Committee.

(ii) The Fund Account Manager provided supporting schedules for the school projects after the audit period.

(iii) Quotation documents for the health projects had not been provided for audit hence the issue is unresolved.

50. **Committee Recommendations**

1) **Within three months of the adoption of this report, the Accounting Officer issue a written reprimand to the Fund Accounting Manager for failure to provide documentation during audit period as provided under Section 68 of the PFM Act, No. 18 of 2012; and**
2) **The Accounting Officer ensures that relevant documents are provided to the Auditor General for audit verification and reporting in the subsequent audit reports.**

3.1.2.3 Acquisition of Assets

51. Included in the acquisition of assets balance of Kshs. 2,843,000 shown in the statement of receipts and payments for the year ended 30 June 2015 was Kshs. 1,594,000 was spent on the refurbishment of an office building of which requisitions, architectural drawings, Quotation and Engineer's completion certificates were not availed for audit review. Consequently, the propriety and value for money for Kshs. 1,594,000 on the refurbishment of the office building for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

52. Mr. Bawazir Mohamed, the Fund Account Manager stated that the Kshs. 1,594,000 was meant to purchase furniture and refurbish the office. Since it was refurbishment, there were no drawings for that work as the work involved the installation of cisterns and replacement of toilet basins, replacement of door locks, putting of window glasses to an existing building, construction of a sentry which was a base for a water tank and connecting water from the borehole to the toilets. Completion certificates had been provided to auditors for review.

Committee Observations

53. The Committee observed that:

i. At the time of the audit; requisitions, architectural drawings, Quotation and Engineer's completion certificates for an expenditure of Kshs. 1,594,000 had not been availed for audit review;
ii. The documents had since been provided to the auditor for verification and the issue was resolved.

Committee Recommendations

54. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

3.1.2.4 Other Grants and Transfers

(a) Security

55. Included in the security expenditure of Kshs. 5,725,000 shown in note 8 to the financial statements was Kshs 4,725,000 relating to rehabilitation of Likoni streets light of which quotations and engineers' certificate of completion of works were not availed for audit review. In the circumstances, the propriety and validity of the expenditure totalling Ksh. 4,725,000 on rehabilitation of street lights for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

56. Mr. Bawazir Mohamed, the Fund Account Manager submitted that the Certificate of Completion had been availed for audit verification.

Committee Observations

57. The Committee observed that at the time of the audit, Quotation and Engineer's completion certificates for the Likoni streets light had not been availed for audit review. The documents had since been provided to the auditor for verification.

Committee Recommendations

58. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

(b) Roads

59. Included in the other grants and transfers balance of Kshs. 28,185,964 was a road project with a balance of Kshs. 10,968,368. This was in respect to cabro lying on A14 Kwa power-mweza primary school road costing Kshs. 8,000,000 and graveling of Kona Mbaya-Dongo Kundu Road at a cost of Kshs. 2,968,368. However, quotations and engineers' certificate of completion of work were not availed for audit verification. In the circumstances, the propriety and validity of expenditure totalling Kshs. 10,968,368 on roads for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

60. Mr. Bawazir Mohamed, the Fund Account Manager confirmed that the Certificate of Completion had been availed for verification.

Committee Observations

61. The Committee observed that-

(i) At the time of the audit, Quotation and Engineer's completion certificates for the road projects had not been availed for audit review.

(ii) The documents had since been provided to the auditor for verification. However, physical verification of the project was not undertaken.

Committee Recommendations

62. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

(c) Disbursement not in the Approved Budget

63. Kshs. 22,135,838 was disbursed to projects that were not in the approved list by the CDFC contrary to section 13(1) of the CDF Act 2013, which requires that the list of proposed constituency-based projects be submitted by the chairperson of the CDFC to the CDF Board after approval by the CDFC for that constituency. The projects were as follows:

NO.	PROJECT	AMOUNT
1.	Mwangala primary school	3,200,000
2.	Mrima health center	12,271,292
3.	Strategic plan (other payments)	1,800,000
4.	Bursary to driving schools	1,725,000
5.	Sports	1,241,652
6.	Environment	1,897,894
	TOTAL	**22,135,838**

64. The Fund Account Manager was in breach of the law by diverting funds to unplanned projects and as a result the propriety of the expenditure of Kshs. 22,135,838 on the projects could not be ascertained for the year ended 30 June 2015.

Submission by the Fund Account Manager

65. Mr. Bawazir Mohamed, the Fund Account Manager submitted that all the projects were done after prior approval by the Board. A reallocation letter dated 17th September, 2014 from the Board and code lists had been provided to auditors for review.

Committee Observations

66. The Committee observed that-

(i) The projects had been approved by the Board as evidenced by reallocation letters from the Board which were later provided to the auditors and verified.

(ii) The audit query is resolved.

Committee Recommendations

67. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

3.1.2.5 Budget performance

68. During the year under review, Likoni Constituency Development Fund had budgeted to spend Kshs. 103,327,167 but a total of Kshs. 84,204,718 or 81% was spent, resulting in under expenditure of Kshs. 19,122,449 or 19% as summarized below:

Item	Budget (Kshs.)	Actual expenditure (Kshs)	Under Absorption	Under Absorption (%)
Compensation of employees	1,441,000	938,952	502,048	35
Use of Goods and services	3,380,523	1,886,897	1,493,626	44
Committee expenses	3,871,000	2,444,237	1,426,763	37
Transfer to other Government Units	51,282,931	46,094,168	5,188,763	10
Other Grants and transfers	38,635,713	28,185,964	10,449,749	27
Social security benefits	71,000	11,500	59,500	84
Acquisition of assets	2,845,000	2,843,000	2,000	0
Total	**103,327,167**	**84,204,718**	**19,122,449**	19

69. The Funds balance of Kshs. 19,122,449 not utilized was a pointer that some approved programs were not implemented thus the Fund Account Manager did not fully meet the intended objective of delivering goods and services to residents of Likoni constituency. The variance indicated a poor budgeting mechanism for the year ended 30 June 2015 and there was a need for the CDFC to focus on priority areas when allocating funds.

Submission by the Fund Account Manager

70. Mr. Bawazir Mohamed, the Fund Account Manager stated that he concurred with the issues raised by the auditor, the reason for this was a delay in funding that had been affecting CDF over years. Out of the Budget of Kshs. 103,327,167, the Kshs. 23,723,675 vide AIE No. A 796049 was received from the NGCDF Board at June 2015 as shown in the bank statement. Absorbing these funds in totality was not possible in few days before the closure of the financial year. AIE, bank statement and cashbook had been provided for verification. The projects pending were completed in the next financial year. The project implementation status report and certificates of completion had been availed for verification.

Committee Observations

71. The Committee observed that-

(i) The underutilization of the funds was due to late disbursement of funds by the NG-CDF Board and the National Treasury.

(ii) The explanation by the Fund Account Manager was satisfactory.

Committee Recommendations

72. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursements of money to the Constituencies**

3.1.2.6 Projects Implementation

73. The funds projects implementation status as at June 2015 indicated approved allocations of Kshs. 102,550,603 for the year under review to 26 projects, out of which disbursements totalled Kshs. 59,219,182 or 58%, leaving undisbursed allocations of Kshs. 43,331,421 or 42% as at the same date. Further, the report showed a cumulative expenditure of Kshs. 78,908,384 or 92% of the disbursements, resulting in a net unspent balance of Kshs. 6,767,219 or 8%, comprising under expenditure of Kshs. 5,717,219 and over-expenditure of Kshs. 1,050,000 on the construction of perimeter wall around the field and rainwater drainage system at Likoni Primary School. Undisbursed or unspent funds meant some projects were not implemented or completed as planned with a negative impact on the delivery of goods and services to the residents of Likoni Constituency.

Submission by the Fund Account Manager

74. Mr. Bawazir Mohamed, the Fund Account Manager informed the meeting that there were funds balances from the previous year which were utilized together with the current year's funds. There was no extra expenditure done above what was approved by the Board.

75. The Fund Account Manager submitted that on the issue of Likoni Primary perimeter wall, the Board had approved Kshs. 7,375,000 for implementation of the project. In the account, there was Kshs. 3,198,500 at the beginning of the year which was utilized in the next financial year. Expenditure returns and bank statements had been availed for review.

Committee Observations

76. The Committee observed that the underutilization and over expenditure of the funds were due to late disbursement of funds by the NG- CDF Board and the National Treasury hence rollover of Funds from subsequent years due to late receipts.

Committee Recommendations

77. **The Committee recommends that-**

1) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and**
2) **The Cabinet Secretary National Treasury shall submit to the National Assembly Constituency exchequer disbursements schedule not later than the 15th day after the end of each quarter.**

3.1.2.7 Projects Verification

78. During the year under review, seven projects with total disbursements of Kshs. 37,949,554 were inspected. However, anomalies were noted in respect of six projects whose disbursements totalled Ksh 21,151,425 as detailed below:

No.	Project Name	Amount	Observations
1.	Beach cleaning and planting of mangrove trees	1,000,000	Cleaning done was not evident during the audit inspection as the beach appeared dirty
2.	Bububu Secondary school – Construction of Dormitory	4,250,000	The dormitory still incomplete as electrical wiring had not been done but already in use.
3.	Mwahima Primary School- Construction of administration block	4,000,000	The physical inspection confirmed that it is a secondary school complete with a signboard
4.	Bububu Secondary school- Construction of 4 classrooms	5,460,000	Construction work stalled at roofing level
5.	Mrima Health center –construction of two pre-fabricated staff houses	4,482,759	The staff houses were stonewalled and not pre-fabricated
6.	CDF Office- Refurbishment of office and repair of drainage and plumbing works	1,958,666	Work done not seen
	TOTAL	**21,151,425**	

79. Consequently, the propriety and value for money totalling Kshs. 21,151,425 on projects for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

80. The Fund Account Manager submitted that among the anomalies noted by the Auditors was the beach cleaning activity that was done on 29th May 2015 whereas the audit was conducted in April 2016. He concurred with the Auditors' findings as the ocean continuously deposits dirt and at the time of the audit the inspection revealed that the dirt had accumulated for several months. A report for the exercise was provided for review completion certificates, certificate of making good defects and photos had been availed for review.

Committee Observations

81. The Committee observed that-

(i) At the time of the audit, the report on the projects had not been availed for audit review; and

(ii) The documents had since been provided and verified by the auditors and evidence submitted satisfactory

Committee Recommendations

82. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

Inspection Visits by the Committee

83. The committee undertook inspection Visits on 22nd and 23rd October 2021, and inspected the following projects:

The Construction of Dormitory at Bububu Secondary school in the F/Y 2014/2015

84. The project was started in 2014/15 at a cost of Kshs. 4,250,000 and at the time of the audit, the bank statements were not availed for scrutiny.

Committee Observations

85. The Committee observed that:
    i. The project was physically in place, completed and in use;
    ii. There was value for money in the construction of the project and the status of the project is good.
    iii. The bank statements were later submitted for scrutiny.

Construction of Administration Block at Mwahima Secondary School in the F/Y 2014/2015

86. The project was started in 2014/2015 at a cost of Kshs. 4,000,000. At the time of the audit, the bank statements were not submitted for inspection.

Committee Observations

87. The Committee observed that the project is in good status, completed and in use, hence there was value for money.

Committee recommendation

88. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

3.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

89. The Auditor General raised five audit Matters during the examination of the 2015/2016 financial statements of Likoni Constituency.

3.1.3.1 Cash and cash equivalents

90. The statements of financial assets as at 30 June 2016 reflected cash and cash equivalents balance of Kshs. 37,588,983. This included a nil cash balance of which the supporting board of survey reports were not availed for audit review. Consequently, the validity and accuracy of cash and cash equivalent balance of Kshs. 37,588,983 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

91. Mr. Bawazir Mohamed, the Fund Account Manager said that the board of survey report in support of the cash and cash equivalents balance of Kshs. 37,588,983 had been availed to the Auditor for review.

Committee Observations

92. The Committee observed that-

(i) At the time of audit, the Fund Account Manager did not provide the Board with survey reports to support the cash balance.

(ii) The survey reports were however later submitted and verified by the auditor.

Committee Recommendations

93. **The Committee recommends that the Accounting Officer ensure that all Fund Account Managers comply with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and section 68 of the PFMAct, No. 18 of 2012.**

3.1.3.2 Transfer to Other Government Units

94. The statements of receipts and payment of the year ended 30 June 2016 reflected transfers to other governments' units of Kshs. 47,505,000 out of which Kshs. 37,022,240 for nine (9) projects was not supported.

NO.	PROJECT NAME	AMOUNT TRANSFERRED (Kshs)	Documents not availed during audit review
1.	Mwahima Secondary School Construction of an administration block	9,975,000	-The bank statements showing receipt and usage of these funds and architectural drawings were not availed for audit review. -The tender advertisement for this project was not availed for audit review -The project was omitted from the PIS Report as at 30 June 2016

2.	Mwahima Secondary School Construction 0f eight (8) classrooms	9,972,240	-The bank statements showing receipt and usage of these funds and architectural drawings, Bill of Quantity and Engineers certificate of completion were not availed for audit review. -The tender advertisement for this project was not availed for audit review -The project was omitted from the PIS Report as at 30 June 2016
3.	Bububu Secondary School Construction of classrooms	1,260,000	-The bank statements showing receipt and usage of these funds and architectural drawings, Bill of Quantity and Engineers certificate of completion were not availed for audit review.
4.	Mweza Secondary School Construction of an administration block	6,975,000	-The architectural drawings, Engineers' certificate of completion and Expenditure returns from the Project committee were not availed for audit review.
5.	Mtongwe Primary School Construction of a Disability Resource Centre	2,500,000	-Review of the Funds bank statements indicated that funds were transferred to the project account before architectural drawings and Bill of Quantity were prepared in July 2016
6.	Bububu Secondary School Construction of Dormitory	1,000,000	-As was the case in 2014/2015, the dormitory was still incomplete with electrical wirings not yet installed. Cracks were still visible on the floors, doors broken and window panes missing. -Although it was explained that the defects were rectified, engineers' certificate for that defect was not availed for audit verification. -Handing over is not yet done by the contractor but is already in use.
7.	Bububu Secondary School Construction of Classrooms	1,260,000	Two old steel doors were installed instead of new ones.
8.	Bububu Secondary School Flooring, roofing and Plastering Dormitory	2,520,000	Construction works are still stalled at roofing level but part of retention money totalling Kshs. 257,457 already released to the contractor
9.	Mweza Secondary School Flooring, plastering and Painting of a classroom Block	1,560,000	-Wooden external door fitted instead of steel doors specified in the Bill of Quantity. -Walls and floors had cracks which management explained were subsequently rectified. However, Engineer's certificate was not availed to support the assertion.
	TOTAL	**37,022,240**	

95. Consequently, the propriety of Kshs. 37,022,240 disbursed to the project for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

96. Mr. Bawazir Mohamed, the Fund Account Manager submitted that the support was earlier provided but was misunderstood thus did not satisfy the Auditor. Mtongwe

Primary resource's funds were disbursed earlier to the Project Management Committee to enable them to do the Bills of Quantities as one of the project's costs. The support documents had since been provided for verification.

Committee Observations

97. The Committee observed that at the time of the audit, supporting documents for the expenditure of Kshs. 37,022,240 for nine (9) projects had not been provided for audit. The supporting documents were however submitted to the auditor and verified.

Committee Recommendations

98. **The Committee recommends that the Accounting Officer ensures that all fund Account Managers comply with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012.**

3.1.3.3 Use of goods and services.

99. Note 5 to the financial statement for the year ended 30th June 2016 reflected committee allowances of Kshs. 1,351,000 out of which Kshs. 289,000 was paid to a hotel for full board accommodation and conference facilities provided to committee members attending an induction course. The quotations in line with Section 105 of the Public Procurement and Assets Disposal Act No. 33 of 2015 were not availed for audit review.
100. Further, records availed for audit indicated that the committee members paid subsistence allowances of Kshs. 245,000 alongside the full board accommodation. Consequently, the propriety and value for money for Kshs. 534,000 on use of goods and services for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

101. Mr. Bawazir Mohamed the Fund Account Manager submitted that the training was jointly organized for Kinango, Likoni & Matuga Constituencies. The Kinango Fund Account Manager was in charge of procuring the training venue. At the time of the audit, the Fund Manager had not yet shared the records with the Likoni Constituency. The voucher and the quotations had since been provided to auditors for review. Members were paid sitting allowances as they were entitled to allowances whenever engaged either in meetings or any official assignments.

Committee Observations

102. The Committee observed that-
    (i) The Fund Account Manager did not provide at the time of the audit, schedules to support the expenditure of Kshs. 534,000.
    (ii) The voucher and the quotations have since been provided and verified by the auditors.

Committee Recommendations

103. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFMAct, No. 18 of 2012 on the timely submission of documents.**

3.1.3.4 Other Grants and Transfers

104. The statement of receipts and payments for the year ended 30 June 2016 reflected other grants and transfers of Kshs. 13,673,344 of which the following observations were made.

a) Bursaries

105. Included in other grants and transfers is the amount of Kshs. 13,673,344 and disclosed in Note 7 to the financial statements for the year ended 30 June 2016 were bursaries totalling Kshs. 11,775,450 for students in secondary schools and tertiary institutions of which bursary applications, criteria awards, approved application and evidence of receipts by the beneficiaries were not availed for audit review.

106. Further, the bursary figure reported in these financial statements was different from Kshs. 12,146,450 shown in payment vouchers availed for audit review. The difference of Kshs. 371,000 between the two records had neither been explained nor reconciled.

Submission by the Fund Account Manager

107. The Fund Account Manager reiterated that out of the Kshs. 12,146,450 disbursed for bursary during the year, Kshs. 371,000 related to the replacement of cheques some of which related to the previous financial year.

Committee Observations

108. The Committee observed that-

(i) At the time of the audit, the Fund Account Manager had not provided for audit review the bursary applications, criteria of awards, approved applications and evidence of receipts by the beneficiaries for audit review.

(ii) The supporting documents were however later availed and verified by the auditors.

(iii) The difference of Kshs. 371,000 purported to have been a replacement of cheques some of which related to the previous financial year were not verified and hence the audit query remains unresolved.

Committee Recommendations

109. **The Committee recommends that: -**

1) **The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFMAct, No. 18 of 2012 on the timely submission of documents.**

2) **Within three months of adoption of this report, the Accounting Officer ensures that the Fund Account Manager submits to the Auditor General, evidence of replacement of cheques totalling to Kshs. 371,000. Failure to which the Accounting Officer surcharges the Fund Account Manager and reports to the Auditor General.**

b) Sports

110. Included in other grants and transfers is the amount of Kshs. 13,673,344 and as disclosed in note 7 to the financial statements for the year ended 30 June 2016 is Kshs. 1,897,894 for sports equipment. However, delivery notes counter receipts voucher (S13), Counter Requisition and issue vouchers (S11) and stores ledger card (S3) showing receipts and issuance of the equipment for official use were not availed for audit verification. Consequently, the propriety of Kshs. 13,673,344 on bursaries and sports equipment for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

111. Mr. Bawazir Mohamed, the Fund Account Manager submitted that during the audit it was not possible to get in touch with the Chairman for Sports PMC as he had travelled out of the Country. However, out of Kshs. 1,897,894 disbursed only Kshs. 584,500 had been spent on the purchase of Taekwondo items and the balance was still in the account. The documents had been availed for audit verification.

Committee Observations

112. The Committee observed that-

(i) Supporting documents for the expenditure of Kshs. 1,897,894 had not been provided for review during the time of the audit.

(ii) The supporting documents had since been provided and reviewed by the auditor and the audit query is resolved.

Committee Recommendations

113. **The Committee recommends that the Accounting Officer ensures that all the Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

3.1.3.5 Budget Control and Performance

114. During the year under review, Likoni Constituency Development Fund had a budget of Kshs. 154,010,073 and expenditure of Kshs. 65,979,492 or 43%, resulting in under expenditure of Kshs. 88,030,581 or 57% as summarized in the following table:

Item	Budget (Kshs.)	Actual expenditure (Kshs)	Under Absorption	Under Absorption (%)
Compensation of employees	3,156,607	2,198,500	958,107	30
Use of Goods and services	9,964,264	2,602,648	7,361,616	74
Transfer to other Government Units	81,380,000	47,505,000	33,875,000	42
Other Grants and transfers	40,409,609	13,673,344	26,736,265	66
Other payments	19,099,593	-	19,099,593	100

115. The table above indicates that the budget was not implemented for the benefit of the residents of Likoni constituency, contrary to the provisions of section 35 (1) of the PFM Act 2012 which requires the budget process for the National Government to comprise among other things integrated long term and medium-term planning, planning and determining financial and economic policies and priorities at the National level over the medium term and implementing the budget.

Submission by the Fund Account Manager

116. Mr. Bawazir Mohamed, the Fund Account Manager submitted that out of the Budget of Kshs. 154,010,073, only Kshs. 73,723,675 was received from the NGCDF Board during the financial year out of which Kshs. 50,000,000 was received at the end of the financial year for the implementation of projects.

Committee Observations

117. The Committee observed that;

(i) The underutilization of the funds was due to late disbursement of funds by the NG-CDF Board and the National Treasury; and

(ii) The explanation by the Fund Account Manager was satisfactory.

Committee Recommendations

118. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursements of money to the Constituencies.**

Inspection Visit by the Committee

119. The committee undertook inspection Visits on 22nd and 23rd October 2021, and inspected the following project.

The Construction of two pre-fabricated staff houses at Mrima Health Centre in the F/Y 2015/2016

120. The project started in 2015/2016 at a cost of Kshs. 4,482,579. At the time of the audit, the project was complete and in use. The audit query arises due to the non-submission of bank statements for scrutiny.

Committee observations.

119. The committee observed that the project was completed, in use and in good condition.

3.1.3.6 Projects implementation

120. The funds projects implementation status report as at 30 June 2016 availed for audit review indicated approved budgetary allocations of Kshs. 90,015,949 for twenty-five (25) projects, out of which Kshs. 89,915,949 or 99.9% was disbursed to the projects, leaving undisbursed allocations of Kshs. 100,000 or 0.1%.

121. Further, the report showed a cumulative expenditure of Kshs. 71,305,489 or 79.3% of the disbursements, resulting in the unspent balance of Kshs. 18,610,460 or 20.7% as detailed in the table.

No	Name of Project	Details of the Project/ Activities	Amount of Allocation as per Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements (Since the start as at 30 June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30 June 2015 (Kshs)	Unspent Balance (Kshs)	Over expenditure (Kshs)
1	Mwahima Primary School	Construction of 8 classroom	10,360,000.00	1,260,000.00	10,360,000.00	2,245,000.00	10,230,680.00	129,320.00	-
2	Mwahima Primary School	Construction of an administration block	11,575,000.00	7,575,000.00	11,575,000.00	5,975,000.00	9,975,000.00	1,600,000.00	-
3	Mwahima Primary School	Construction of a toilet	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	-	
4	Mweza Primary School	Supply of 100 Desks to the school	900,000.00	900,000.00	900,000.00	900,000.00	900,000.00	-	-
5	Mweza Primary School	Face lifting of the school by replacing the leaking roof-tops	2,426,421.00	630,000.00	2,426,421.00	1,242,060.00	2,242,060.00	184,361.00	-
6	Likoni Primary School	Construction of public dais in the school compound	10,010,000.00	4,550,000.00	10,010,000.00	8,116,200.00	8,116,200.00	1,893,800.00	-
7	Likoni Primary School	Supply of books and teaching materials for adult education	157,500.00	157,500.00	157,500.00	154,044.00	154,044.00	3,456.00	-
8	Likoni Primary School	Supply of 100 Desks to the school	900,000.00	900,000.00	900,000.00	625,000.00	625,000.00	275,000.00	-
9	Likoni Primary School	Construction of perimeter wall around the field and	7,375,000.00	6,925,000.00	7,375,000.00	5,000,000.00	6,500,000.00	875,000.00	-

		rain water drainage system							
10	Likoni Primary school	Putting up basketball, volleyball pitches with posts at Likoni sec sch	1,241,652.00	1,241,652.00	1,241,652.00	1,120,000.00	1,120,000.00	121,652.00	-
11	Likoni Primary School	Renovation of four classrooms	1,500,000.00	1,500,000.00	1,500,000.00	-	-	1,500,000.00	-
12	Peleleza Primary School	ECDE tables and small chairs	440,000.00	440,000.00	440,000.00	440,000.00	440,000.00	-	-
13	Peleleza Primary School	Construction of a block of toilets	1,200,000.00	1,200,000.00	1,200,000.00	-	-	1,200,000.00	
14	Mtongwe Primary School	Roofing of the disabled classroom, flooring, painting of walls and doing toilets to suit their use	3,437,931.00	2,500,000.00	3,337,931.00	3,337,931.00	3,337,931.00	-	-
15	Bububu Secondary School	Construction of a chain-link perimeter fence around the school	2,590,945.00	590,945.00	2,590,945.00	2,499,805.00	2,499,805.00	91,140.00	-
16	Bububu Secondary School	Construction of four (4) classrooms	6,720,000.00	1,260,000.00	6,720,000.00	-	5,000,000.00	1,720,000.00	-
17	Bububu Secondary School	Supply of 90 lockers and chairs to the school	450,000.00	450,000.00	450,000.00	450,000.00	450,000.00	-	-
18	Bububu Secondary School	Building of gabions	376,500.00	376,500.00	376,500.00	-	-	376,500.00	-
19	Bububu Secondary School	Construction of a dormitory	7,770,000.00	3,520,000.00	7,770,000.00	957,545.00	4,857,545.00	2,912,455.00	-
20	Mweza Primary School	Construction of a new secondary school	11,535,000.00	8,535,000.00	11,535,000.00	5,007,224.00	7,007,224.00	4,527,776.00	-
21	Mrima Secondary School	Procurement of a bus (a contribution)	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	-	-
22	Mrima Secondary School	Supply of desks	900,000.00	900,000.00	900,000.00	900,000.00	900,000.00	-	-
23	Inspirations Primary School	Supply of desks	450,000.00	450,000.00	450,000.00	450,000.00	450,000.00	-	-
24	Vyemani Primary School	Supply of desks	600,000.00	600,000.00	600,000.00	-	-	600,000.00	-

25	Jamvi La Wageni Primary School	Supply of desks	600,000.00	600,000.00	600,000.00	-	-	600,000.00	-
			90,015,949.00	53,561,597.00	89,915,949.00	45,919,809.00	71,305,489.00	18,610,460.00	

Submission by the Fund Account Manager

122. Mr. Bawazir Mohamed, the Fund Account Manager submitted that out of the budget, Kshs. 50,000,000 was received towards the end of the financial year. Though these funds were disbursed to the Projects accounts, the projects couldn't utilize the funds within a few days. The bank statement and cashbook extract showing when funds were last received and recorded were availed. Undisbursed or unspent funds mean some projects could not be implemented or completed as planned.

Committee Observations

123. The Committee observed that the underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board where funds were received at the end of the financial year and making it impossible for the projects to be implemented

Committee Recommendations

124. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursement of money to the Constituencies.**

3.2 KISAUNI CONSTITUENCY

125. Ms. Fatma M. Abubakar, the current Fund Account Manager since April 2018 to date appeared before the Committee on 28th September, 2020 to respond to the audit Matters raised in the report of the Auditor-General on audited accounts for Kisauni Constituency for the financial years 2013/14, 2014/15 and 2015/16. She was accompanied by:

1. Mr. James Chebii, Ag. Manager Financial Field Services
2. Ms. Christine Mwangolo, Ag. Manager Field Operations
3. Monica Mwai, Former Fund Account Manager from 2013 to 2016.

3.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

126. The Auditor General raised five issues during the examination of the 2013/2014 financial statements of Kisauni Constituency.

3.2.1.1 Payments

127. The statement of receipts and payments included payments amounting to Kshs. 36,353,005.35 and Kshs. 58,854,651.80 being transfers to other government units and other grants and transfers respectively. The money was disbursed by the Constituency Development Fund Committee to be used on various projects by the beneficiary institutions. However, there were no records maintained of all the receipts, disbursements, actual expenditure and unspent balance per project in line with Section 33 of the CDF Act, 2013 which requires the fund manager to maintain records relating to receipts, disbursements, actual expenditure and balance as per each project.

128. Under the circumstance, it was not possible to confirm the validity and accuracy of the payments amounting to Kshs. 36,353,005 and Kshs. 58,854,651.80 in respect of transfers to other government units and other grants respectively.

Submission by the Fund Account Manager

129. Ms. Fatma Abubakar, the Fund Account Manager submitted that the Project Expenditure Status report, bursary disbursements to various institutions with beneficiaries' lists, disbursement schedules, Cheque copies, delivery book copy and acknowledgment letters and receipts from various institutions were availed to the auditors for verification. She further submitted that payment vouchers once paid were kept at the district treasury and at the time of the audit the Fund had requested for them but they were delayed due to a lack of proper storage facilities, and could only be availed after the audit period.

Committee Observations

130. The Committee observed that-

(i) The Fund Account Manager did not maintain a record of receipts, disbursements, actual expenditure and unspent balance per project.

(ii) Supporting documents for the expenditure had not been provided for review during the time of the audit.

(iii) The supporting documents provided and reviewed by the auditor submitted by the Fund Account Manager all dated 2015 were inadmissible since they could not explain Matters for FY 2013/2014.

Committee Recommendations

The Committee recommends that-

(i) **The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of appropriate documents; and**

(ii) **Within three months of the adoption of this report, the EACC initiate an investigation into the matter to prosecute persons found culpable.**

3.2.1.2 Bank Balances

131. Included in the statement of financial assets and liabilities was a bank balance of Kshs. 20,299,383 as at 30th June 2014. It was revealed that the bank balance excluded stale cheques amounting to Kshs. 690,631 which were yet to be reversed to the cashbook, unrecorded payments amounting to Kshs. 5,796,863 that had been outstanding for more than a year and various deposits amounting to Kshs. 300, 000 that had been outstanding for the last four years. Consequently, the validity and accuracy of the bank balance of Kshs. 20, 299,383 as at 30th June 2014 could not be ascertained.

Submission by the Fund Account Manager

132. Ms. Fatma Abubakar, the Fund Account Manager submitted that the Stale Cheques of Kshs. 690.631.00 were reversed in the subsequent months as evidenced by the bank reconciliation statement and cashbook. Further, the unrecorded payment of Kshs. 5,796,863.00 amount comprises of Kshs. 5,671,179.00 deducted by KRA as penalties. The amount was entered in the cashbook in April 2016.

133. She further submitted that the Outstanding Deposit of Kshs. 300,000.00 as per the time of audit had not reconciled since the bank slips had been misplaced and any receipt in the cashbook must be supported with a receipt voucher attached with the deposit slip of the same amount. However, it was traced and the same had been posted.

Committee Observations

134. The Committee observed that-

(i) The Fund Account Manager had stale cheques which had not been reversed to the cashbook, unrecorded payments and deposits that had been outstanding for more than a year.

(ii) The Fund Account Manager had misplaced the bank slips required in cashbook preparation.

(iii) The Bank statements submitted as evidence of bank reconciliation were of the subsequent financial year, as such they could not be sufficient response to the query.

Committee Recommendations

135. **The Committee recommends that:**

1) **The Accounting Officer ensures that all Fund Account Managers prepare accurate financial records that are reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 100 and 101(4); and**
2) **Within three months of the adoption of this report, the Accounting Officer ensures that Fund Account Manager provides to the auditors authenticated bank slips copies or certified bank statements to support the reconciliation of the receipts of the outstanding deposit of Kshs. 300,000.**

3.2.1.3 Outstanding imprest

136. Included in the outstanding imprest balance of Kshs. 446,501 as at 30th June 2014 is long outstanding imprest of Kshs. 174,801 whose detailed analyses were not provided for audit review. Under the circumstance, the accuracy and validity of the outstanding imprest balance of Kshs. 446,501 as at 30th June 2014 could not be confirmed.

Submission by the Fund Account Manager

137. Ms. Fatma Abubakar, the Fund Account Manager submitted that the imprest of Kshs. 446,501 had been surrendered; Kshs. 271,700 was surrendered by June 2015; Kshs. 174,801 was an Imprest taken by the CDFC members long before the Fund Managers were brought on board, and it took some time to trace the imprest holders and it was ultimately surrendered in March 2016.

Committee Observations

138. The Committee observed that as at 30th June 2014, the Fund Account Manager had a long outstanding imprest of Kshs. 174,801 which was surrendered in February 2016.

Committee Recommendations

139. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers adhere to the provisions of Section71 (2) of the PFM Act, No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.**

3.2.1.4 Withholding Tax from contractors

140. The bank reconciliation statement for June 2014 availed for audit reflected unrecorded direct bank payment amounting to Kshs. 5,671,179 in respect of recoveries by Kenya Revenue Authority being principal payments and penalties for withholding taxes not

deducted on payments made to contractors. However, the management had neither provided documentary evidence on how the money shall be recovered from the affected contractors nor how the affected project activities would be funded. In addition, the CDF Board had not authorized the reallocation of the funds from the intended projects implying that there was an imminent loss of funds equivalent to the unremitted taxes. Further, the management had not indicated why the funds were omitted in these financial statements for the year ended 30th June 2014.

Submission by the Fund Account Manager

141. Ms. Fatma Abubakar, the Fund Account Manager, acknowledged that it was true that Kshs. 5, 671,179.00 was deducted by KRA with no authority from CDF. She submitted the projects that were affected by the deduction as follows: -

Item	Kshs.
Bursary	4,171,179
ICT Infrastructure	500,000
Kiembeni Basket Ball Court	1,000,000
TOTAL	**5,671,179**

142. The CDFC resolved to re-allocate some balances from projects which had been completed or had stalled and transferred the same to the Main account to cover shortfall of projects affected by KRA deduction. The Fund Account Manager wrote demand letters to the contractors and suppliers. The CDFC through the FUND ACCOUNT MANAGER informed the Board of the situation and requested for approval for reallocation of project balances which the Board approved.

Committee Observations

143. The Committee observed that-

(i) Penalties levied by KRA were as a result of not submitting withholding tax in respect of contractors' payments. Therefore, KRA directly deducted the amount from the Constituency fund account.

(ii) KRA deducted the penalties without allowing time for the NG-CDF committee to seek approval for the reallocation from the NG-CDF Board.

(iii) KRA has since appointed Fund Account Managers as tax agents for purposes of withholding taxes.

Committee Recommendations

144. The Committee recommends that-

1) **The Accounting Officer ensures that all Fund Account Managers and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.**
2) **The Accounting Officer in liaison with the KRA put in place a periodic sensitization programme for all the Fund Account Managers and PMC on tax laws to enhance tax compliance by NG-CDF funded projects and service providers.**

3.2.1.5 Stalled projects

145. Audit verification revealed that two water projects at Junda and Bamburi were a total of Kshs. 471, 080 had been disbursed and paid to the contractors had stalled. No proper explanation was provided by the management on why the projects had stalled. In this circumstance, the propriety and value for money for the stalled projects could not be confirmed.

Submission by the Fund Account Manager

146. Ms. Fatma Abubakar, the Fund Account Manager submitted the status of the following projects as shown herein below: -

a) Junda_Borehole- As at the time of audit Junda Borehole was not complete as the contractor was not on site but later on, it was completed and in use.
b) Bamburi_Borehole- At the time of the audit the contractor had done some work and was paid Kshs. 271,000/-. After payment, the contractor abandoned the site with no communication. Attempts to reach the contractor were futile and the CDFC started the process of terminating the contract. At the time of the audit, the process of termination was still ongoing and after completion, the CDFC procured for a new contractor to finish the work. To date, the project was complete and in use.

Committee Observations

147. The Committee observed that-

(i) Junda Borehole and Bamburi boreholes were completed as per completion certificates submitted to the auditors and reviewed; and
(ii) The payment of Kshs. 271,000.00 to the contractor was based on a certificate raised by the works Officer. The contractor was previously engaged on Bamburi Borehole and abandoned the site. His contract was procedurally terminated and a new contractor was assigned to complete the works.

Inspection Visit by the Committee.

148. The Committee undertook an inspection visit on 22nd October ,2021 on Drilling of the Bamburi Borehole project where Kshs. 271,000 was paid in the F/Y 2013/2014 and the

project was terminated. There was no proper explanation provided by the management why the project stalled.

Committee Observations

149. The Committee observed that an amount of Kshs. 271,000 was paid to the contractor and the project had stalled.

Committee Recommendation

150. **The Committee recommends that** the Fund Account Managers should ensure that **payments for works done must be based on completion certificates issued by the works officer. The projects must be implemented as per the specifications under the BQs and funds should be retained for the defect liability period.**

3.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

151. The Auditor General raised four issues during the examination of the 2014/2015 financial statements of Kisauni Constituency.

3.2.2.1 Transfers from the CDF

152. The statement of receipts and payments for the year ended 30th June 2015 reflected a balance of Kshs. 118, 712,100 in respect of transfers from the Constituencies Development Fund Board. However, according to the disbursements as per the Ministry of Devolution which is the parent Ministry, a total of Kshs. 123, 694,606 was disbursed to Kisauni CDF during the financial year under audit resulting in unreconciled and unexplained variance of Kshs. 4,982,506. In the circumstances, the accuracy and completeness of the transfers from Constituencies Development Fund Board balance of Kshs. 118, 712,100 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

153. Ms. Fatma Abubakar, the Fund Account Manager stated that the amount received in FY 2014/15 was Kshs. 98,969,680 and was supported by copies of AIEs.

Committee Observations

154. The Committee observed that the exact amount transferred to the Kisauni constituency fund was Kshs. 118,712,100 and therefore there was no variation and the audit query is resolved.

3.2.2.2 Outstanding Imprest

155. As reported in 2013/2014, there was an outstanding imprest balance of Kshs. 174,801 whose detailed analysis was not provided for audit review. Under the circumstances, accuracy and validity of the outstanding imprest balance of Kshs. 174,801 as at 30 June 2015 could not be confirmed. Kshs. 174, 801 was an Imprest taken by the CDFC members long before the Fund managers were brought on board, and it took some time to trace the imprest holders and it was ultimately surrendered in March 2016.

Committee Observations

156. The Committee observed that-

(i) As at 30th June 2014, the Fund had a long outstanding imprest of Kshs. 174,801 which was surrendered in February 2016.

(ii) The audit issue is resolved

Committee Recommendations

157. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers adhere to Section 71 (2) of the PFM Act, 2012 Regulation 93 (5) and (6) of the PFM (National Government) Regulations 2015 on surrender of imprest. The**

Section provides that a public officer to whom cash advance is made shall account for the advance within 7 days after return to duty station.

3.2.2.3 Committee Expenses

158. Note 6 to the financial statements reflected a balance of Kshs. 4,573,080 for the year ended 30 June 2015 in respect to committee expenses. The committee expenses balance of Kshs. 4,573,080 includes committee allowances of Kshs. 1,518,770. However, committee allowances of Kshs. 1,518,770 exceeded the maximum payable allowance of Kshs. 1,128,000 by Kshs. 390, 770 as shown below.

Member	Number of Members	Rate per sitting (Kshs)	Maximum sittings	Amount Payable (Kshs)
Chairman	1	7,000	24	168,000
Other members	8	5,000	24	960,000
Total				**1,128,000**
Amount paid				**1,518,770**
Excess Allowance				**390,770**

159. This is contrary to Section 24 (12) of the CDF Act 2013 which states that "the Constituency Development Fund Committee shall meet at least six times in a year and not more than twenty-four times in every financial year including subcommittees". Consequently, the propriety and regularity of committee expenses of Kshs. 390,770 for the year ended 30th June could not be ascertained.

Submission by the Fund Account Manager

160. Ms. Fatma Abubakar, the Fund Account Manager submitted that there was no excess payment of sitting allowance as the amount of Kshs. 390,770 included allowances paid for both Sitting allowances for main CDFC meetings and some committee expenses for the FY 2013/ 2014 having been paid as follows: -

Main CDFC Committee 2013/14
Kshs. 106,000 - sitting allowance
Kshs. 135,000 - sitting allowance
Kshs. 255,770 - Committee expenses
Total – Kshs. 390,770

Committee Observations

161. The Committee observed that-

(i) The committee expenses had been carried forward from FY 2013/ 2014;
(ii) At the time of the audit, supporting documents on these payments had not been provided for audit review; and
(iii) The explanation by the Fund Account Manager was satisfactory.

Committee Recommendations

162. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 43(11) of NG-CDF Act, 2015 on the number of meetings by the constituency committees and sub-committees**

3.2.2.4 Budget Control and Performance

163. The summary statement of appropriations reflected the final budget balance of Kshs. 119,715,564 comprising of the 2014/2015 approved budget of Kshs. 98,969,680 and Kshs. 20,745,884 being balance for 2013/2014. However, the total expenditure for the period under audit was Kshs. 99,856,293 leaving a balance of Kshs. 19,859,271 unutilized. The underutilization of the funds may have impacted negatively on the delivery of goods and services to the citizens of Kisauni.

Submission by the Fund Account Manager

164. Ms. Fatma Abubakar, the Fund Account Manager stated that the underutilization of funds was caused by a delay in the disbursement of funds.

Committee Observations

165. The underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury. The explanation by the Fund Account Manager was satisfactory.

Committee Recommendations

166. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursements of money to the Constituencies**

3.2.2.5 Project verifications

No	Project	Cost (Kshs)	Activity	Observation	Current status	Evidence
1.	Junda Primary School	30,342,420	Construction of 8 classrooms, administration block, 2 toilets, fencing	However, the inspection revealed that window grills that were included in the bills of quantities had not been fixed on classroom windows and were lying in the school	The window grills were not fixed due to the ministry directive that the classes were not supposed to have grills. Though they were already included in the BQ. The adm block, 2 toilets and fence were now Complete and in use	Photo

No	Project	Cost (Kshs)	Activity	Observation	Current status	Evidence
				compound.		
2.	Junda Heath Centre	4,482,595	Construction of two-bedroom prefabricated staff house	not occupied	The staff house had been handed over to the Country and it is Complete and in use	Photo
3.	Tree planting		Supply & planting of Trees	Audit inspection at Junda Primary School one of the beneficiaries of the project revealed that some of the seedlings delivered had not been planted.	The already delivered trees were later planted	Photo
4.	Road Project (various roads)	17,7092,58	Laying of cabro and Grading	The CDF should hand over the projects to the County Government for maintenance and upgrading.	The roads were handed over to the County Government for maintaining ace and upgrading.	Photo

Committee Observations

167. The Committee observed that-

(i) Window grills at Junda Primary School would not be fixed due to Ministry of Education directives that windows cannot have grills for safety reasons.

(ii) Photos provided as evidence to support Tree planting were not dated therefore it could not be verified that the trees had been planted.

Committee Recommendations

168. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager disposes the window as per the provisions of the public procurement and assets disposal act, 2015 and proceeds be credited to the account of the constituency as per Section 36(6) of the NG-CDF Act, 2015. The Accounting Officer**

is to submit a report on the same to the auditor-general within three months of the adoption of this report.

Inspection Visits by the committee.

169. The committee undertook inspection visits on 22nd and 23rd October 2021, on the following projects:

Construction of eight classrooms, administration block, two toilets and fencing at Junda Primary School at a cost of Kshs. 43,110,560.

Committee Observations

170. The committee observed that the project was complete except that the window grills that were included in the bills of quantities had not been fixed on classrooms windows and were lying in the school compound.

Construction of a two-bedroom prefabricated staff house at Junda Health Centre at a cost of Kshs. 4,482,595

Committee Observations

171. The committee observed that:

(i) The project was completed in August, 2014.

(ii) The project had not served its intended purpose since the facility has been turned into a VCT Centre and a mini-theatre.

3.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

172. The Auditor General raised four issues during the examination of the 2015/2016 financial statements of Kisauni Constituency.

3.2.3.1 Bank balances

173. The statement of financial assets reflected bank balances of Kshs. 27, 926,611.64 as at 30 June 2016. However, an audit review of the bank reconciliation statement as at 30 June 2016 revealed that included in the bank reconciliation statement were stale cheques totalling Kshs. 113,080.46 and bank charges of Kshs. 30,369.050 which had not been reversed or recorded in the cashbook as at 30 June 2016. Although FUND ACCOUNT MANAGER indicated that the cashbook was subsequently updated, it had not been clearly explained why this was done after the year ended. Consequently, the accuracy and completeness of bank balance of Kshs. 27, 926,611.64 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

174. Ms. Fatma Abubakar, the Fund Account Manager submitted that the bank reconciliation statement revealed the balance as per cashbook as Kshs. 27,926,611.64 and stale cheques of Kshs. 113, 080.46 and bank charges of Kshs. 30,369.05 as at 30th June 2016. The stale cheques had been reversed and replaced and the cashbook updated. It was noted that the anomaly would be corrected. There were incidences where physical cheques were not available including Bank reconciliation (showing reversal of stale cheques and bank charges), Cashbook extract and Bank statements.

Committee Observations

175. The Committee observed that-

(i) The Fund had stale cheques which had not been reversed to the cashbook and unrecorded bank charges.

(ii) The cashbook extract had not been provided to the auditor for audit verification.

(iii) The audit query is unresolved.

Committee Recommendations

176. The Committee recommends that-

(i) The Accounting Officer ensure that all Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4) of the PFM (National Government) Regulations 2015.

(ii) The Accounting ensures that, within three months of the adoption of this report, the Fund Account Manager acts appropriately to resolve the outstanding audit issue including availing of cashbook extract to the auditors as provided under Section 68(2) (l) PFM Act, No. 18 of 2012.

(iii) **The Accounting Officer ensures that all Fund Account Managers maintain a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

3.2.3.2 Project Supervision cost

177. According to the statement of receipts and payments, transfers totalling Kshs. 83,160,791.39 were made during the year under review, out of which transfers to other government units totalled Kshs. 40,168,148.59 and other grants and transfers totalled Kshs. 42,992,642.80. Included in the disbursements of Kshs. 83,160,791.39 were transfers totalling Kshs. 67,146,604 to undertake various construction projects. However, Kisauni NG – CDF projects were supervised by a private firm contrary to Section 36 (1) of the NG- CDF Act, 2015 which provides that the projects shall be implemented with the assistance of the relevant Government department. Records availed for audit indicated that the firm quoted a consultancy fee of 4% of the project cost which implies that out of Kshs. 67,146,604 spent on construction projects, the firm charged Kshs. 2,685,684 for project management compared to free service offered by government agencies.

178. In addition, there was no evidence that the outsourcing of projects supervision was approved by the relevant government agency. Consequently, the irregularity of expenditure amounting to Kshs. 2,685,864 incurred on project supervision for the year ended 30th June 2016 could not be ascertained.

Submission by the Fund Account Manager

179. Ms. Fatma Abubakar, the Fund Account Manager submitted that the committee had followed the laid down procedures on the engagement of the private consultant who also worked in collaboration with the Department of Works. There was no Clerk of Works at that time and there were delays in getting the BQs and supervision from the Ministry of Public Works. She further submitted that the amount paid to the consultants had supported the document and that the consultant was engaged competitively. In addition, the committee had the approval of the department of works to use a private firm hence endorsement of BQ's and Drawings was done before the commencement of works and that they used both the private firm and the department of works in all their projects. These projects were legally supervised, money properly accounted for and the consultant was competitively engaged.

Committee Observations

180. The Committee observed that Kisauni NG – CDF projects were supervised by a private firm in contravention of the NG- CDF Act, 2015.

Committee Recommendations

181. **The Committee recommends that the accounting officer ensures that all Fund Account Managers always engage and seek assistance from the relevant Government**

departments in project implementation as per Section 36(1) of the National Government Constituency Development Fund Act, 2015.

3.2.3.3 Budgetary Controls and Performance

182. According to the National Government Constituency Development Fund Board's appropriations, NGCDF- Kisauni Constituency was allocated Kshs. 132,445,962 during the financial year 2015-2016 representing a 34% rise compared to the 2014/2015 allocation of Kshs. 98,969,680. During the financial year, the NGCDF – Kisauni Constituency received Kshs. 100,307,803 from the National Government Constituencies Development Funds Board representing 76% of the final budget. The CDF – Kisauni Constituency overall budget for the year under review was Kshs. 132,445,962 against total expenditure of Kshs. 111,925,376 resulting in under absorption of Kshs. 20,520,586 or 15%.

Committee Observations

183. The Committee observed that underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received at the end of the financial year and therefore the projects could not utilize all the funds within a few days, hence the audit query is resolved.

Committee Recommendations

184. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.2.3.4 Project verifications report and their status as submitted by the Fund Account Manager

Project	Cost (Kshs)	Activity	Observation	Current status
Lighting Projects	3,789,100	Supply and installation of 2 urban high mast lighting	At the time of project verification, all the lights were not functioning.	At the time of the audit, they were faulty but they were rectified and they had been handed over to the County Government for maintenance they were now Complete and in use
Water boreholes at; Junda, Mjambere, Mtopanga, Magogoni and Shanzu	1,643,844	Supply and install solar pumps	All the solar-powered water pumps were not functioning at the time of project verification.	They had been handed over to the County Government for maintenance and were all later on fixed and were now Complete and in use
Mjambere / Junda Drainage,	1,565,000	Construction of the vertical	The vertical drains were all	The soil and trash were removed and they were now Complete

Mjambere / Mishomoroni, Mjambere Drainage and Mjambere Drainage		drains	clogged with soil and trash The projects were not branded	and in use, they had been handed over to the County Government for maintenance

Committee Observations

185. The Committee observed that the projects were satisfactorily undertaken and the issue resolved.

Committee recommendations

186. **The Committee recommends that the Accounting Officer ensures that all the Fund Account Managers adhere to the project implementation schedule and a certificate of completion issued for every completed project.**

3.3 MVITA CONSTITUENCY

187. Ms. Monica Mwai, the current Fund Account Manager from June 2018 to date appeared before the Committee on 29th September, 2020 to respond to the audit Matters raised by the Auditor General on audited accounts for Mvita Constituency for the financial years 2013/14, 2014/15 and 2015/16 and was accompanied by:

1. Mr. James Chebii, Ag. Manager Field Financial Services
2. Ms. Christine Mwangolo, Ag. Manager Field Operations
3. Ms. Gloria Mwasi, Former Fund Account Manager from January 2007 to May, 2018.

3.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

188. The Auditor General flagged out three audit Matters during the examination of 2013/2014 financial statements of Mvita Constituency.

3.3.1.1 Transfer to other government institutions.

189. Information availed for audit in respect of transfers to other government entities amounting to Kshs. 20,172,661 indicated that as at 30 June 2014 only payments amounting to Kshs. 5,631,193 had been accounted for leaving a balance of Kshs. 14,541,468 unaccounted for. Consequently, the propriety of the transfers to other Government entities for the year ended 30 June amounting to Kshs. 14, 541,468 could not be confirmed.

Submission by the Fund Account Manager

190. Ms. Monica Mwai, the Fund Account Manager submitted that the unaccounted balance of Kshs. 14,541,468 represent disbursed funds but remained unspent as at 30th June 2014 and was made up of the following expenditure in the following schools:

i. Sacred Heart Primary - Kshs. 295,034.95
ii. Ganjoni Primary – Kshs. 295,034.95
iii. Mary Cliff – Kshs. 295,034.95
iv. Kaloleni Primary – Kshs. 295,034.95
v. Tom Mboya Primary – Kshs. 295,034.95
vi. Tudor Primary – Kshs. 295,034.95
vii. Sparki Primary – Kshs. 295,034.95
viii. St. Augustine – Kshs. 295,034.95
ix. Bahari Primary – Kshs. 295,034.95
x. Serani Primary – Kshs. 295,034.95
xi. Ziwani Primary – Kshs. 295,034.95
xii. Bondeni Primary – Kshs. 295,034.95
xiii. Mombasa Primary – Kshs. 295,034.95
xiv. Star of the Sea – Kshs. 295,034.95
xv. Burhaniya Primary – Kshs. 295,034.95
xvi. Ronald Ngala Primary – Kshs. 295,034.95

xvii. Makande Primary – Kshs. 295,034.95
xviii. Makupa Primary – Kshs. 295,034.95
xix. Kikowani Primary – Kshs. 295,034.95
xx. Ziwani for the Deaf – Kshs. 295,034.95
xxi. Fahari Primary – Kshs. 295,034.95
xxii. Mbeheni Primary – Kshs. 295,034.95
xxiii. Majenjo Primary- Kshs. 295,034.95
xxiv. Mvita Primary – Kshs. 295,034.95
xxv. Mbarak Girls – Kshs. 295,034.95
xxvi. Allidina Visram – Kshs. 295,034.95
xxvii. Coast Girls – Kshs. 295,034.95
xxviii. Khamis High – Kshs. 295,034.95
xxix. Mama Ngina Girls – Kshs. 295,034.95
xxx. Mvita Boys – Kshs. 295,034.95
xxxi. Sacred Heart – Kshs. 295,034.95
xxxii. Serani Secondary – Kshs. 295,034.95
xxxiii. Sharriff Nassir Girls – Kshs. 295,034.95
xxxiv. Star of the Sea – Kshs. 295,034.95
xxxv. Tononoka Boys - Kshs. 295,034.95
xxxvi. Tudor Day – Kshs. 295,034.95
xxxvii. Makande Girls - Kshs. 295,034.95
xxxviii. Makupa Boys - Kshs. 295,034.9
xxxix. Sheikh Abdalla Alfarsy – Kshs. 295,034.95
xl. Sheikh Abdala Alfarsy Secondary School – Kshs. 3,035,105

191. She further submitted that all projects were complete and in use as supported by bank reconciliation statement, project bank statement and projects photos.

Committee Observations

192. The Committee observed that completion certificates had not been provided on the projects amounting to Kshs. 14,541,468 for audit verification hence the audit query stands unresolved.

Committee Recommendations

193. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails completion certificates to the Auditor-General within three months of the adoption of this report in compliance with the provisions of Section 68 of the PFM Act, No. 18 of 2012**

3.3.1.2 Other Grants and Transfers

194. Information availed for audit in respect of other grants and transfers amounting to Kshs. 45,436,749 for the year ended 30 June 2014 indicated that only payments amounting to Kshs.

20,820,000 had been spent and fully accounted for leaving a balance of Kshs. 24,616,749 unaccounted for. Consequently, the propriety of other grants and transfers amounting to Kshs. 24,616,749 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

195. Ms. Monica Mwai, the Fund Account Manager submitted that the balance of Kshs. 24,616,749 included Kshs. 11,149,749 for bursary in tertiary institutions and Kshs. 3,740,000 were bursaries for secondary schools as supported by acknowledgments and receipts.

196. The Fund Account Manager further submitted that a total of Kshs. 1,006,000 was for the mocks project and an amount totalling to Kshs. 2,100,000 was for six (6) boreholes projects which were as follows: -

1) Ganjoni Borehole - Kshs. 350,000
2) Mwembe Tayari – Kshs. 350,000
3) Old Town Borehole – Kshs. 350,000
4) Tononoka Borehole – Kshs. 350,000
5) Majengo borehole – Kshs. 350,000
6) Tudor Borehole – Kshs. 350,000

197. She further stated that the Emergency projects of Kshs. 3,441,000 were for St. Augustine Primary School and the amount of Kshs. 3,180,000 was for road projects. All projects were complete and in use.

Committee Observations

198. The Committee observed that Kshs. 24,616,749 payments for various projects were completed but certificates were not availed to the Auditor as at 30th June 2014 and during the examination of the accounts by the committee. However, the certificates were later availed and verified by the auditors.

Committee Recommendations

199. **The Committee recommends that:**

ii. **The Accounting Officer ensures that the Fund Account Manager avails completion certificates to the Auditor-General within three months of the adoption of this report in compliance with the provisions of Section 68 of the PFM Act, No. 18 of 2012; and**

iii. **The Accounting Officer ensure that all the Fund Account Managers adhere to the project implementation schedule and a certificate of completion issued for every completed project.**

3.3.1.3 Cash and Cash Equivalents-Bank Balance.

200. Excluded in the cash and bank balances of Kshs. 18,434,648 as at 30 June 2014 were stale cheques amounting to Kshs. 586,846 which had not been reversed in the cashbook, bank

payments amounting to Kshs. 4,954,520 and bank deposits amounting to Kshs. 161,801 all of which remained unrecorded in the cashbook for an inordinately long period.

Submission by the Fund Account Manager

201. Ms. Monica Mwai, the Fund Account Manager submitted that Kshs. 586,846 were stale cheques mostly for bursaries and had not been replaced by 30th June 2014 but had since been reversed. Kshs. 4,954,520 payments represented money that was deducted by KRA, bursaries to overseas students and bank charges which had since been recorded in the cashbook. Bank deposits of Kshs. 161,801 were unpaid bursaries to overseas students given in the form of banker's draft but never paid. The deposits had since been recorded in the cashbook as supported by the cashbook extract.

Committee Observations

202. The Committee observed that-

(i) The Fund had stale cheques which had not been reversed to the cashbook and other unrecorded payments and deposits that had been outstanding for more than a year; and

(ii) The NG-CDFB had not issued guidelines on who is eligible for bursaries, hence the constituency had utilized Kshs. 161,801 as bursary to cater for tuition and overseas students.

Committee Recommendations

203. The Committee recommends that-

i. **The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 100 and 101(4);**

ii. **The Accounting Officer ensures that the Fund Account Manager acts appropriately to resolve the outstanding audit issue as provided under Section 68(2) (l) PFM Act, No. 18 of 2012; and**

iii. **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

3.3.1.4 Unrecorded Direct Bank payments.

204. Information availed for audit reflected unrecorded direct bank payment amounting to Kshs. 4,425,895 in respect of recoveries by the Kenya Revenue Authority being principal payments and penalties for withholding taxes not deducted on payments made to contractors. However, the management had neither provided documentary evidence on how the money would be recovered from the contractors nor on how the affected project activities would be

funded. Further, the management had not explained why the payments were not recorded in the cashbook as at 30 June 2014. Consequently, the validity and accuracy of the cash and bank balances of Kshs. 128,434,648 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

205. Ms. Monica Mwai, the Fund Account Manager submitted that the direct payments amounting to Kshs. 4,425,895 had now been recorded in the cashbook. The contractors were notified about the deduction. The management had since started deducting and remitting 3% withholding tax to avoid future penalties. The matter was reported to the CDF Board to assist in recovery. CDFC requested the National Assembly to allocate extra Kshs. 4,425,895 in the subsequent financial year so that Mvita could realize the shortfall. Overall, no projects stalled due to the deductions. The affected projects were fully funded, completed and in use. The management had lodged complaints to KRA asking them to refund the monies back but had not succeeded.

Committee Observations

206. The Committee observed that-

(i) The unrecorded direct bank payment was a deduction by Kenya Revenue Authority being principal payments and penalties for withholding taxes not deducted on payments made to contractors;

(ii) The contractors were notified about the deduction and the Fund had since started deducting and remitting 3% withholding tax to the Kenya Revenue Authority; and

(iii) The audit query is resolved.

Committee Recommendations

207. The Committee recommends that-

iv. **The Accounting Officer ensures that all the Fund Account Managers and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.**

v. **The Accounting Officer in liaison with the KRA put in place a periodic sensitization programme for all the Fund Account Managers and PMC on tax laws to enhance tax compliance by NG-CDF funded projects and service providers.**

3.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

208. The Auditor General raised three audit Matters during the examination of financial statements for Mvita Constituency for the financial year 2014/2015.

3.3.2.1 Committee expenses.

209. Note 6 to the financial statements reflected a balance of Kshs. 1,970,100 for the year ended 30 June 2015 in respect of committee expenses. The committee expenses balance of Kshs. 1,970,100 included committee allowances of Kshs. 1,686,100. However, according to section 24(12) of the CDF Act 2013, committee allowances of Kshs. 1,686,100 exceeded the maximum payable allowance of Kshs. 1,128,000 by Kshs. 558,100. Consequently, the propriety and regularity of committee expenses of Kshs. 558,100 for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

210. Ms. Monica Mwai, the Fund Account Manager stated that the allowances paid amounting to Kshs. 558,100 were committee expenses under the monitoring and evaluation vote which did not have a ceiling on the number of monitoring activities. Attendance schedules and monitoring reports supported the expenditure.

Committee Observations

211. The Committee observed that-

(i) The Fund did not exceed the maximum payable on committee expenses as an amount of Kshs. 558,100 was paid under a monitoring and evaluation vote that did not have a ceiling.

(ii) The Fund Account Manager's explanation was satisfactory.

Committee Recommendations

212. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 43(11) of NG-CDF Act, 2015 on the number of meetings by the constituency committees and sub-committees**

3.3.2.2 Other Grants and Transfers.

213. The statement of receipts and payments reflected a balance of Kshs. 48,485,292 for the year ended 30 June 2015 in respect of other grants and transfers. According to Note 8 to the financial statements, other grants and transfers balance Kshs 48,485,292 included Kshs. 5,982,759 in respect of health projects and Kshs. 3,056,769 in respect of emergency projects. Health projects included Moroto toilet constructed at Kshs. 1,000,000 which the audit verification of the project revealed that although the toilet was completed it was not in use due to lack of water.

214. Similarly, among the projects under emergency was the construction of Sparki Jua Kali sheds at a cost of Kshs. 2,000,000 which the project verifications revealed that it was started

in February 2016 but had been planned to be completed in the year under review. As at the time of the audit, the project was incomplete - at the foundation level. It was not clear and the management had not explained the need for the idle resources. Further, the management had not explained why the project had not been completed as scheduled.

215. In the circumstances, the citizens of Mvita Constituency may not have obtained value for money on the two projects done in the year under review.

Submission by the Fund Account Manager

216. Ms. Monica Mwai, the Fund Account Manager submitted that at the time of the audit, Moroto toilet was complete but was not in use due to lack of water but at the same time they had drilled the borehole and was in use. The delay in completing the Jua kali shade project was occasioned by land issues among the Jua kali members but the project was later completed and in use.

Committee Observations

222. The Committee observed that the Moroto toilet and the Jua Kali shade are complete and in use and the audit issue is resolved.

Committee Recommendations

223. **The Committee recommends that-**

1) **The Accounting Officer ensures that all the Fund Account Manager and PMCs undertake feasibility studies and due diligence on land ownership prior to undertaking projects for their smooth implementation.**
2) **The Accounting Officer ensures that the Fund Account Manager avails completion certificates to the Auditor-General within three months of the adoption of this report in compliance with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

3.3.2.3 Budget Controls and Implementation.

224. According to the Year 2014/2015 approved budget, the Constituencies Development Fund-Mvita Constituency had a total budget of Kshs. 92,487,081. However, the summary statement of appropriation reflected a total budget of Kshs. 141,809,830 resulting in an unreconciled or unexplained variance of Kshs. 49,322,749.65. It was not clear and the management had not explained or reconciled the variance of Kshs. 49,322,749.65. In the circumstances, it had not been possible to ascertain the correct status of the budget figure of Kshs. 141,809,830 in the statement of appropriation for the year ended 30 June 2015.

Submission by the Fund Account Manager

225. Ms. Monica Mwai, the Fund Account Manager submitted that Mvita constituency had been allocated Kshs. 92,487,081 in Financial Year 2014/2015. However, this budget was

adjusted by Kshs. 49,322,749.65 which was composed of opening balance as at 1st July 2014 of Kshs. 18,434,648.65 and Kshs. 30,888,101 received during the financial year but related to previous financial years i.e., 2013/2014 (Kshs. 29,388,100.50) and 2010/2011(Kshs. 1,500,000). The variance of Kshs. 49,322,749.65 was meant for the following projects: -

i. Emergency - Kshs. 564,466
ii. Environment – Kshs. 1,209,869
iii. Bursary – Kshs. 6,681,007
iv. Sharrif Nassir Girls perimeter wall – Kshs. 3,500,000
v. Mvita Primary perimeter wall – Kshs. 2,500,000
vi. Serani Primary perimeter wall - Kshs. 2,000,000
vii. Sacred heart perimeter wall – Kshs. 1,000,000
viii. School Libraries – Kshs. 950,000
ix. Pre-fabricated House – Kshs. 4,482,759
x. Moroto toilets - Kshs. 1,000,000
xi. Mburukenge Toilets – Kshs. 500,000
xii. Ronald Ngala Social Hall and Offices – Kshs. 5,000,000
xiii. Mwembe Kuku upgrading – Kshs. 1,000,000
xiv. Mombasa Arts Talent Centre – Kshs. 500,000

Committee Observations

226. The Committee observed that the unexplained difference of Kshs. 49,322,749.65 related to funds for the previous financial years received in the year 2014/15 hence audit query is resolved.

Committee Recommendations

227. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.3.2.4 Other Matter-Budget underutilization

228. Summary statement of appropriations reflected that the fund during the year had underspent on two budget items with a total of Kshs. 76,989,839 as indicated below: -

Vote	Budget	Actual expenditure	underutilization	% Age underutilization
Transfer to other govt entities	25,468,938	14,016,217	11,452,721	45
Other grants and transfers	109,990,915	44,453,797	65,537,118	60
Total	**135,459,853**	**58,470,014**	**76,989,839**	**57**

229. From the above analysis, the fund had a total under expenditure of Kshs. 76,989,839 representing 57% of the total adjusted budget as per the summary statement of appropriation. The underutilization of funds may have impacted negatively on the delivery of goods and services to the citizens of Mvita or may be an indication of over budgeting in the CDF hence the need to re-evaluate the budgeting process to focus on more priority areas as guided by public participation in budget making.

Submission by the Fund Account Manager

230. Ms. Monica Mwai, the Fund Account Manager, informed the meeting that the underutilization of the budget was due to the delay in disbursement of funds by the CDF Board and subsequent re-allocation of funds from one project to another.

Committee Observations

231. The Committee observed that-

(i) The underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received at the end of the financial year and therefore the projects couldn't utilize all the funds within the few days.

(ii) The audit query is resolved.

Committee Recommendations

232. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.3.2.5 Project Implementation

233. According to the project expenditure status report, out of thirty-four (34) development projects funded by CDF, twenty-one (21) with a total disbursement of Kshs. 27,188,850 had not been implemented. The funds disbursed to these projects had not been spent as at 30th June 2015. It was not clear and the management had not explained why public funds remained idle in the Project Management Committees bank accounts. Further, out of Kshs. 47,408,310 disbursed to various development projects during the financial year, only Kshs. 15,068,792 (32% of the disbursement) had been spent as at 30th June 2015.

234. Slow implementation of development projects affects service delivery to the public and the intended purpose of the project may take long to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

235. Ms. Monica Mwai, the Fund Account Manager submitted that the delay in the expenditure of funds was caused by a delay in receipt of funds from the CDF Board and long procurement processes. However, the projects were now complete and in use.

Committee Observations

236. The Committee observed that underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board, where funds were received at the end of the financial year making it impossible for the projects to utilize all the funds before the end of the financial year.

Committee Recommendations

237. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.3.2.6 Project inspection

238. Project inspection during the year under review indicated slow implementation of projects. Among the reasons given for slow or non-implementation of the projects was resistance from the community, and projects being funded by other donors or county government. This was an indication of a lack of proper consultation with the stakeholders before coming up with the project where funds were allocated to non-deserving projects at the expense of priority projects.

Submission by the Fund Account Manager

239. Ms. Monica Mwai, the Fund Account Manager submitted that due to the delay of receipt of funds from the CDF Board, doors ended up funding proposed projects thus resulting in reallocations. Further, stalemates that existed were sorted out and projects completed.

Committee Observations

240. The Committee observed that-

(i) The delay in the implementation of the projects was due to the late disbursement of funds by the NG- CDF Board and the National Treasury.

(ii) The projects are complete and in use.

Committee Recommendations

241. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies**

3.3.2.7 Project verifications

No	Project	Cost (Kshs)	Activity	Observation	Current status	Evidence
1.	Sparki Primary School	583,500	Painting and renovation of classroom	Incomplete wall partition cracked and dusty repaired floor	Complete and in use	Photo
2.	Tudor Primary school	295,034.95	Repair and renovation of classroom	The ceiling was loosely hanging	Complete and in use	Photo
3.	KMTC	4,500,000	Construction of prefabricated house	Construction started in February 2016, due to a land wrangle	Complete and in use	Photo
4.	Sparki Jua Kali	2,000,000	Construction of shade	Starting in February 2016	Complete and in use	Photo
5.	Sacred heart primary	1,000,000	Perimeter wall	Not started	Complete and in use	Reallocation letter
6.	Moroto Toilet	1,000,000	Construction of toilet	Complete but not in use; no water, borehole yet to be drilled	Complete and in use	Photo

Committee Observations

242. The Committee observed that-

(i) The anomalies that were noted were corrected within the defect's liability.

(ii) The projects are complete and in use.

(iii) The audit query is resolved.

Committee Recommendations

243. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager and PMCs be consulting and involving relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced. This is as per Section 36(1) and 46(1) of the National Government Constituency Development Fund Act, 2015.**

3.3.3 AUDIT MATTERS FO

244. The Auditor General raise for Mvita Constituency for

3.3.3.1 Bank balances

245. The statement of assets 1 2016 and revealed that 464,567.58 were stale che the cashbook as at 30th Jur receipts totalling Kshs. 2 since the years 2011 and 2 the unpresented cheques w

246. Further, examination of reflected the bank charge result, the bank charges ar

247. Consequently, the bank b charges and similarly the Although the managemen not been explained why Consequently, the accurac 30th June 2016 could not b

Submission by the Fund

248. Ms. Monica Mwai, the F 167,647.98 had now bee were for cash banked in t were erroneously recorde in the cashbook.

Committee Observation

249. The Committee observed
(i) Stale cheques which h receipts that had b
(ii) The audit issue is

Committee Recommend

250. **The Committee recom Manager Keeps financ adhere to accounting s**

availed for audit verification. However, the documents were the auditors.

Committee Recommendations

258. **The Committee recommends that the Accounting Off Account Manager avails supporting documents for Ks for transport claim by Constituency Development Fu months of the adoption of this report.**

3.3.3.4 Project verifications

No	Project	Cost (Kshs)	Activity
1	Serani Primary School	583.300	Rehabilitation of a classroom and conversion into a community library
2	Mbeheni Primary School	583.300	Rehabilitation of a classroom and conversion into a community library
3	Ronald Ngala School	583.300	Rehabilitation of a classroom and conversion into a community library
4	Sacred Heart Primary School	583.300	Rehabilitation of a classroom and conversion into a community library
5	Makupa Primary School	583.300	Rehabilitation of a classroom and conversion into a community library
6	Tudor Primary School	583.300	Rehabilitation of a classroom and conversion into a community library
7	Serani Primary School	1,600,000	Conversion of Classroom into Library
8	Ganjoni Primary School	2,000,000	Construction of Toilets for Pupils
9	Tudor Primary School	3,590,000	Conversion of a classroom into a library
10	R.G. Ngala Primary School	2,940,00	Conversion of a classroom into a library
11	Tudor Police	2,402,567	Construction of a police booth

	School			but not stocked with reading materials
12	Old Town Police Project	3,352,565	Construction of a police booth	The conversion was complete but not stocked with reading materials
13	Majengo Police Booth	2,852,565	Construction of a police booth	The conversion was complete but not stocked with reading materials
14	Mburukenge Toilets	1,750,000	Construction of Public Toilet	The toilet was complete but not in use
15	Moroto Toilets	1,750,000	Construction of Public Toilet	The toilet was complete but not in use

259. **The Committee carried out a field visit on the NGCDF projects of Mvita Constituency from 7th to 12th December 2020 and observed the following: -**

(a) Construction of a police booth at Tudor Police at a cost of Kshs. 2,402,567.00

The project was commissioned in the 2015/2016 financial year to construct a police booth at Tudor Police Station. The project involved the construction of police booth, walling, plastering, solar fitting wiring, painting works, fixing of windows and doors, floor finishes and terrazzo. At the time of the visit the project was complete and in use.

(b) Construction of toilets for pupils at Ganjoni Primary School at a cost of Kshs. 2,000,000

The project was commissioned in 2015/2016 financial year to construct toilets for pupils. It entailed construction of 10 doors block of toilets and despite inadequate allocation of funds the projected was completed. During the inspection visit the project was complete and in use.

(c) Conversion of Classroom into Library at Serani Primary School at a cost of Kshs. 1,600,000

The project was commissioned in the 2015/2016 financial year to convert a classroom into a library at a cost of Kshs. 1,600,000. The project entailed the rehabilitation of one classroom to a community library where the project would benefit the school and the entire community. It consisted of equipping the library with chairs, study tables, bookshelves, stocking them with kindle readers and installation of the solar system to provide light. During the inspection visit, the conversion was complete but the library was not stocked with adequate reading materials.

(d) Construction of prefabricated house for KMTC at a cost of Kshs. 4,500,000

The project was commissioned in the 2014/2015 financial year to construct a prefabricated house for KMTC at a cost of Kshs. 4,500,000. The project started in June, 2015 with a two-bedroom house at KMTC. The project was delayed due to

land wrangles at KMTC and later the house was constructed at Mvita Clinic and had been completed and handed over and in use.

Committee Observations

260. The Committee observed that-

(i) The project details were not provided at the time of the audit. However, the project details had since been provided to the Auditor and verified and the audit query is resolved.

(ii) The projects had since been completed and are in use.

Committee Recommendations

261. **The Committee recommends Accounting Officer ensure that the Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012.**

3.4 NYALI CONSTITUENCY

262. Stella Tayo, the current Fund Account Manager since 2018 to date appeared before the Committee on 28th September, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Nyali Constituency and was accompanied by:
    i) Mr. James Chebii, Manager Field Financial Services
    ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
    iii) Mr. Mwalim Rashid, former Fund Account Manager from 2015 to 2016.
    iv) Mr. Peterson Munyao, former Fund Account Manager from December 2013 to August 2014.
    v) Mr. Kenneth Martin Amanya, former Fund Account Manager from September 2014 to July 2015

3.4.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

263. The Auditor General flagged out two audit Matters during the examination of 2013/2014 financial statements of Nyali Constituency.

3.4.1.1 Transfers to other government units and other grants and transfers

264. According to the statement of receipts and payments, the Constituency Development Fund Committee transferred Kshs. 2,425,555 and Kshs. 15,081,450 being transfers to other Government units and other grants and transfers respectively for various projects during the year. However, project expenditure status reports supporting this expenditure as reported in the financial statements were not availed for audit review. In the circumstance, the accuracy, completeness and propriety of the expenditure of Kshs. 2,425,555 and Kshs. 15,081,450 for transfers to other Government units and other grants and transfers respectively for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

265. The Fund Account Manager, Ms. Stella Tayo submitted that the transfer to Other Government Units Kshs. 2,425,555 was for Kongowea primary school for the construction of two storey classrooms block, the project was now complete and the project expenditure returns had been availed to auditors for verification.

Committee Observations

266. The Committee observed that:
    1) The status report for the project expenditure of Kshs. 2,425,555 on Kongowea primary school was not provided at the time of audit; and
    2) The project is now complete and use, and completion certificates were availed and reviewed by the Auditors.

Committee Recommendations

267. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.**

3.4.1.2 Other Grants and transfers

268. For the Kshs. 15,081,450 the expenditure breakdown of funds and the status of the projects were as below-

Project	Amount	Status
Bursary	6,321,000	Provided list of beneficiaries and receipts from the institution
Kwa Bulo Water Project	312,500	Complete and in use
Ziwa La Ng'ombe Mkunguni water project	312,500	Complete and in use
Mkomani Majengo Mapya	312,500	Complete and in use
Frere town water project	312,500	Complete and in use
Nyali Constituency Sports	420,628	Implemented
Nyali Constituency Sports	441,002	Implemented
Kadzandani High mast lights	2,810,660	Complete and in use
Kongowea High mast lights	2,810,660	Complete and in use
Tree Planting	500,000	Implemented
Repair of CDF office drainage	374,500	Office drainage repaired
Murraming of Mlaleo CDF Hospital Road	153,000	Mlaleo CDF Hospital Road murram

Committee Observations

269. The Committee observed that:
    1) The status report for the project expenditure of Kshs. 15,081,450 was not provided at the time of audit: and
    2) The projects are now complete and use, and completion certificates were availed and reviewed by the Auditors.

Committee Recommendations

270. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.**

3.4.1.3 Cash and Cash Equivalent

271. Included in the statement of financial assets and liabilities were cash and cash equivalents balances of Kshs. 4,279,495 as at 30th June, 2014. However, the balance of cash equivalents excluded undetermined balances of funds held in various project management committee's bank accounts as at 30 June, 2014. Consequently, the accuracy and completeness of cash and cash equivalent balance of Kshs. 4,279,495 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

272. Ms. Stella Tayo, the Fund Account Manager, submitted that the template as issued then did not require disclosure on PMC bank account balances hence the reason for non-inclusion. The records and copies of bank statements had been availed to the auditors for review.

Committee Observations

273. The Committee observed that the financial statement template did not require disclosure on PMC bank accounts as confirmed by the Auditor-General and audit issue is resolved.

Committee Recommendations

274. **The Committee recommends that the Accounting officer ensures that the Fund Account Manager keeps financial and other records accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 100 and 101(4).**

3.4.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

275. The Auditor General raised five audit Matters during the examination of the 2014/2015 financial statements of Nyali Constituency.

3.4.2.1 Outstanding imprest

276. According to Note 13 to the financial statements, an outstanding imprest balance of Kshs. 1,599,500 was due from one officer with multiple imprests. This is contrary to section 5.6.6 of the Government Financial regulations which require imprest to be surrendered before applying for an additional one. Consequently, the propriety and regularity of outstanding imprest balance of Kshs. 1,599,500 as at 30th June, 2015 could not be ascertained.

Submission by the Fund Account Manager

277. Ms. Stella Tayo, the Fund Account Manager submitted that imprests were issued due to overlapping activities. The surrender of imprests was done but not processed in time due to capacity and poor working conditions at the office. The imprests were eventually processed as evidenced by copy vouchers which were availed to the auditor for review.

Committee Observations

278. The Committee observed that-

(i) More than one imprest was issued in contravention of the PFM (National Government) 2015 on the issuance of temporary imprest.

(ii) The Fund Account Manager explained that the events were overlapping yet imprest warrants showed that the activities took place at different times.

(iii) The Fund Account Manager had paid airtime allowances to CDFCs ranging from Kshs. 15,000 to Kshs. 38,000 per month and whose rates had not been approved by the NG-CDF Board.

(iv) The delay in the surrender of imprests is attributable to lack of adequate capacity at the Constituency NG-CDF Office; and

(v) The accounting records of the fund at the Constituencies are maintained at the Sub-County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

279. The Committee recommends that-

1) **The Accounting Officer ensures that the Fund Account Manager adheres to the provisions of Section 71 (2) of the PFM Act, No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.**

2) **The NG-CDF Fund Board strengthens the NG-CDF Constituency Offices by devolving NG-CDF Treasury units to serve the Constituency Fund Offices better across all the Regions.**

3) **The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

3.4.2.2 Transfers from CDF Board

280. The statement of receipts and payments for the year ended 30th June 2015 reflected a balance of Kshs. 88,776,725 in respect of transfers from the Constituency Development Fund Board. However, according to the disbursement records of the parent ministry, a total of Kshs. 72,797,891.50 was disbursed to Nyali CDF during the financial year under audit resulting in unreconciled or explained variance of Kshs. 15,978,833.50. In the circumstances, the accuracy and completeness of the transfers from the Constituency Development Fund Board of Kshs. 88,776,725 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

281. Ms. Stella Tayo, the Fund Account Manager submitted that the transfers from the Constituency Development Fund Board for Financial Year 2014/2015 as at 30th June 2015 were Kshs. 88,776,725 as shown below-

Date	AIE No	Amount (Kshs)
30/10/2014	A750309	40,553,645.40
25/02/2015	A796685	24,111,540.00
15/06/2015	A797230	24,111,539.50
	TOTAL	88,776,725

Committee Observations

282. The Committee observed that the exact amount transferred to the Nyali constituency fund was Kshs. 88,776,725 and therefore there was no variation.

3.4.2.3 Transfers to other Government Units

a) **Mkomani Primary School**

283. Included under note 7 to the financial statements was a transfer to the primary school's balance of Kshs. 18, 579,656. This included a project that was allocated Kshs. 10,105,802 for the construction of a new primary school at Mombasa Showground. According to the project's bank account statement, the funds were disbursed on 23 December 2014. However, as at April, 2015, the funds had not been spent.

284. The information available indicated the Constituency Development Fund Committee (CDFC) requested for the funds to be reallocated to Maweni Secondary School after failing to secure land for the construction of the primary school. This may imply that

there were no adequate consultations with relevant stakeholders before allocating funds to the project. Consequently, public funds were kept idle at the expense of more deserving intervention for improving the supply of goods and services to the residents.

Submission by the Fund Account Manager

285. The Fund Account Manager submitted that the anomaly had been noted and subsequently, no projects were being undertaken without consultations from the relevant Government Departments. Funds were reallocated to construct Maweni Secondary School and a letter of approval to re-allocate from the Board was provided as evidence.

Committee Observations

286. The Committee observed that-

(i) Kshs. 10,105,802 disbursed on 23rd December 2014 for the construction of a new primary school at Mombasa Showground had not been spent as at April, 2015. The funds were reallocated to construct Maweni Secondary School.

(ii) The CDF Board approved the funds for the school at the showground before land ownership had been addressed. This resulted in the re-allocation of the funds.

(iii) The audit issue is resolved.

Committee Recommendations

287. The Committee recommends that-

1) **The Fund Account Managers ensures that Constituency Development Fund Committee undertakes due diligence on land acquisition before the commencement of any project; and**
2) **The Accounting Officer ensures that all Fund Account Managers and PMCs involve the public in the identification and submission of projects as required by Section 27 of the NG-CDF Act, 2015.**

b) **Bamburi Health Centre**

288. Included under note 7 to the financial statements was a transfer to health institutions of Kshs. 6,294,132, included in this was a conditional grant amounting to Kshs. 4,482,759 for the construction of a pre-fabricated staff house at Bamburi Health center. However, the audit inspection at the health center revealed that although funds were disbursed to the project in December 2014, no work had commenced. Information availed indicated that the County Government had not yet approved the project and the officer in charge of health centres appeared not to be aware of project.

289. It was not clear how the CDFC expected to implement a project in the institution without the involvement of the institution's administration. The intended goal of the project would therefore take long to realize. Consequently, the validity of transfers to other Government units of Kshs. 24, 873,788 for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

290. Ms. Stella Tayo, the Fund Account Manager submitted that the anomaly had been noted and currently no project was being undertaken without consultations with the relevant Government Departments. The project had never kicked off and the funds for the project were still in the Project Management Committee account. The NG – CDFC in consultation with the County Government of Mombasa had requested for funds to be reallocated for the renovation of Maweni Dispensary.

Committee Observations

291. The Committee observed that-

(i) Kshs 4,482,759 for the construction of a fabricated staff house at Bamburi Health center was disbursed to the project in December 2014, but no work had commenced at the time of the audit.

(ii) The request for reallocation of an amount of Kshs. 4,482,759.00 was made on February, 2019 to the Board, 5 years after the money was allocated as a conditional grant from the Ministry of Health.

(iii) The Fund initiated the project without consultations with the County Government.

Committee Recommendations

292. **The Committee recommends that;**

1) **The Accounting Officer ensures that the Fund Account Manager and PMCs involve the public in identification and submission of projects as required by Section 27 of the National Government Constituency Development Fund Act, 2015; and**

2) **Within three months of the adoption of this report, the Accounting Officer ensures that the Board approves the request for reallocation of Kshs. 4,482,759.00 that was made in February 2019 to the Board.**

3.4.2.4 Other Grants and Transfers

293. Note 8 to the Financial Statements for the year ended 30th June 2015 reflected other grants and transfers balance of Kshs. 2,396,808. The following anomalies were observed-

a) Electricity Projects

294. Included in the other grants and transfers was an amount of Kshs. 7,000,000 for electricity projects. However, information availed indicated that this was the cost of street lighting materials which were handed over to a member of the County Assembly (MCA) for installation. In addition, there was no evidence of official handing over or agreement between the CDF and the MCA. It was not clear how the project materials were handed over to an individual instead of a County Government Official. Further, the materials were not recorded in form S13 (Goods Received Note) and issued through S11 (Issue Note) Contrary to Government Stores manual. The project files were also not

availed for audit verification. Further, audit inspection could not confirm the existence of the street lights as they were branded. The County Government also claimed to have installed street lights in the same area thus making it difficult to differentiate between the CDFs lights and the County Governments lights as all the street lights in the locations were similar. Consequently, the propriety of Kshs. 7,000,000 spent on the electricity Projects for the Year ended 30th June 2015 could not be ascertained.

Submission by the Fund Account Manager

295. Ms. Stella Tayo, the Fund Account Manager submitted that Kshs. 7,000,000.00 was for electricity projects in various wards within the constituency. The works were completed and a completion certificate was provided as evidence.

Committee Observations

296. The Committee observed that the Fund Account Manager did not provide evidence of completion of the project during the Audit. However, the works were completed and a completion certificate was later provided as evidence.

Committee Recommendations

297. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during the audit as required under section 9(1)(e) Public Audit Act, 2015.**

b) Emergency Project

298. Other Grants and transfers balance of Kshs. 20,396,808 includes Kshs. 3,850,575 for emergency projects. The emergency projects balance of Kshs. 3,850,575 included expenditures of Kshs. 1,810,575 for purchase of maternity equipment for Bamburi Health Centre. However, an audit inspection done in April 2016 revealed that the equipment had been lying in the store for one year since it was delivered.

299. In addition, the health facility had no maternity wing and it was not clear how the equipment would be utilized. The management had not explained why the emergency vote was utilized on a non-priority activity. Public funds may also go to waste if the equipment's lifespan expires. In the circumstances, the propriety, regularity and value for money for the purchase of the maternity equipment of Kshs. 1,810,575 in the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

300. Ms. Stella Tayo, the Fund Account Manager, submitted that the expenditure of Kshs. 1,810,575 was not from the emergency vote head but an allocation in the approved code list 2013/2014 of Kshs. 1,811,372 to equip the health center as per the Health Centre proposal.

301. Further, the purchase of maternity equipment was prioritized because the Health Center had confirmed to have been considered by a donor to construct the maternity therefore NG – CDF committed to buying equipment. However, the equipment came earlier than the construction of the maternity. The maternity wing has subsequently been constructed and the equipment was being used.

Committee Observations

302. The Committee observed that the maternity wing has subsequently been constructed and the equipment was being used.

Committee Recommendations

303. **The Committee recommends that in line with Section 46(2) of the NG-CDF Act, 2015 the Fund Account Manager and PMCs should always ensure that they consult and involve relevant Government departments in the implementation of projects.**

c) Bursary-Tertiary Institutions

304. Further, other grants and transfers also included a balance of Kshs. 2,730,000 as bursary of tertiary institutions. Included in this balance is a bursary of Kshs. 40,000 to Technical University of Mombasa. However, an audit done at the university revealed that student fees accounts of the bursary beneficiaries had not been credited with bursary received as detailed below:

Name	Reg.No	Bursary Awarded
Mutinda N. Thenya	BSOS/5109/10	10,000
Mbogho P. Amina	DCTM/0965/14	10,000
Kaema A. Mazera	DCDC/0045/13	10,000
Arido R. Akinyi	DHOM/1951/14	10,000
TOTAL		**40,000**

305. It was not clear whether the students were aware of the bursary money and why the university was taking long to credit the student's fees account. It should be noted that the students had not benefited from the bursary as long as the money had not been credited to their respective fees account. Consequently, the validity and propriety of bursary to tertiary institutions expenditure of Kshs. 40, 000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

306. Ms. Stella Tayo, the Fund Account Manager submitted that the NG – CDF Main account showed Cheque No. 1134 for Kshs. 90,000 for Technical University of Mombasa was credited. The Technical University of Mombasa students' accounts acknowledged that the money was received. The measure to avert this anomaly was

reached by issuing individual cheques to tertiary students and not blocking cheques to institutions.

Committee Observations

307. The Committee observed that:

1) Aat the time of the audit, the Fund Account Manager had not provided support documents for the expenditure. However, documents were availed and reviewed by the Auditors; and
2) The delays in submission of documents to the Auditor-General are attributable to the lack of adequate capacity at the Constituency NG-CDF Offices.
3) The accounting records and various supporting documents of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

308. **The Committee recommends that:**

1) **The Accounting Officer ensures all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFMAct, No. 18 of 2012;**
2) **The NG-CDF Fund Board strengthens the NG-CDF Constituency Offices by devolving NG-CDF Treasury units to serve the Constituency Fund Offices better across all the Regions; and**
3) **The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices**

d) Security

309. Note 8 to the financial statements included a security balance of Kshs. 1,262,133. This amount was for the construction of a police response center. However, an audit inspection done in April 2016 revealed that the project had not been implemented although funds were disbursed in December 2014. The management indicated that an additional Kshs. 3,659,125 had been allocated to the project in the financial year 2014/2015 to meet the total project cost. This was an indication of poor budgeting and the public funds lying idle at the expense of service delivery. Consequently, the validity of the security expense of Kshs. 1,262,133 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

310. The Fund Account Manager submitted that the police response centre had been completed and was in use.

Committee Observations

311. The Committee observed that-

(i) The security project took too long to be implemented despite being funded in December 2014 had not been implemented by April 2016.

(ii) The project was however completed and currently in use.

Committee Recommendations

312. **The Committee recommends that in line with Section 46(2) of the NG-CDF Act, 2015, the Accounting Officer ensures that the Fund Account Managers and PMCs consult and involve relevant Government departments in initiation, cost estimation, implementation of projects to ensure prioritization of deserving projects, adequate budgeting, and quality works is maintained.**

3.4.2.5 Budgetary Control and Performance

313. The summary statement of appropriation reflected a final budget of Kshs. 140,811,800.30 against the actual expenditure of Kshs. 48,417,877 resulting to the under-utilization of Kshs. 92,392,819.30 or 65% of the approved budget.

Submission by the Fund Account Manager

314. Ms. Stella Tayo, the Fund Account Manager, submitted that the NGCDFC utilized funds as and when received. The funds amounting to Kshs. 88,776,725 were received in 2014/2015 as follows:

Date	AIE No	Amount (Kshs)
30/10/2014	A750309	40,553,645.40
25/02/2015	A796685	24,111,540.00
15/06/2015	A797230	24,111,539.50
	Total	88,776,725.00

315. The under expenditure was occasioned by late receipt of funds and A.I.E.s as Kshs. 24,111,539 was received on 25/05/2015 in the bank while the A.I.E was received on 05/10/2015. Expenditure could not be incurred before receipt of A.I.E.

Committee Observations

316. The Committee observed that underutilization of funds was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received at the end of the financial year and therefore the projects couldn't utilize all the funds within a few days.

Committee Recommendations

317. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.4.2.6 Project Implementation

318. According to the Nyali CDF Project Implementation status report as at 30th June 2015, more than fifty-three (53) projects had not been implemented which included projects for the 2013/2014 financial year. In addition, according to the above project implementation status report, a total of Kshs. 34,169,750 disbursed to twelve (12) projects had not been implemented. This included projects for the financial year 2013/2014. Slow implementation of development projects affects the delivery of goods and services to the public and the intended purpose of the project may take a long to realize. It also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

319. Ms. Stella Tayo, the Fund Account Manager, submitted that all the projects for Financial Year 2013/2014 and 2014/2015 had since been implemented.

Committee Observations

320. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received at the end of the financial year and therefore the projects couldn't utilize all the funds within a few days.

Committee Recommendations

321. **The Committee recommends that-**

1) **The Accounting Officer ensures that the Fund Account Manager and PMCs undertake feasibility studies and due diligence on land ownership before undertaking projects for their smooth implementation.**
2) **The Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursements of money to the Constituencies**
3) **The Accounting Officer ensures that the Fund Account Manager avails completion certificates to the Auditor-General within three months of the adoption of this report in compliance with the provisions of Section 68 of the PFMAct, No. 18 of 2012.**

3.4.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

322. The Auditor General raised four audit Matters during the examination of the 2015/2016 financial statements of Nyali Constituency.

323. The Committee was informed that Mr. Mwalim Rashid Mrafi, the Fund Account Manager who served during the period July 2015 to July 2016 was on interdiction w.e.f. December, 2019 on matters under Kasarani Constituency and that his contract with the Board was not renewed. However, he appeared before the Committee pursuant to Article 226 (5) of the CoK which provides that- *"If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not"*.

3.4.3.1 Bank balances

324. The statement of assets reflected a bank balance of Kshs. 20,790,669 as at 30 June 2016. However, an audit review of the bank reconciliation statement as at 30 June 2016 revealed that included in the unpresented cheque amounting to Kshs. 22,830,611 were stale cheques totalling Kshs. 222,824 and which had not been reversed in the cashbook as at 30 June 2016. In addition, bank charges amounting to Kshs. 1,100 were not recorded in the cashbook and therefore were excluded from these financial statements. Consequently, the accuracy and completeness of bank balance of Kshs. 20,790,669 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

325. Mr. Mwalim Mrafi, the former Fund Account Manager submitted that the unpresented Cheques totalling to Kshs. 228,824 were reversed. Bank Charges amounting to Kshs. 1,100 were recorded in the Cashbook.

Committee Observations

326. The Committee observed that-

(i) The Fund had unpresented and stale cheques and unrecorded bank charges which had not been reversed as at 30 June 2016. The unpresented cheques were however reversed and bank charges recorded and the supporting documents provided and reviewed by the auditor.

(ii) The delayed reconciliation of financial statements including g reversal of stale cheques is attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

327. **The Committee recommends that;**

1) **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**
2) **The NG-CDF Fund Board to strengthen the NG-CDF Constituency Offices by devolving NG-CDF Treasury units to serve the Constituency Fund Offices better across all the Regions.**
3) **The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

3.4.3.2 Committee Expenses

328. Statement of receipt and payments for the year ended 30 June 2016 reflected a figure of Kshs. 5,882,783 in respect of the use of goods and services as detailed in note 5 to the financial statements. Included in this figure was an amount in respect of committee allowances amounting to Kshs. 708,000 which was paid to Constituency Development Fund (CDFC) members on 29 February 2016, the period when the CDFC had been disbanded. Although the management indicates the payment was for sittings held before disbandment, there was however no documentary evidence availed for audit to confirm this assertion. In the foregoing, the propriety and regularity of the committee allowance amounting to Kshs. 708,000 for the year ended 30 June 2016 could not be ascertained.

Submission by the Fund Account Manager

329. Mr. Rashid, the former Fund Account Manager submitted that the Constituency Committee minutes of 15/02/2016 approved the payments for several Committee activities carried out before the expiry of CDF Act, 2013 on 19th Feb 2016.

Committee Observations

330. The Committee observed that-

(i) The Fund Account Manager paid committee allowances amounting to Kshs. 708,000 to Constituency Development Fund (CDFC) members on 29 February 2016, yet the submitted payment voucher was dated 26th September, 2016.

(ii) Payment details and schedule for the payment of Kshs. 708,000 had not been provided for audit.

Committee Recommendations

331. **The Committee recommends that within three months of the adoption of this report, the Accounting Officer to ensure that the Fund Account Manager submits supporting documents, failure to which the matter be referred to EACC for further investigation.**

3.4.3.3 Statutory Deductions

332. The statement of receipts and payments for the year ended 30 June 2016 reflected the compensation of employees for Kshs. 1,036,920. Included in this figure were statutory deductions amounting to Kshs. 79,789 which were not remitted to relevant government agencies. In addition, there was no evidence of withholding taxes being deducted from contractors and remitted to Kenya Revenue Authority contrary to section 4 (1) of the Income Tax Rules 2001, which provides that a person who makes a payment of, or on account of, any income which is subject to withholding tax shall deduct tax therefrom in the amount specified. As a result, the management did not comply with the income tax requirements and possible fines and penalties accruing due to non-compliance were not provided for in these financial statements.

Submission by the Fund Account Manager

333. The Fund Account Manager reported that the statutory deductions were remitted to relevant government agencies as evidenced by the documents availed to the auditors for review. At the time, the Fund Manager was not a KRA agent which made it difficult to deduct and file withholding taxes for PMC contractors. However, KRA had since appointed Fund Account Managers as KRA agents and they now affect Projects Withholding tax deductions.

Committee Observations

334. The Committee observed that-

(i) At the time of the audit, the Fund Account Manager did not provide receipts showing remittance of Kshs.79, 789 as statutory deductions for compensation of employees. The documents had since been submitted to the auditor for audit review.

(ii) The explanation given by the Fund Account Manager was satisfactory.

Committee Recommendations

335. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFMAct, No. 18 of 2012.**

3.4.3.4 Budgetary Controls and Performance

336. The summary statement of appropriations: recurrent and development reflected final budget figure of Kshs. 193,462,572 where Kshs. 177,020,860 being 92% of the total budget allocated to projects as: Transfers to other government units totaling Kshs. 63,205,498 and other grants and transfers amounting to Kshs. 113,815,362. The National Government Constituency Development Fund (NG-CDF) – Nyali. Constituency received an allocation of Kshs. 48,223,080 is 25% of the budget for the financial under review. The CDF's actual expenditure was Kshs. 72,753,550 resulting to under absorption of Kshs. 120,709,021 or 62% as summarized below:

Budget Line	Final budget (Kshs)	Expenditure (Kshs)	Under-Absorption (Kshs)	Under-Absorption %
Compensation of employees	5,963,973	1,036,920	4,927,053	83%
Transfer to other government units	63,205,498	16,072,412	47,133,086	75%
Use of goods and services	10,327,739	5,882,783	4,444,956	43%
Other grants and transfers	113,815,362	49,622,075	64,193,268	56%
Acquisition of assets	150,000	118,750	31,250	21%
Other payments	0	20,610	-20,610	0%
Total	193,462,572	72,753,550	120,790,021	62%

337. The following were observations from the above summary;

i. The fund had a total under-expenditure of Kshs. 120,709,021 or 62% of the budget. This implies that public funds were lying idle at the expense of other deserving areas. The underutilization of the funds may have impacted negatively on the delivery of goods and services to the citizens of Nyali or may be an indication of over budgeting in the NGCDF hence there is a need to re-evaluate the budgeting process to focus on more priority areas as guided by public participation in the budget-making process

ii. In addition, the CDF was underspent by 75% and 56% on transfers to other government units and other grants and transfers respectively which represents project funds not disbursed for implementation. This may affect public service delivery to the residents of Nyali Constituency contrary to values and principles of public service as provided for under Article 232 (1) (c) of the constitution which requires responsive, prompt, effective, impartial, and equitable provision of services.

Submission by the Fund Account Manager

338. The Fund Account Manager submitted that out of the total final budget of Kshs. 193,462,572 CDFC received Kshs. 48,223,080 in 2015/2016, balance brought forward from the previous financial year was Kshs. 40,375,840 and other receipts Kshs. 32,000. Therefore, a total of Kshs. 88,630,927 was available to be spent in 2015/2016 leaving a balance of Kshs. 104,831,645 disbursed and utilized in the subsequent financial years.

Committee Observations

339. The Committee observed that underutilization of funds was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received at the end of the financial year and therefore the projects couldn't utilize all the funds within a few days.

Committee Recommendations

340. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.4.3.5 Project implementation

341. According to the project implementation status report as at 30 June 2016, thirty-three (33) projects with a total budget of Kshs. 53,812,286 were not implemented during the period under review. Records availed for audit review indicated that the funds for the above projects had been reallocated to other projects. This may imply that funds had been reallocated to other projects. This may imply that projects identified by the community were not implemented contrary to section 3 of the NGCDF Act, 2015 which provides that the objects under the Act are to provide for the participation of the people in the determination and implementation of the identified national government development project at the constituency level pursuant to Article 10(2) (a) of the Constitution.

342. None implementation of development projects affects service delivery to the public and the intended purpose of the project may not be realized. It also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

343. The Fund Account Manager submitted that the money allocated for these projects was reallocated to fund other projects and provided letters from the board to authorize re-allocation as evidence. The reallocations were done to ongoing projects approved in financial years 2013/2014-2015/2016.

Committee Observations

344. The Committee observed that-

(i) The slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had been completed and were in use; and

(ii) The funds reallocated to other projects were approved by the Board.

Committee Recommendations

345. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.4.3.6 Project Inspection

346. Out of eleven (11) projects inspected in March 2017, five (5) projects with a total cost of Kshs. 30,600,000 were found to have issues as indicated below: -

Project Name	Project Allocation (Kshs)	Observations
Frère Town Secondary School	21,000,000	No work was ongoing and information available indicates that the contractor left the site in April 2016. Public funds may go to waste
Ziwa La Ngombe Social Hall	1,300,000	The project was not branded and it was difficult to confirm whether the project was undertaken by NG - CDF
CDF Office	4,200,000	Signage of the ongoing work not erected as required by the regulations
Maweni Secondary School	3,800,000	Bills of quantities were not availed and it was difficult to verify the work done.
Kwa Bullo	300,000	The borehole had broken down and therefore the residents may not realize value for money
Total	30,600,000	

347. Although the management had indicated that branding of the projects was underway, it was difficult to confirm whether the projects were undertaken by the NG - CDF, County government, or any other Government agency. In addition, there was no evidence that Nyali NG - CDF had handed over the devolved projects including health facilities, water, roads and street lighting to the County Government of Mombasa which could affect the sustainability and maintenance of the projects.

Submission by the Fund Account Manager

348. The Fund Account Manager submitted that Frere Town Secondary School was completed and in use. Ziwa la Ngombe Social Hall had been completed and branded. The CDF Office was partially complete with two floors and Maweni Secondary School

Construction of Dining Hall was complete and in use. Kwa Bullo borehole was also now functional and currently being used by Kadzandani Mwatamba police post.

Committee Observations

349. The Committee observed that-

(i) At the time of the audit, project details had not been provided for audit review. However, the supporting documents were later availed and verified during the examination of accounts by the committee. The projects had since been completed and in use.

(ii) The delays in submission of documents to the Auditor-General are attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records and various supporting documents of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

350. **The Committee recommends that:**

1) **The Accounting officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFMAct, No. 18 of 2012; and**

2) **The NG-CDF Fund Board to strengthen the NG-CDF Constituency Offices by devolving NG-CDF Treasury units to serve the Constituency Fund Offices better across all the Regions. The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

3.5 CHANGAMWE CONSTITUENCY

351. Mr. Abdulhakim Ali, the current Fund Account Manager appeared before the Committee on 28th September, 2020 to respond to audit Matters raised by the Auditor General on the audited accounts of Changamwe Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:
    i) Mr. James Chebii, Ag. Manager Field Financial Services
    ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
    iii) Ms. Gloria Mwasi, Former Fund Account Manager (April 2016 to March 2017)
    iv) Mr. Kenneth Amanya, Former Fund Account Manager (July 2015 to August 2016)
    v) Mr. Mwalimu Rashid, Former Fund Account Manager (2013 to 2014)

3.5.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

352. The Auditor General flagged out five audit Matters during the examination of the financial statements of Changamwe Constituency in the year 2013/2014.

3.5.1.1 Other receipts

353. The statement of receipts and payments reflected a balance of Kshs. 1,180,717 in respect of other receipts. An audit review of the supporting schedule revealed that the amount relates to the reversal of six stale cheques that were issued. In addition, information available indicated that the undetermined value of receipts from the sale of tender documents was not included in the receipts to the fund for the year ended at 30th June 2014. Consequently, the accuracy and completeness of other receipts balance Kshs. 1,180,717 for the year ended 30th June 2014 could not be ascertained.

Submission by the Fund Account Manager

354. Mr. Mwalimu Rashid, former Fund Account Manager submitted that a review of available records indicates that the PMC sold seven (7) tender documents for Mwijabu secondary project. The funds were used by the PMC for their administration expenses. The management conducted training for PMC to avoid the use of proceeds on the sale of tender for PMC administrative expenses. The KMTC project sale of the tender was done in the subsequent financial year.

Committee Observations

355. The Committee observed that-
    (i) The Fund Account Manager did not provide the documents to show that the PMC expended the receipts as their administrative expenses; and
    (ii) Receipts from the sale of tender documents were used as administrative expenses by the PMC.

Committee Recommendations

356. **The Committee recommends that Accounting Officer should ensure that All Fund Account Managers bank all receipts as required by Regulation 62 of the PFM (National Government) Regulations of 2015.**

3.5.1.2 Committee Expenses

357. The statement of receipts and payments for the year ended 30th June 2014 reflected a balance of Kshs. 2,867,000 in respect of committee expense. However, information availed for audit indicated that included in the amount was sitting allowance amounting to Kshs. 60,000 paid to members of constituency's Uwezo Fund without any documented approval. The amount had not been reimbursed to the fund as at 30th June 2014.

Submission by the Fund Account Manager

358. The Fund Account Manager submitted that Section 3 of the Public Finance Management (Uwezo Fund) Regulation 2014 required the Constituency Development Fund Committee to provide administration support to Uwezo Fund Committee in each constituency. The amount was approved by the Committee via Minutes dated 6th June, 2014. A copy of the minutes and the Kenya Gazette Notice on The PFM (Uwezo Fund) Regulations 2014, Section 3 was submitted.

Committee Observations

359. The Committee observed that there existed a circular allowing the Fund Account Manager to facilitate members of Constituency's Uwezo Fund. However, this was not provided at the time of the audit but was later availed for audit verification.

Committee Recommendations

360. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

3.5.1.3 Transfers to Other Government Units

361. The statement of receipts and payment for the year ended 30th June 2014 reflected transfer to other Government units amounting to Kshs. 29,271,841. However, information availed for audit indicated that project design and drawing in respect of a project at Mreroni Primary School cost an amount of Kshs. 1,300,000 were missing. In addition, the roofing sheet used varied with the specification on the bill of quantities and the project was undertaken on privately owned land. Additionally, a transfer of Kshs. 400,000 to Miritini Primary School had no documentary evidence availed for audit review to support the transfer of the money.

362. Further, Kshs. 2,000,000 was indicated to have been transferred to Kajembe High School for construction of the Library and Laboratory. However, a site visit to the school revealed that neither the library nor the Computer Laboratory had been constructed. Under the circumstance, the propriety of transfer to other Government units amounting Kshs. 3,700,000 for the year ended 30th June 2014 could not be confirmed.

Submission by the Fund Account Manager

a) Mreroni Primary School

363. The Fund Account Manager submitted that the project had been designed by the Department of Public Works. The anomalies were noted like iron sheets used by PMCs and they had been trained to ensure compliance in the future. The institution is a public school that had been in existence since the late 90s and there had been no cases of the land dispute.

b) Miritini Primary School

364. The Fund Account Manager submitted that Kshs. 400,000 was disbursed to the school through a minuted resolution and the same was received by the school as indicated in the bank statement and copy of voucher availed to the auditor.

c) Kajembe High School

365. The Fund Account Manager submitted that Kshs. 2,000,000 was allocated to the School for Construction of a Library and Laboratory. The project was complete and in use.

Committee Observations

366. The Committee observed that-

(i) Supporting documents for the expenditure of Kshs. 1,700,000 for Mreroni and Miritini Primary school were not availed at the time of audit; and

(ii) Construction of a Library and Laboratory at Kajembe High School had been completed as per the issued completion certificate.

Committee Recommendations

367. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager ensures that payments for works done must be based on the completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds are retained for the defect liability period.**

3.5.1.4 Bank Balance

368. The statement of financial assets and liabilities as at 30th June 2014 includes bank balance of Kshs. 69,420,482. However, the bank balance excluded balances totaling Kshs. 14,298,766 held in eighteen (18) project management committees' bank account as

at 30th June 2014. This had effectively misstated the bank balances and total payments during the year. In addition, the bank balances excluded an unknown amount of money held in the Kenya Commercial Bank Limited for which no bank reconciliations or bank balance certificates were availed for audit review. Under the circumstance, the accuracy and completeness of the bank balance of Kshs. 69,420,482 as at 30th June 2014 could not be confirmed.

Submission by the Fund Account Manager

369. Mr. Rashid submitted that Kshs. 69,420,482 is the bank balance in the main account at the end of the financial year while the Kshs. 14,298,766 for 18 Project Management Committees is the bank balances in their respective project account at the end of the financial year. The financial statements were prepared based on transactions in the constituency account and all transfers to PMC accounts were reported as payments. There was no requirement then to disclose in the notes to the financial statements the PMC bank balance.

370. He further said that there was a balance of Kshs. 27,570.05 remaining in KCB account which was unpresented cheques which were yet to be cleared. No further expenditures were done using the KCB account. Since financial statements were prepared using cashbook balance and our KCB cashbook balance was nil hence, they could not indicate any bank balance of KCB.

Committee Observations

371. The Committee observed that-

(i) The Fund Account Manager did not include as bank balance Kshs. 14,298,766 in the financial statements because the funds had been dispersed as payments to the eighteen (18) project management committees.

(ii) At the close of the financial year, the CDF had Kshs. 27,570.05 remaining in the KCB account, which was unpresented cheques that were yet to be cleared.

Committee Recommendations

372. The Committee recommends that-

1) **The Accounting Officer to ensure that the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 100 and 101(4); and**
2) **The Accounting Officer to ensure the Fund Account Manager takes appropriate measures to resolve the outstanding audit issue as provided under Section 68(2)(l) PFM Act, No. 18 of 2012.**

3.5.1.5 Unremitted Taxes

373. The statement of receipts and payments indicates that for the year ended 30th June 2014, the Constituency Development Fund Committee made payments totaling to Kshs. 29,271,841 and Kshs. 11,057,700 in respect of transfer to other Government units and other grants and transfer respectively. The money was transferred to various projects management committees for projects in schools, roads and health facilities. However, a review of the fund's records revealed that withholding taxes on payment to contractors were not deducted and remitted to KRA as per the Income Tax Act, Cap. 470. The amount of unpaid withholding tax, the possible penalties and interest had not been reflected in this financial statement. It was not clear and the management had not explained how the withholding tax would be claimed from the contractors who had already been paid.

Submission by the Fund Account Manager

374. The Fund Account Manager submitted that the management was not an agent to deduct and pay withholding tax to KRA. The mandate to deduct and remit withholding tax to KRA was given on 27th November 2014.

Committee Observations

375. The Committee observed that the Fund Account Manager did not withhold taxes on payment to contractors, as they had not been appointed KRA tax agents. NG-CDF was appointed as tax agents on November 27, 2014.

Committee Recommendations

1. **The Accounting Officer ensures that all the Fund Account Managers and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance; and**
2. **The Accounting Officer in liaison with the KRA put in place a periodic sensitization programme for all the Fund Account Managers and PMC on tax laws to enhance tax compliance by NG-CDF funded projects and service providers.**

3.5.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

376. The Auditor General flagged out seven audit Matters in the financial statements of Changamwe Constituency for the year 2014/2015.

3.5.2.1 Fund balance

377. The statement of financial assets presented for audit as at 30 June 2015 indicated fund balance brought forward of Kshs. 69,420,482 while the audited financial statements as at 30 June 2014 reflected a fund balance of Kshs. 69,770482 resulting in an explained or reconciled variance of Kshs. 350,000.

Submission by the Fund Account Manager

378. The Fund Account Manager submitted that Kshs. 350,000 was outstanding imprests at the end of the financial year 2013/2014 as indicated in the Statement of Financial Assets and Liabilities. A copy of the page of the financial statement and surrender voucher is provided.

Committee Observations

379. The Committee observed that documents to support surrender of the imprest submitted were not dated hence the issue stands unresolved.

Committee Recommendations

380. **The Committee recommends that within three months of the adoption of this report, the Accounting Officer ensure that the Fund Account Manager resubmits an authentic surrender voucher to the auditors for review.**

3.5.2.2 Use of Goods and Services

381. The statement of receipts and payments reflected an amount of Kshs. 999,571 in respect of the use of goods and services for the year ended 30 June 2015. However, the management failed to avail for audit review documentary evidence in support of this expenditure amounting to Kshs. 999,571. In the circumstances, the propriety, accuracy and completeness of the use of goods and services amount to Kshs. 999, 571 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

382. The Fund Account Manager submitted that schedules and supporting documents in support of payments in respect of the use of goods and services of Kshs. 999,571 for the year ended 30th June 2015 had been availed to the auditor for review.

Committee Observations

383. The Committee observed that:

i) At the time of the audit, the Fund did not provide documentary evidence in support of this expenditure amounting to Kshs. 999,571 and the documents had since been submitted to the auditor for audit review; and

ii) Delays in submission of documents to the Auditor-General is attributable to lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records and various supporting documents of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

384. **The Committee recommends that:**

1) **Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4) PFM (National Government) 2015.**

2) **The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

3.5.2.3 Committee Expenses

385. The statement of receipts and payments reflected an amount of Kshs. 4,411,000 in respect of committee expenses for the year ended 30 June 2015. However, the management failed to provide documentary evidence in support of the payments for committee expenses. Consequently, it had not been possible to confirm the propriety, accuracy and completeness of committee expenses of Kshs. 4,411,000 for the year ended 30 June 2015.

Submission by the Fund Account Manager

386. The Fund Account Manager submitted that the schedules and support of payments in respect of committee expenses of Kshs. 4,411,000 for the year ended 30th June 2015 had been availed to the auditor for review.

Committee Observations

387. The Committee observed that-

(i) Documentary evidence in support of expenditure amounting to Kshs. 4,411,000 was not made at the time of the audit. The documents had since been submitted to the auditor for audit review.

(ii) The Fund Account Manager did not provide a breakdown on items totaling Kshs. 4,411,000 against the approved ceilings.

(iii) The delays in submission of documents to the Auditor-General are attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records and various supporting documents of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

388. The Committee recommends that: -

1) **The Accounting Officer to ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, & complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**
2) **The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

3.5.2.4 Transfers to other Government Units – Chaani Secondary School

389. Note 7 to the financial statements for the year ended 30 June 2015 reflected transfer to secondary schools of Kshs. 41,450,000. Records availed for audit indicated that funds totaling to Kshs. 9,000,000 was disbursed to Chaani secondary school for the construction of four classrooms. However, physical verification on 12 April 2016 revealed that only two classrooms were constructed. Consequently, the propriety and value for money on the Kshs. 9,000,000 transferred to Chaani secondary school for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

390. The Fund Account Manager submitted that the project is complete with 4 classrooms in place having been issued with a completion certificate.

Chaani Secondary School

391. The project was allocated Kshs. 4,000,000 during the financial year 2013/2014 for construction of two classrooms. In the financial year 2014/2015 an additional Kshs. 5,

000,000 was added for the construction of two more classrooms totaling to Kshs. 9,000,000.

Committee Observations

392. The Committee observed that ccompletion of the project took long due to additional funding required in the subsequent year and ccompletion certificate issued but not verified by the auditors.

Committee Recommendations

393. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager submits the completion certificates to the Auditor General for review and reporting in the subsequent audit cycle.**

3.5.2.5 Transfers to other Government Units – Airports Primary School

394. Note 7 to the financial statements for the year ended 30 June 2015 reflected transfer to primary schools of Kshs. 27,577,965. Records availed for audit indicated that funds totaling Kshs. 10,339,582 were transferred to the Project Management Committee to purchase land and build Airport Primary School. However, project details were not availed for audit review and an audit visit to the Project Management Committee on 12 April 2016 confirmed that the land had not been purchased hence the school was not built. In the circumstance, the propriety of Kshs. 10,339,582 transferred to airport Primary School for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

395. The Fund Account Manager submitted that the project was allocated Kshs. 5,000,000 towards the purchase of land and Kshs. 5,339,582.94 towards the construction of the schools' facilities during the 2013/2014 financial year. The implementation of the project was delayed due to delays in the acquisition of land. The land had been identified, a search conducted and a valuation report prepared. No payment had however been effected. The landowner changed his mind and increased the land price leading to a stalemate. The PMC is searching for new land for the school. Disbursements of the funds were done based on the projects having been approved by the board.

Committee Observations

396. The Committee observed that-

(i) The money allocated for the purchase of land had been in the bank since 2015 and the CDFC had made a request to the NG-CDF Board for re-allocation to Changamwe Secondary and Primary schools; and

(ii) The funds had remained unutilized for long at the expense of more deserving interventions and the provision of crucial services to the residents.

Committee Recommendations

397. **The Committee recommends that in line with Regulations 56(2) of the PFM (National Government) Regulations,2015 the Fund Account Manager and PMCs should ensure that multi-year contracts are disclosed at the beginning of the financial year, budgeted for first before new projects, and resources allocated as per the financing requirement.**

3.5.2.6 Transfers to other Government Units –Airport Secondary School

398. Note 7 to the financial statements for the year ended 30 June 2015 reflected transfers to secondary schools of Kshs. 41,450,000. Records availed for audit indicated that funds totaling to Kshs. 10,000,000 were released to Project Management Committee to purchase land and build Airport Secondary school during the period under review. However, project details were not availed for audit review and an audit visit to the Project Management Committee on 12 April 2016 confirmed that the land had not been purchased hence the school was not built.

Submission by the Fund Account Manager

399. The Fund Account Manager submitted that the project was allocated Kshs. 10,000,000 through reallocation of funds during the 2013/2014 financial year for construction of laboratory and Administration Block and not the purchase of land as captured by the audit. The PMC had been offered public land and the project is ongoing at 80% completion. The Kshs. 4,500,000 for purchase of land allocated in the financial year 2014/15 had been reallocated to completion of 4 classrooms, dormitory and laboratory.

Committee Observations

400. The Committee observed that-

(i) The Kshs. 10,000,000 was an allocation for construction of laboratory and Administration Block and not purchase of land as captured by the audit. The PMC had been offered public land and the project was ongoing.

(ii) The Fund Account Manager did not avail of support documents at the time of the audit.

Committee Recommendations

401. **The Committee recommends that within three months upon adoption of this report, Accounting Officer ensures that the Fund Account Manager provides certificates of completion to the Auditors for review and reporting in the subsequent audit cycle.**

3.5.2.7 Funds Transferred to Jomvu Constituency Development Fund

402. Note 7 to the financial statements for the year ended 30 June 2015 reflected a transfer to Jomvu Constituency Development Fund of Kshs. 28,652,922 vide cheque number 1633 on 13 February 2015. The amount in the vote as per the payment voucher number 3864 was Kshs. 25,000,000 resulting to a variance of Kshs. 3,652,922. It was not clear and the

fund managers had not explained how the extra Kshs. 3,652,922 was approved and financed as the vote only had Kshs. 25,000,000.

Submission by the Fund Account Manager

403. The Fund Account Manager submitted that the Board transferred funds to the old Changamwe Constituency which was then split to Jomvu Constituency. Then the Committee had to transfer the share of Jomvu to their constituency. The transfer to Jomvu of Kshs. 28,652,922 was authorized and approved by CDFC vide min. CDFC.CHNGMWE.4/20/01/2015 of 25th January 2015. These funds were for Mikindani access road Kshs. 25,000,000; Mikindani Primary School Bus Kshs. Kshs. 1,850,000; Mikindani Chiefs Office Kshs. 550,000; Kwashee Cattle Dip Kshs. 1,000,000; Mikindani Site Service Scheme Road Kshs. 252,922.

404. Each item had its vote but was processed on one voucher where Kshs. 25,000,000 was captured in the front of the voucher while the balance of Kshs. 3,652,922 was captured on the back page.

Committee Observations

405. The Committee observed that at the time of the audit, project details had not been provided for audit which is contrary to the provisions of Section 68 of the PFMAct, No. 18 of 2012 on submission of documents to the Office of the Auditor-General.

Committee Recommendations

406. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers Avail supporting documents to the Auditor during an audit as required under section 9(1)(e) Public Audit Act, 2015.**

3.5.2.8 Failure to Remit Tax and Deduct Retention Money

407. Records availed for audit indicated that a total of Kshs. 49,887,931 was transferred for various projects during the year under review. However, there was no evidence availed for audit to confirm that the fund deducted and remitted withholding tax at 3% and VAT at 16% as required by the Kenya revenue authority. Further, there was no evidence that the mandatory deduction of 10% retention monies for the construction contracts was affected and properly accounted for in the books of Changamwe, the fund was in breach of the law.

Submission by the Fund Account Manager

408. The Fund Account Manager submitted that the funds had been transferred to PMC accounts as grants and the projects had not yet been implemented hence no expenditure of any kind was incurred, thus not able to submit withholding tax of 3%. At that time the management had not been appointed as agents to withhold the 16% tax hence it was not

possible to withhold the VAT tax. For projects which had been implemented. Retention money had been withheld and the 3% withholding tax was submitted to KRA.

Committee Observations

409. The Committee observed that the Fund Account Manager did not withhold taxes on payment to contractors as they had not been appointed KRA tax agents, hence the audit query is resolved.

Committee Recommendations

410. The Committee recommends that-

1) **The Accounting Officer ensures that all the Fund Account Managers and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.**
2) **The Accounting Officer in liaison with the KRA put in place a periodic sensitization program for all the Fund Account Managers and PMC on tax laws to enhance tax compliance by NG-CDF funded projects and service providers.**

3.5.2.9 **Other Grants and Transfer- Health**

411. Note 8 to the financial statements indicate other grants and transfer amounts of Kshs. 54,515,512. Included in this is an amount of Kshs. 4,482,759 allocated for the proposed construction of staff house at Port reitz hospital. However, the management failed to provide a contract agreement and project management committee bank statement for audit verification. Further, the contract price in the latter of notification was Kshs. 4,328,410 while the recorded expenditure is Kshs. 4,482,759 resulting in an unexplained or reconciled variance of Kshs. 154,349. An audit visit on 13 April 2016 revealed that the project had not started. Consequently, the propriety of Kshs. 4,482,759 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

412. The Fund Account Manager submitted that the CDFC in its meeting held on 8th December 2014 disbursed Kshs. 4,482,759 towards the construction of prefabricated houses at Port reitz Hospital. The funds were allocated as a conditional grant to all constituencies during the 2013/2014 financial year. The project was awarded but the contractor failed to submit his acceptance letter, this caused the project not to start. When the Health functions were devolved, management had to seek permission from the County government which delayed the project. The project was later re-tendered and awarded to another contractor. The project was completed and in use having been cleared with a completion certificate.

Committee Observations

413. The Committee observed that:

1) The Fund Account Manager did not provide contract agreement and PMC Bank Statement for audit verification;
2) The project was later re-tendered and awarded to another contractor; and
3) The project was completed and in use having been cleared with a completion certificate.

Committee Recommendations

414. **The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures the Fund Account Manager submits the Contract agreement, PMC bank statement and completion certificate for the re-tendered contract to the auditors for reviewing and reporting in subsequent audit cycle.**

3.5.2.10 Other Grants and Transfer- Roads

415. Note 8 to the financial statements indicate other grants and transfer amounts of Kshs. 54,515,512. Included in this is an amount of Kshs. 9,600,000 allocated to Magongo Soweto road project. However, project verification is done on 13 April 2016 revealed that the funds were reallocated to the Changamwe Technical Training Institute. No documents were availed to support the fund's reallocation from the roads projects to the building of a technical training institute in Changamwe. Under the circumstances, it had been possible to confirm the propriety, accuracy and completeness of Kshs 9,600,000 on roads for the year ended 30 June 2015.

Submission by the Fund Account Manager

416. The Fund Account Manager submitted that both projects had been approved by the board. Magongo Soweto road was allocated Kshs. 9,600,000 while Ahmed Shahame TTI was allocated Kshs. 10,000,000. The funds were not reallocated but transferred to the PMC. Ahmed Shahame TTI did not have a PMC account since the project was co-funded with the Ministry. The funds were transferred to the parent institute Mombasa Technical Training College. Both the Technical Training Institute and Magongo Soweto road had been completed and were in use.

Committee Observations

417. The Committee observed that Magongo Soweto road allocated Kshs. 9,600,000 and Ahmed Shahame TTI with an allocation of Kshs. 10,000,000 had both been approved by the Board and therefore, there was no reallocation of funds from Magongo Soweto Rd to the Ahmed Shahame Technical Training Institute. The projects had since been completed and the audit query is resolved.

Committee Recommendations

418. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during an audit as required under section 9(1)(e) Public Audit Act, 2015.**

3.5.2.11 Bank Balances

419. The statement of financial assets as at 30 June 2015 reflected a bank balance of Kshs. 56,874,731. The bank reconciliation statement availed for audit reflected a bank balance of Kshs. 56,874,731. Bank reconciliation statement availed for audit reflected unpresented cheques amounting to Kshs. 2,614,676. However, the schedule provided for audit review failed to indicate the dates when the cheques were subsequently cleared by the bank. Further, the bank statements were not availed for audit review thus it was not possible to confirm subsequent clearance of the unpresented cheques.

420. In addition, the bank reconciliation statement reflected payments in the bank not in cashbook amounting to Kshs. 84,897 which is related to bank charges. It was not clear why the management had not adjusted the cashbook with this amount. Further, excluded from this bank balance is the Kenya Commercial Bank balance of Kshs. 27,570 and which bank reconciliation statement was also not availed for audit review. Although the management had indicated that arrangements were being made to close the account, the same had not been closed as at 30 June 2015. Consequently, the accuracy and completeness of bank balance of Kshs. 56,874,731 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

421. The Fund Account Manager submitted that the unpresented cheques amounting to Kshs. 2,614,676 were cleared in the subsequent months. The issue related to the bank charges was cleared. The Kshs. 27,570 remaining in the Kenya Commercial Bank was for unpresented bursary cheques hence management could not close the account until they went through.

Committee Observations

422. The Committee observed that-

(i) The Fund had unpresented cheques amounting to Kshs. 2,614,676; unrecorded bank charges amounting to Kshs. 84,897; and Kenya Commercial Bank balance of Kshs. 27,570 excluded from the reported bank balance.

(ii) The Fund Account Manager did not provide the bank statements for the subsequent months as evidence for the clearance of unpresented cheques and bank charges.

(iii) The delays in submission of documents to the Auditor-General are attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records and various supporting documents of the fund at the

Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County

Committee Recommendations

423. The Committee recommends that;

1) **Accounting Officer to ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFMAct, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**
2) **The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

3.5.2.12 Budgetary Controls and Performance

424. Changamwe CDF had an approved budget of Kshs. 134,966,304 and the actual expenditure for the fund during the year ended 30th June 2015 amounted to Kshs. 159,033,709 resulting in an over-expenditure of Kshs. 49,777,791 or 99% and under expenditure of Kshs. 25,710,385 as shown below:

Components/ vote	Current year Budget	Actual On Comparable Basis	Under Expenditure	Over Expenditure	%
	Kshs	Kshs	Kshs		
Payments					
Compensation of employees	1,100,000	801,645	298,355		73%
Use of goods and services	3,376,548	999,571	2,376,977		30%
Committee expenses	4,528,276	4,411,000	117,276		97%
Transfer to other government units	50,102,644	97,680,887		(49,777,791)	99%
Other Grants and Transfers	69,490,947	54,515,512	17,174,983		55%
Social Security Benefits	30,000	6,400	23,600		21%
Acquisition of Assets	6,337,887	618,693	5,719,194		10%
TOTAL	**134,966,304**	**159,033,709**	**25,710,385**	**49,777,791**	

425. From the above summary, the Fund overspent on transfer to other government units by Kshs. 49,777,791 or 99%. Further, the Fund underspent on all other budget lines by a total of Kshs. 25,710,385 or 19%. No explanation was given for this over expenditure and the approval was not availed for audit review. The underutilization of funds may have negatively impacted the delivery of goods and services to the citizens of Changamwe Constituency.

Submission by the Fund Account Manager

426. The Fund Account Manager submitted that the Constituency experienced slow disbursement of funds from the NG-CDF Board during this financial year.

Committee Observations

427. The Committee observed that underutilization and over expenditure of the funds were due to late disbursement of funds by the NG- CDF Board and the National Treasury hence rollover of Funds from subsequent years due to late receipts and the audit query is resolved.

Committee Recommendations

428. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.5.2.13 Project implementation

429. The project status report availed for audit review for 34 projects implementation during the year under review with a total allocation of Kshs. 52,026,125. The CDF Board approved various projects to be implemented by the Changamwe CDF in the 2013/2014 and 2014/2015 financial years and funds had been allocated. It was, however, noted that 34 projects had not been started at the time of audit on 15th April 2016. These unimplemented projects amounted to Kshs. 52,026,124.94 an indication that envisaged goods and services could not be rendered to the residents or the Constituency. Further, the unutilized funds should be returned to the fund account as per Section 11(1) of CDF Act, 2013 which states that all unutilized funds shall be returned to the Fund.

Submission by the Fund Account Manager

430. The Fund Account Manager submitted that the late disbursement of funds from the NG-CDF Board resulted in delays in project implementation. Subsequently, the projects had been completed as indicated in the table below.

	Project Name	Activities	Financial year	Allocations	Status
1.	Strategic Plan	Preparation of strategic plan for 2014-2017	2014/2015	1,000,000	Complete
2.	Constituency Vehicle	Purchase of constituency vehicle	2014/2015	5,200,000	Complete and in use
3.	Office Equipment & Furniture	Purchase of 11 iPad, conference table and chairs	2014/2015	715,852	Complete and in use

	Project Name	Activities	Financial year	Allocations	Status
4.	Kwahola Primary School	Construction of classroom	2014/2015	1,500,000	Complete and in use
5.	School Desks	Supply of desks to primary schools	2014/2015	1,500,000	Complete and in use
6.	St. Lwanga Primary S	Replacement of dilapidated roof, floor, painting	2014/2015	1,500,000	Complete and in use
7.	Mikadini primary school	Construction of classroom	2014/2015	2,000,000	Complete and in use
8.	Portreitz school for the physically challenged	Construction of classroom	2014/2015	2,000,000	Complete and in use
9.	Port reitz school for the physically challenged	Purchasing two 10,000 litres plastic tanks, piping, and immersing of underground tanks for fresh water for drinking water	2013/2014	250,000	Complete and in use
10.	Bomu primary school	Purchasing two 10,000 litres plastic tanks, piping and immersing of underground tank and construction of stand for overhead tanks for fresh water for drinking	2013/2014	250,000	Complete and in use
11.	Airport primary school	Purchasing of land for the primary school	2013/2014	5,000,000	Reallocated to construction of classrooms
12.	Airport primary school	Construction of classrooms and administration block foundation	2014/2015	5,339,582.94	Not started
13.	Gome primary school	Construction of staffroom	2014/2015	1,000,000	Complete and in use
14.	Kipevu Primary school	Purchasing two 10,000litres plastic tanks, piping, and immersing of underground tanks and construction of stand for overhead tanks for fresh tanks for drinking	2013/20014	250,000	Complete and in use
15.	Umoja primary school	Replacement of dilapidated roof, floor, painting	2014/2015	837,931	Complete and in use
16.	Umoja primary school	Purchasing two 10,000litres tanks, piping and immersing of underground tank and construction of	2013/2014	250,000	Complete and in use

	Project Name	Activities	Financial year	Allocations	Status
		stand for overhead tanks for fresh water for drinking			
17.	Chaani primary school	Purchasing two 10,000litres tanks, piping and immersing of underground tank and construction of stand for overhead tanks for fresh water for drinking	2013/2014	250,000	Complete and in use
18.	Magongo primary school	Replacement of dilapidated roof, floor, painting	2014/2015	5,000,000	Complete and in use
19.	Magongo primary school	Purchasing two 10,000litres plastic tanks, piping and immersing of underground tank and construction of stand for overhead tanks for fresh water for drinking	2013/2014	250,000	Complete and in use
20.	Changamwe secondary school	Repair of roof, plastering, floor, doors, and windows and painting of the school hall	2014/2015	2,000,000	Complete and in use
21.	Changamwe secondary school	Purchasing two 10,000litres plastic tanks, piping and immersing of underground tanks and construction of stand for overhead tanks for fresh water for drinking	2013/2014	250,000	Ongoing, at 50% complete
22.	Prefabricated staff house at Portreitz district hospital	Construction of staff house at Portreitz district hospital	2013/2015	4,5482,759	Complete and in use
23.	Hamisi estate borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use
24.	National housing estate borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use
25.	Msikiti Noor borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use
26.	Kaloleni borehole	Drilling and development of borehole	2014/2015	650000	Complete and in use
27.	Bokole borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use
28.	Mathare borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use
29.	Mlolongo borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use

	Project Name	Activities	Financial year	Allocations	Status
30.	Mwagosi borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use
31.	Mwakidemu borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use
32.	Lilongwe borehole	Drilling and development of borehole	2014/2015	650,000	Complete and in use
33.	Kwa Omari Mwadunyo road	Gravelling of 1 km road	2014/2015	3,000,000	Ongoing 80% complete
34.	Sports activities	Funds set aside to toward constituency tournaments involve purchases of trophies, game skits goods which will be awarded to the winning team	2014/2015	1,700,000	Complete
		TOTAL		52,026,124.94	

Committee Observations

431. The Committee observed that-

(i) The slow implementation of projects was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board; and

(ii) The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within a few days.

Committee Recommendations

432. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.5.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

433. The Auditor General flagged out five audit Matters during the examination of Changamwe Constituency in the financial statements of 2015/2016.

3.5.3.1 Presentation of financial statements

434. The financial statements for the year ended 30 June 2016 presented for audit view contained the following anomalies;

i. Page eight to the financial statements indicated the year ended 30 June 2015 instead of 2016.

ii. Annex 4 to the financial statements reflected the assets balance of Kshs. 1,046,658 whereas the statement of receipts and payments reflected nil balance on the acquisition of assets.

iii. Statement of appropriation indicated a final budget of Kshs. 56,874,731 while information available indicates that the budget that was approved by the CDF board amounted to Kshs. 85,270,734.

435. Consequently, the financial statements presented during the year ended 30 June 2016 did not comply with the International Public Sector Accounting Standards No.1 on presentation.

Submission by the Fund Account Manager

436. The Fund Account Manager submitted that the financial statement was corrected and availed to the auditor for verification. There was a typing error in recording the figures of the 2014/15 financial statements where historical costs of fixed assets for financial year 2013/14 were recorded as for 2014/15 which were wrongly brought forward to the 2015/16 financial statements. In the acquisition of assets, it was recorded as nil because no expenditure occurred during that financial year for acquisition of assets.

437. The budget for financial year 2015/2016 was Kshs. 98,270,736 and not Kshs. 85,270, 734. During the audit, the CDF board had approved a code list of Kshs. 85,270,734 with the remaining balance being approved later after the audit. The summary statement of appropriation provided during the audit was misstated. An amended statement with correct amount had been availed for auditor to review.

Committee Observations

438. The Committee observed that the Fund Account Manager did not comply with the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.

Committee Recommendations

439. The Committee recommends that-

1) **The Accounting Officer ensures that the Fund Account Managers keep financial and other records are accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 100 and 101(4).**
2) **The Accounting Officer engages the PSASB (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.**

3.5.3.2 Transfer to other government units

440. The statements of receipts and payment for the year ended 30 June 2016 reflected transfer to other sector government units of Kshs. 11,000,000 being disbursement to five primary schools for the construction of classrooms. However, as at 30th June 2016, the project had not started. Consequently, the value for money for the Kshs. 11,000,000 disbursed to the projects during the year under review could not be confirmed.

Submission by the Fund Account Manager

441. The Fund Account Manager submitted that Kshs. 11,000,000 was allocated to the following projects.
   a) Mikadini Primary School, Kshs. 2,000,000, construction of classroom. The project is complete and in use.
   b) Magongo Primary School, Kshs 5,000,000, refurbishment. The project is complete.
   c) Gome Primary School, Kshs. 1,000,000, construction of administration block. The project is complete and in use.
   d) St. Lwanga Primary School, Kshs. 1,500,000, refurbishment. The project is complete.
   e) Kwahola Primary School, Kshs. 1,500,000, construction of classroom. The project is complete and in use.

Committee Observations

442. The Committee observed that delay in the construction of the classrooms for the five primary schools was occasioned by late disbursement of funds by the NG- CDF Board and the audit query stands resolved.

Committee Recommendations

443. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

3.5.3.3 Other Grant Transfers

444. The statement of receipts and for the year ended 30 June 2016 reflected the other grants and transfer amounting to Kshs. 11,591,051 out of which Kshs. 7,119,795 was paid to the Kenya Power and Lighting Company Limited for installation of street light in Changamwe Constituency. However, management was unable to physically show where the project was implemented and did not provide certificate of completion for the same.

445. Further, Kshs. 1,185,536 was paid to a contractor to clear obstacles and bushes on storm water drainage in Changamwe Constituency. However, the management failed to provide evidence that the project was completed. Consequently, the propriety of Kshs. 8,303,331 on other grants and transfer for the year ended 30 June could not be confirmed.

Submission by the Fund Account Manager

446. The Fund Account Manager submitted that the streetlights project of Kshs. 7,119,795 was done successfully where the KPLC installed streetlights in Mwagosi and Bokole areas. In addition, the cleanup project which included clearing of bushes on storm water drainage was completed successfully.

Committee Observations

447. The Committee observed that

(i) The Fund Account Manager did not provide requisite documentation including certificate of completion, contract agreement with KPLC, and documentation on approval by the board; and

(ii) The auditor verified the street light project and satisfactorily complete.

Committee Recommendations

448. **The Committee recommends that the Accounting Officer ensures that all Fund Account Manager avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

3.5.3.4 Bank Balance

449. The statement of financial year as at June 30 2016 reflected a bank balance of Kshs. 29,049,719. However, the bank reconciliation availed for audit indicated a balance of Kshs. 29,109,493 resulting to neither unexplained nor reconciled variance of Kshs. 9,774. Further, the bank reconciliation reflected Kshs. 1,520,195 as unpresented cheques, however, the Fund Account Manager failed to provide subsequent bank statements for confirming when the cheques were cleared. In addition, the bank reconciliation statement reflected payments in bank not in cashbook amounting to Kshs. 110,602.50 and which related to bank charges. It was not clear why the management had not adjusted the cashbook with this amount as at the same had not been accounted for in these financial

statements. Consequently, the accuracy and completeness of bank balance of Kshs. 29,049,719 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

450. The Fund Account Manager submitted that the un-presented cheques became stale and were reversed, replaced and released to other needy beneficiaries. The bank charges had been cleared and bank statement indicating list of the replaced beneficiaries was submitted for audit review.

451. On the Kshs. 59,774, the balance as April was Kshs. 29,049,719. There was no transaction in May and June. Kshs. 29,109,493 was erroneously captured. The corrected bank reconciliation in November was availed to auditor for review.

Committee Observations

452. The Committee observed that: -

(i) The Fund had unpresented cheques amounting to Kshs. 1,520,195 and unrecorded bank charges amounting to Kshs. 110,602.50;

(ii) The Fund Account Manager availed bank reconciliation statements of Kshs. 37,645,693.71 which was in variance with the financial statement figure of Kshs. 29,049,719; and

(iii) The variation of Kshs. 8,595,794 was neither reconciled nor explained.

Committee Recommendations

453. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager reconciles the variance and resubmit the financial statements to the auditors within three months of adoption of this report.**

3.5.3.5 Budgetary Controls and Performance

454. During the year under the review, the Constituency Development Fund Board approved a budget of Kshs. 85,270,736. However, the statement of receipts and payments indicates that no funds were released to Changamwe CDF Fund during the year. Further, the summary statement of appropriation reflected a final budget of Kshs. 56,874,731 and actual expenditure of Kshs. 27,825,012 or 33%, resulting to an overall under expenditure of Kshs. 29,049,719or 48.9% as shown in table 1.

Expenditure	Final Budget [Kshs]	Actual expenditure [Kshs]	Under Expenditure [Kshs]	Over expenditure [Kshs]	%
Compensation of employees	245,000	341,334		96,334	139%
Use of Goods and Services	454,586	4,892,627		4,438,041	1076%
Transfer of Other	16,864,702	11,000,000	5,864,702		65%

Government Units					
Other grants and transfers	39,310,443	11,591,051	27,719,392		29%
Totals	**56,874,731**	**27,825,012**	**33,584,094**	**4,534,375**	**48%**

455. The under expenditure of Kshs. 33,584,094 is an indication that the expected delivery of goods and services to residents of Changamwe Constituency was not achieved. The budget was not implemented in accordance with the provisions of Article 220 (1) of the Constitution of Kenya which requires the budget process for the National Government to comprise among other things integrated long-term and medium-term planning.

Submission by the Fund Account Manager

456. The Fund Account Manager submitted that the Constituency had experienced slow disbursement of funds from the CDF Board during this financial year.

Committee Observations

457. The Committee observed that:

(i) Underutilization was occasioned by late disbursement of funds by the National Treasury and NG- CDF Board; and

(ii) The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within a few days.

Committee Recommendations

458. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure the transfer of funds to the NG-CDF Board is timely for disbursements to constituencies.**

3.5.3.6 Project Implementation

459. The project status report availed for audit review indicated that a total of Kshs. 43,300,000 was approved by the National Government Constituency Development Fund Board for implementing 13 projects during the year under review but only (1) was completed.

460. Analysis of the project status revealed that one (1) project out of thirteen (13) projects approved had been completed at a cost of Kshs. 10,000,000. Twelve (12) projects were proposed, approved and allocated Kshs. 33,300,000 by the Board not taken off as at 30 June 2016. This is an indication of lack of focus in the budget making mechanism and therefore there is need for the management to prioritize projects with a view to undertaking the projects which will be completed within the year and improve the standards of living for the citizens of Changamwe Constituency.

Submission by the Fund Account Manager

461. The Fund Account Manager submitted that there was late disbursement of funds from the CDF Board which resulted in delay in the implementation of the projects. The projects were now complete and in use as indicated in the Table below:

	Project Name	Sub-Project/Activities	Allocations Kshs	Status
1	Port Reitz primary school	Construction of two classrooms	2,500,000	Funds reallocated To Kwahola Primary Classroom and Gome primary School Admin. Block which are bot complete and in use.
2.	Bomu primary school	Construction of social hall	5,000,000	Complete and in use
3.	Kwahola primary school	Construction of three classrooms with high storey foundation	5,000,000	Complete and in use
4.	Airport primary school	Construction of two classrooms	3,000,000	Not started
5.	Airport secondary school	Purchase of land for construction of school	4,500,000	Ongoing
6.	Ahmed Shahame Mwidani Technical Training Institute	Completion of construction of technical training institute	10,000,000	Complete
7.	Mwingo CDF Water Project	Completion of water well	400,000	Funds not received form Board
8.	Mlolongo CDF Water Project	Perimeter wall, Piping, Pump $ Water kiosk	5,000,000	Complete and in use
9.	Changamwe Police Station CDF Water Project	Drilling of water wells	400,000	Ongoing
10.	Chaani Police Post CDF Project	Construction of police post	2,500,000	Complete and in use
11.	Changamwe Chief's Office/Social Hall CDF Project	Construction of chief's office and social hall	2,500,000	Complete and in use
12.	Changamwe Police Station Perimeter Wall CDF Project	Construction of perimeter wall	1,000,000	Funds reallocated to Changamwe Police station cells which is complete and in use
13.	Changamwe Police Station Cells CDF	Construction of cells	1,500,000	Complete and in use

	Project			

Committee Observations

462. The Committee observed that;

1) Delay in implementation of projects was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board; and
2) The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within a few days, hence the audit query stands resolved.

Committee Recommendations

463. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure the transfer of funds to the NG-CDF Board is timely for disbursements to constituencies.**

3.6 JOMVU CONSTITUENCY

464. Ms. Eunice Anubi, the Fund Account Manager since August 2019 appeared before the Committee on 28th September, 2020 to respond to the audit Matters raised by the Auditor General on the audited accounts for Jomvu Constituency for the financial years 2013/14, 2014/15 and 2015/16. She was accompanied by:

1. Mr. James Chebii, Ag. Manager Field Financial Services
2. Ms. Christine Mwangolo, Ag. Manager Field Operations
3. Ms. Fatuma Abubakar, Former Fund Account Manager- served from 2013-2017.

3.6.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

465. The Auditor General raised two audit Matters during the examination of Jomvu Constituency financial statements in the year 2013/2014.

3.6.2.1 Cash and cash equivalents

466. The statement of financial assets and liabilities reflected cash and cash equivalents balance of Kshs. 18,513,465 as at 30th June 2014. However, the various project management committees' returns as at 30th June 2014 indicating the cash balances in the respective bank accounts were not availed for audit review. Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs. 18,513,465 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

467. Ms. Fatuma Abubakar, the former Fund Account Manager submitted that in the financial year in question, there was no requirement to disclose PMC bank balances. However, the project management committee bank statements as at 30th June 2014 had been provided to the auditor for review.

Committee Observations

468. The Committee observed that there was no requirement to disclose PMC bank balances. The Fund Account Manager however submitted the Project Management Committee bank statements for review by the Auditor General. The statement was later reviewed by the Auditors

Committee Recommendations

469. **The committee recommends that the Accounting Officer ensures that the Fund Account Manager takes appropriate measures to resolve the outstanding audit issue as provided under Section 68(2)(l) PFM Act, No. 18 of 2012.**

3.6.2.2 Transfers to Other Government Units and other grants

470. During the year under audit, the Constituency Development Fund Committee transferred a total of Kshs. 8,841,000 to other Government units and other grants. However, contrary

to section 33 of the CDF Act, 2013, the project management committees did not maintain project expenditure report for all receipts, disbursement and actual expenditures in respect of each project. In the circumstances, the propriety and regularity of the transfers to other Government units and other grants totaling Kshs. 8,841,000 for the year ended 30th June 2014 could not be ascertained.

Submission by the Fund Account Manager

471. The Fund Account Manager submitted that the transfer of Kshs. 3,841,000 was expenditure on bursary while Kshs. 5,000,000 was transferred to PMC accounts for approved projects. It is true that the project management committees had not provided project expenditure reports for all receipts, disbursement and actual expenditures as at 30th June 2014. This is because the funds were still in the project accounts. Procurement had not been done at the time of the audit. This was later done and the projects were implemented in the subsequent financial year and expenditure returns availed to the auditor.

Committee Observations

472. The Committee observed that: -

(i) The PMCs had not provided project expenditure reports for all receipts, disbursement and actual expenditures as at June 30, 2014;

(ii) The expenditure returns were submitted later to the auditors and subsequently reviewed.

(iii) The project management committees did not maintain project expenditure report for all receipts, disbursement and actual expenditures in respect of each project; and

(iv) The failure to maintain project expenditure reports is attributable to inadequate capacity at the Constituency NG-CDF Offices.

Committee Recommendations

473. **The Committee recommends that: -**

(i) **The Accounting Officer ensures that all Fund Account Manager avail supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015; and**

(ii) **The NG-CDF Board should consider employing qualified Accountants for the Constituency NG-CDF Offices beginning FY 2022/23. This will strengthen the maintenance of books by the PMCs. Further, the Accounting Officer ensures that the Fund Account Managers and the project management committees are continuously trained on basic record keeping.**

3.6.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

474. The Auditor General raised five audit Matters during the examination of financial statements of Jomvu Constituency in the year 2014/2015.

3.6.3.1 Receipts

475. The statement of Receipts and Payments for the year ended 30 June 2015 reflected receipts from CDF Board amounting to Kshs. 106,316,219. However, records held by the parent Ministry at the same time revealed that the funds disbursed amounted to Kshs. 101,138,501 resulting to unexplained non-reconciled variance of Kshs. 5,177,718. Consequently, the accuracy and completeness of receipts from CDF Board of Kshs. 106, 316,219 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

476. Ms. Fatuma submitted that the amount of funds received during the financial year by the Constituency was a combination of funds relating to the financial years 2013/14, 2014/15 and funds from the parent constituency (old Changamwe) allocated to projects within the constituency as follows:

Description	Receipt for 2014 – 2015 (Kshs)
AIE A750294	32,063,316.00
AIE A796918	22,799,990.50
AIE A797008	22,799,990.50
Old Changamwe constituency	28,652,992
TOTAL	**106,316,219.00**

477. The Copies of the AIEs received and bank statements were availed for the Auditor's review.

Committee Observations

478. The Committee observed that the bank statements provided indicated that the amount transferred to the Jomvu Constituency Fund was Kshs. 106,316,219 and not Kshs 101,138,501 as reported. The disbursement to the Constituency included transfers from the Changamwe Constituency.

Committee Recommendation

479. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

3.6.2.2 Committee Expenses

480. The Statement of Receipts and Payments for the year ended 30 June 2015 also reflected an amount of Kshs. 2,707,100 in respect of committee expenses. A review of the information availed for audit/ revealed that the Fund payments for Constituencies Development Fund Committee meeting allowances totaled Kshs. 1,731,000 for thirty (30) meetings. This contravened Section 24 (12) of the CDF Act, 2013 which provides for a maximum of 24 sitting per annum including sub–committee meetings. This resulted in an overpayment of Kshs. 322,000 for the 6 extra meetings held during the year. Under the circumstances, the propriety of Kshs. 322,000 spent on committee expenses for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

481. The Fund Account Manager submitted that five extra meetings were held and the cost of the amount totaling to Kshs. 265,000 was spent. One of the six extra meetings was in relation to an unpaid meeting in the financial year 2013/14. At the time Jomvu was a new Constituency that was split from the parent Changamwe. The constituency had a lot to implement occasioned by late disbursement of funds, four months before the closure of the financial year. No tendering had been undertaken in the financial year 2013/14. The list of prequalified contractors was subsequently put in place in June 2014 thus causing project implementation to delay too. There were also instances where issues emerged resulting to several sub-committee meetings being held to address the matters. The extra meetings were therefore necessary.

Committee Observations

482. The Committee observed that the CDFC contravened Section 24 of the CDF Act, 2013 which provided for a maximum of 24 sitting per annum including sub–committee meetings.

Committee Recommendations

483. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with section 43(11) of the NG-CDF Act 2015 on the number of constituency committee and sub-committee sittings.**

3.6.3.2 Other Grants and Transfers

a) Bursary for Driving Schools

484. Statement of receipts and payments reflected other grants and transfers payments amounting to Kshs. 56, 415,655 incurred during the year. Included in the payments is Kshs. 1,600,000 being payment to driving schools as bursary for 300 students. However, Constituencies Development Fund Committee minutes to confirm approval of bursary awards from the bursary sub–committee were not availed for audit review. Further, the Fund did not provide details of how the300 beneficiaries were identified and vetted to ensure that only needy applicants benefited as required by Constituencies Development

Fund Board Circular Vol. I/111 dated 13/09/2010 which requires that the target group for bursary should be orphans, students without guardians or parents and socially/economically disadvantage students. Consequently, regularity of other grants and transfers expenditure of Kshs. 1,600,000 incurred as bursary for driving schools' students for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

485. The Fund Account Manager submitted that during the year 2014, youth radicalization was on the rise. Jomvu Constituency is one of the affected constituencies, needed to empower the youths and women who were socially and economically disadvantaged. Most of the youths were matatu touts and boda drivers without licenses, who made their request during the issuance of bursary forms at the office.

486. Jomvu Constituency has three wards namely Jomvu Kuu, Miritini and Mikindani. Since the Driving course requires no previous qualifications and is categorized as one of the bursary activities, it was agreed that each ward should be allocated one hundred (100) slots for the youths and female. The Youths filed their applications by filling the forms for Unik Driving School and they were sorted according to the ward they represented. Constituencies Development Fund Committee minutes approving the activity had been availed to the auditors for review.

Committee Observations

487. The Committee observed that Minutes to confirm approval of bursary awards was submitted for audit review. However, the Fund Account Manager did not provide criteria on how the 300 beneficiaries were identified and vetted.

Committee Recommendations

488. The Committee recommends that-

1) **The Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFMAct, No. 18 of 2012 on the timely submission of documents; and**
2) **Within three months of adoption of this report, the NG-CDF Board initiates process of development of guidelines on NG-CDF sponsorship to including the criteria on selection of beneficiaries for Bursary Awards to driving schools.**

b) Mikindani Street Lighting Project

489. Statement of receipts and payments reflected other grants and transfer payments amounting to Kshs. 56,415,655 which includes a payment of Kshs. 6,454,900 relating to Mikindani street lighting. A review of the project file revealed that the Fund used restricted tendering which contravened Section 73 of the Public Procurement and Disposal Act, 2005 and which allows restricted tendering when there is competition for

contract whereby because of the complex or specialized nature of the goods, works or services is limited to prequalified contractors and there were only a few known suppliers of the goods, works or services as may be prescribed in the regulations. Further, the award of the project was to Romulas Enterprises which was not prequalified. It was also noted that the Fund made a payment of Kshs. 4,500,000 to the contractor, three (3) days after signing the contract and failed to deduct withholding tax.

490. The Fund Account Manager was therefore in breach of the law and also the propriety of the expenditure amounting to Kshs. 4,500,000 for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

491. The Fund Account Manager submitted that Jomvu Constituency is one of the constituencies affected by insecurity where the Officer Commanding Police Division (OCPD), Officer Commanding Station (OCS) and two police officers lost their lives during the 2013 election. The committee resolved to use restricted tendering during a tender committee meeting held on 8th August 2014 due to the catastrophic event named above, creating insecurity in the area.

492. There was an urgent need to light the area and the only method that could be used due to time constraints was restricted tendering. Romulas was a prequalified contractor in late applications as per tender committee minutes of the meeting held on 9th July 2014. The contractor did the work fast because of the urgency of the project, resulting to early payment. CDF had not been appointed as a tax withholding agent by 2015, thus making it difficult to deduct tax. Currently, deductions were being made.

Committee Observations

493. The Committee observed that-

(i) The use of restricted tendering for a contract whose sum was Kshs. 6,454,900 contravened Section 73 of the Public Procurement and Disposal Acts, 2005; and

(ii) The minutes dated 9th July, 2014 confirming pre-qualification of Romulas Enterprises were submitted later.

Committee Recommendations

494. The Committee recommends that-

1) The Ethics and Anti-Corruption Commission investigates the award of the contracts for breach of the Public Procurement and Disposal Act 2005 and the Public Procurement and Asset Disposal Regulations 2006 on the limits on the procurement threshold; and

2) The NG-CDF Board takes administrative action against the Fund Account Manager and any other officers involved in the procurement process within three months of the adoption of this Report.

c) Kwa – Shee Social Hall

495. Included in other grants and transfers payments of Kshs. 56,415,655 incurred during the year is a payment of Kshs. 1,500,000 relating to partition of Kwa – Shee Social Hall. The Bills of Quantities provided for a contingency amount of Kshs. 300,000. During the project verification, it was noted that the Fund had made full payment for the project but the hall had not been partitioned. Further, details on how the Kshs. 300,000 provided for in the bills of quantities was utilized were not availed for audit. Consequently, the propriety of payment of Kshs. 1,500,000 relating to the partitioning of Kwa – Shee Social Hall for the year ended 30 June 2015 could be ascertained.

Submission by the Fund Account Manager

496. Ms. Fatuma Abubakar, the former Fund Account Manager submitted that the hall had been constructed by the parent Changamwe Constituency and had been underutilized. The committee resolved that the hall be partitioned so that the youths could have space to perform their talents without interfering with activities in the main hall. During implementation, there was a variation order where the design was changed from partitioning to the creation of office space for the area Chief following the displacement of the Chief by the newly posted Deputy County Commissioner who in turn displaced the Chief. The partitioning was redesigned to the creation of two rooms so that the Chief could have a lockable place to keep his documents safe.

Committee Observations

497. The Committee observed that-

(i) The full payments were made on the project before the completion of work contrary to Article 201 (d) of the Constitution that provides that public money shall be used in a prudent and responsible; and

(ii) The contingency allocation of Kshs. 300,000 was reallocated without the approval of the CDF Board contrary to Section 10 of the CDF Act, 2013.

Committee Recommendations

498. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager adheres to the provisions of the NG-CDF Act 2015 on payment for goods and services. Payments for the project should only be made on the provision of certificates of works done.**

d) Jomvu - Kuu Hospital Project

499. The statement of receipts and payments reflected transfers to other government units amount of Kshs. 32,764,904. This amount includes payments relating to the renovation of Jomvu – Kuu Hospital at a total cost of Kshs. 2,957,100. Examination of the project files revealed that the Bill of quantities provided for a contingency sum of Kshs. 1,400,000 or 47% of the total project cost. Details on how the contingency of Kshs.

1,400,000 was spent were not explained or availed for audit review. Consequently, the propriety of the contingency sum of Kshs. 1,400,000 spent on renovation of Jomvu - Kuu Hospital for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

500. The Fund Accounts Manager submitted that the bills of quantities for Jomvu – Kuu Hospital only had provisional sums amounting to Kshs. 1,400,000 and not contingency sum as indicated. Of this amount, Kshs. 1,250,000 were sums relating to electrical works, construction of septic tank and carrying out plumbing works as per variation order provided to the auditor for verification. The works were executed and paid for. A balance of Kshs. 145,000 is still on the project account.

Committee Observations

501. The Committee observed that-

(i) The bills of quantities for Jomvu – Kuu Hospital only had provisional sums amounting to Kshs. 1,400,000 and not contingency sum as indicated in the audit report;

(ii) The allocation for the hospital consisted of Kshs. 1,250,000 relating to electrical works, construction of the septic tank and carrying out plumbing works as per variation order provided to the auditor for verification. The auditors verified the documents later.

(iii)The works were successfully executed and a balance of Kshs. 145,000 is still on the project account.

Committee Recommendations

502. The Committee recommends that-

1) **The Accounting Officer ensures that all the Fund Account Managers comply with provisions of Section 68 of the PFM Act, 2012; and**
2) **Within three months of the adoption of this report, the Accounting Officer ascertains that the Fund Account Manager follows up the project balance of Kshs. 145,000 in the PMC account and ensure is returned to the Constituency NG-CDF account in line with the NG-CDF Act 2015.**

3.6.3.3 Cash and Bank Balances

503. The statement of financial assets and liabilities as at 30 June 2015 reflected a bank balance of Kshs. 29,452,276. The bank reconciliation statement availed for audit reflected un-presented cheques amounting to Kshs. 907,960 out of which Kshs. 627,060 were stale and could not be cashed. In addition, the bank reconciliation statement reflected payments in bank not in cashbook amounting to Kshs. 49,637 which related to bank charges. The management had not explained why these long outstanding items had not been adjusted in the cashbook. Consequently, the accuracy and completeness of the bank balance of Kshs. 29, 452,276 as at 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

504. The Fund Account Manager submitted that the stale cheques were replaced in the financial year 2015/2016 and the bank charges reflected as a payment in the Cashbook. Bank reconciliation and copies of the cashbook had been availed to the auditor for review.

Committee Observations

505. The Committee observed that-

(i) The Fund Account manager had stale and unpresented cheques which had not been reversed to the cashbook and unrecorded bank charges which is contrary to provisions of PFM Act, 2012 and International Public Sector Accounting Standards (IPSAS) framework on the preparation of financial statements;

(ii) The unpresented cheques were reversed and bank charges recorded and the supporting documents had since been provided and reviewed by the auditor.

Committee Recommendations

506. **The Committee recommends that: -**

1) **The Accounting Officer ensures that the Fund Account Manager adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFMAct, No. 18 of 2012 and PFM (NG) Regulation 100 and 101(4); and**
2) **The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques**

3.6.3.4 Budgetary controls and performance

507. According to the year, 2014/2015 approved budget the Constituency Development Fund had a total budget of Kshs. 81,199,962. However, the summary statement of appropriation reflected a total final budget of Kshs. 81,209,562 resulting to an unreconciled variance of Kshs. 9,600 which is related to the social security benefits budget for the same period.

508. During the year under review, the fund overspent by a total of Kshs. 17,175,548. The management explained that the over-expenditure was as a result of spending the year 2013/2014 funds disbursed during the financial year ended 30 June 2015. However, approval for this over expenditure was not availed for audit review. There was also an under expenditure totaling Kshs. 2,878,700 mostly on other grants and transfers. This may have hindered the delivery of goods and services to the constituents of Jomvu in the year under review and may require the Fund Account Manager to re-look at the budget mechanism with a view of allocating funds to priority areas.

Submission by the Fund Account Manager

509. Ms. Fatuma Abubakar, the former Fund Account Manager submitted that-

a) The Kshs. 1,100,000 for employees' compensation included Kshs. 9,600 for NSSF which was erroneously recorded in this case as a separate vote in the budget.

b) During the financial year under review Kshs. 106,445,219 was actually received and Kshs. 95,506,408 was spent giving rise to a surplus of Kshs. 10,938,811 thus the question of overspending did not arise. According to CDF Act, 2013 Section 11(2) *"All funds allocated to a constituency shall be cumulative and shall be carried forward from one financial year to the next, including funds returned into the account in accordance with section 10 (3) or funds which are not utilized for whatever reasons"*

c) An additional code list of Kshs. 2,900,000 for Miritini Secondary school which had errors was received late thus expenditure could not be effected despite funds being in the account. The project had been implemented to completion and was in use.

Committee Observations

510. The Committee observed that under expenditure occasioned by the late release of funds by the National Treasury, whilst over expenditure was as a result of rollover of funds from the previous year to the subsequent financial year and the audit issue stands resolved.

Committee Recommendations

511. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursement of money to the Constituencies.**

3.6.3.5 Project Implementation

512. A project status report availed for audit review shows that 72 projects were funded during the year under review. The following observations were made:

i). Out of the 72 development projects funded by the CDF, fifty-six (56) with a total allocation of Kshs. 104,481,895 and disbursement of Kshs. 60,997,495 had not started. The funds disbursed for these projects had not been spent as at 30th June 2015. It is not clear why the public funds remained idle in the project management committees' bank accounts.

ii). Four (4) of the projects with an allocation of Kshs. 6,580,930 and full disbursement of the same amount were ongoing as at the time of the audit.

iii). Twelve (12) projects with a total allocation of Kshs. 17,593,578 and disbursement of Kshs. 15,593,578 had been completed as at 30th June 2015.

513. Slow implementation of development projects affects service delivery to the public and the intended purpose of the project may take a long to realize. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituencies Development Fund Committee (CDFC).

Submission by the Fund Account Manager

514. The Fund Account Manager submitted that for projects that had not been started, funds had been disbursed close to the end of the financial year. As procurement takes a long time, there was a delay in starting the projects. For the other projects which had not been funded, the funds were received the following financial year. All projects had been subsequently implemented to completion and were in use.

Committee Observations

515. The Committee observed that slow implementations of projects were occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects are complete and in use, hence the aaudit query stands resolved.

Committee Recommendations

516. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursement of money to the Constituencies**

3.6.4 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

517. The Auditor General raised six audit Matters during the examination of the financial statements of Jomvu Constituency in the year 2015/2016.

3.6.4.1 Transfers to other government units

518. The statement of receipts and payments for the year ended 30 June 2016 reflected transfers to other governments units of Kshs. 7,900,000 out of which Kshs. 2,000,000 was disbursed to St. Mary's Bangladesh Primary School for the construction of a social hall. However, as at 30 June 2016, the project had not started. Consequently, the value-for-money on the Kshs. 2,000,000 transferred to the project for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

519. Ms. Fatuma Abubakar, the former Fund Account Manager submitted that the project was delayed due to insufficient funds allocated. The cost estimate was Kshs. 10,000,000. The project could not be implemented until the Board approved the reallocation for additional funds. The project was completed and a copy of the completion certificate and additional funds approval were availed to the auditor.

Committee Observations

520. The Committee observed that the project implementation was delayed because of insufficient allocation of funds during the year. The project was completed in October 2017

Committee Recommendations

521. **The Committee recommends that in line with Section 46(1) of the NG-CDF Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

3.6.4.2 Other grants and transfers

522. The statement of receipts and payments for the year ended 30 June 2016 reflected other grants and transfers of Kshs. 34,995,234 out of which Kshs. 7,700,000 relates to water projects. Ownership documents for the land on which the boreholes were drilled were not availed for audit verification. Further, projects totaling Kshs. 3,400,000 had not been done as at 30 June 2016 as shown in the table:

PAYEE	Date	P.V No.	Chq No	Amount (Kshs)
Kopakopa Borehole	07.07.2015	003	1021	650,000
Mwamlai Borehole	07.07.2015	004	1022	650,000
Ganahola Kwa Kenga	07.07.2015	007	1025	650,000

Funga shati well	03.11.2015	20	1813	150,000
Kwa Punda Borehole	03.11.2015	22	1816	650,000
Owino Uburu Borehole	03.11.2015	23	1817	650,000
Total				**3,400,000**

523. Although the management indicated that the respective project budgets had been reallocated, no approvals from the Board were availed for audit confirmation. Under the circumstance, it had not been possible to confirm the propriety of Kshs. 7,700,000 spent on water projects during the year under view.

Submission by the Fund Account Manager

524. Ms. Fatuma Abubakar, the former Fund Account Manager submitted that the documents for land ownership were not in project files. The plots were mostly settlement schemes, which do not have titles. For this, owners gave written consent. Those under the county government had approval granted.

525. The projects totaling to Kshs. 3,400,000 had not been done at the time of the audit. Subsequently, Kopakopa Borehole, Kwapunda Borehole and Ganahola Kwa Kenga Borehole were drilled, paid for though were unsuccessful. Funds for the remaining projects including balances for the unsuccessful boreholes amounting to Kshs. 1,965,500 were reallocated and Board approval was acquired. Mwamlai Borehole had a balance of Kshs. 605,000 on the PMC account as per the certificate of bank balance availed to the auditor.

Committee Observations

526. The Committee observed that-

(i) Some of the boreholes had dried up as confirmed by the Fund Account Manager. This could be as a result of a lack of hydrological survey on the project location; and

(ii) Re-allocation of Kshs. 1,965,500 had been approved by the Board and the audit query is resolved.

Committee Recommendations

527. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager and PMCs undertake hydrological survey and due diligence on land ownership before undertaking water projects for their smooth implementation.**

3.6.4.3 Cash balance

528. The statement of financial assets as at 30 June 2016 reflected nil cash balance but the supporting Board of Survey Report was not availed for audit review. Consequently, the accuracy and completeness of nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

529. The Fund Account Manager submitted that the board of survey report had been availed to the auditors for review.

Committee Observations

530. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit, the Board of survey reports to support the cash balance.

(ii) They were later availed, verified and reviewed by the auditors.

Committee Recommendations

531. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFMAct, No. 18 of 2012.**

3.6.4.4 Budgetary Controls and Performance

532. During the year under review, the Fund had a budget of Kshs. 91,568,338 but spent Kshs. 48,801,507 or 53% of the budget resulting to under-expenditure of Kshs. 42,766,831.00 or 47%. The under-expenditure of Kshs.42, 766,831 indicates that the projects were not implemented in accordance with the provisions of Section 220(1) of the Constitution of Kenya and section 35(1) of the PFMAct, 2012 which require the budget process for the national Government to comprise among other things integrated medium- and long-term planning and determination of financial and economic policies and priorities at the national level over the medium term. As such, delivery of goods and services to residents of Jomvu Constituency was curtailed by the failure to utilize the budget wholly.

Submission by the Fund Account Manager

533. The Fund Account Manager said that the low utilization of the budget was due to the delay in disbursement of funds by the CDF Board. The CDFC could not implement projects as the funds for the projects were received close to the end of the financial year. However, the funds were later utilized and the projects were complete and in use.

Committee Observations

534. The Committee observed that;

1) The under expenditure of the funds was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board; and
2) The funds were received towards the end of the financial year and therefore the projects could not utilize all the funds within a few days, hence the audit query stands resolved.

Committee Recommendations

535. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursement of money to the Constituencies.**

3.6.4.5 Projects implementation

536. The project's status report availed for audit review indicated that a total of Kshs. 55,800,000 was approved for thirty-six (36) projects which had however not started as at 30 June 2016. The management of the CDF failed in its constitutional responsibility to deliver services to the citizens of Jomvu constituency by not implementing the planned projects worth Kshs. 55,800,000 despite having cash at the bank above Kshs. 71,000,000 as at 30 June 2016. No plausible explanation had been provided by management for the failure to implement these projects.

Submission by the Fund Account Manager

537. Ms. Fatuma Abubakar, the former Fund Account Manager submitted that the AIE's amounting to Kshs. 45,400,000 were received after 20th June 2016 by the constituency making it difficult to deliver services to the citizens in time. Of this amount, funds relating to borehole projects amounting to Kshs. 7,800,000 were reallocated. The projects were implemented to completion in the subsequent financial year and were in use.

Committee Observations

538. The Committee observed that the delays in the implementation of the projects were due to late disbursement of funds by the NG- CDF Board and the National Treasury. The projects are complete and in use, hence the audit query stands resolved.

Committee Recommendations

539. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursement of money to the Constituencies.**

3.6.4.6 Projects Verification

a) Drilling and equipping of Borehole at Chamunyu

540. A visit to Chamunyu borehole project revealed that although the borehole was drilled and equipped with a hand pump, there was no water thus raising doubt as to whether a proper feasibility study was carried out before public funds totaling Kshs. 650, 000 were allocated to the project.

Submission by the Fund Account Manager

541. The borehole was properly done, water obtained and was working. A feasibility study had been done and the borehole assessed by WARMA. The reports were availed to the auditor for review.

Committee inspection visits

542. The Committee undertook inspection visits to the projects on 7th to 12th December, 2020 and made the following findings: -

(i) The project commenced during the financial year 2015/2016 and was completed and handed over to the community in August 2016. It is situated in Chamunyu A village, Miritini location, Miritini Ward;

(ii) The borehole was complete and in use and that the objective to provide clean water and improved sanitation and reduction in the spread of diseases was achieved; and

(iii)The feasibility study report, Geological reports and Licences from Water Resource Management Authority were availed for audit review;

Committee Recommendation

543. **The committee recommends that:**

1) **The Accounting Officer ensures that the Fund Account Manager and Project Management Committees undertakes feasibility and hydrological studies are done before any water project is implemented; and**
2) **The Accounting Officer ensures that the Fund Account Manager involve relevant Government departments in the initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in line with Section 36(1) and 46(1) of the National Government Constituency Development Fund Act, 2015.**

b) Installation of Street lights on existing KPLC Poles at Sameta

544. A visit to Sameta street light project revealed that the project was undertaken at a cost of Kshs. 1, 450,000. However, the street lights installed were not working at the time of the audit inspection. Therefore, the objective of providing security to the residents was not achieved.

Submission by the Fund Account Manager

545. The Fund Account Manager submitted that the streetlights were done and while in good working condition, handed over to the County Government of Mombasa for sustainability.

546. **The Committee visited the project at Sameta from 7th to 12th December, 2020 and observed the following: -**

(i) The project is situated in Sameta village, Mikindani location, Mikindani Ward. It commenced in March 2016 and was completed and handed over to the County Government on 30th September, 2016; and

(ii) The street lights were working and in good condition. The objective of the project was to provide security to the residents and value for money was achieved

Committee Observations

547. The Committee observed that the Completion Certificate and Letter of hand over of the project to the County Government were submitted for audit review. However, there was no acknowledgment letter by the County Government.

Committee Recommendations

548. **The Committee recommends that the Accounting Officer ensures that Fund Account Manager avail supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.**

CHAPTER FOUR: KWALE COUNTY

4 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR CONSTITUENCIES IN KWALE COUNTY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEAR

4.1 LUNGA LUNGA CONSTITUENCY

549. Mr. Hassan K. Kassim, the current Fund Account Manager since 27th July 2018 appeared before the Committee on 29th September, 2020 to respond to audit Matters raised in the report by the Auditor General for Lunga Lunga Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i) Mr. James Chebii, Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Mr. Andrew Kibalanga, Former Fund Account Manager (March 2014 to 2018)

4.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

550. The Auditor General raised four audit Matters during the examination of financial statements for Lunga Lunga Constituency in the year 2013/2014.

4.1.1.1 Rounding off figures

551. The figures in the financial statement had neither been rounded off to the nearest thousand nor presented in thousands.

Submission by the Fund Account Manager

552. Mr. Hassan Kassim, the Fund Account Manager informed the meeting that the error was corrected to comply with the requirements of the International Public Sector Accounting Standards. The corrected financial statement was presented to the auditor for review.

Committee Observations

553. The Committee observed that the Fund Account Manager had not prepared the financial statements as per the requirements of the IPSAS framework and PFM Act, 2012. However, they were corrected and presented to the auditor for review hence the audit query stands resolved.

Committee Recommendations

554. The Committee recommends that-

1) **The Committee recommends that the Accounting Officer ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFMAct, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**
2) **The Accounting Officer to ensure that the National Government Constituencies Development Fund Board in consultation with the PSASB (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff.**

4.1.1.2 Cash and Cash Equivalents.

555. The statement of financial assets as at 30th June, 2014 reflected cash and cash equivalent balances of Kshs. 1,663,674.00 out of which cash at the bank is amounting to Kshs. 1,372,735.00. However, no bank reconciliation statement and a board of survey report were availed during the time of audit. Consequently, the accuracy and validity of cash and cash equivalent balance of Kshs. 1,663,674.00 as at 30th June, 2014 could not be ascertained.

Submission by the Fund Account Manager

556. Mr. Hassan Kassim, the Fund Account Manager submitted that the Bank reconciliation statement as at 30th June, 2014 and a board of survey report had been availed to the auditor for review after the audit period.

Committee Observations

557. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit a bank reconciliation statement and the Board of survey reports to support the cash balance.
(ii) The submission of the survey reports was done later to the auditor for audit verification.

Committee Recommendations

558. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012.**

4.1.1.3 Payments

559. The statement of receipts and payments for the year ended 30th June, 2014 reflected total payments of Kshs. 45,713,899. However, analysis in cashbook payments reflected the total payment of Kshs. 48,053,275 resulting in an unexplained difference of Kshs.

2,339,376. Consequently, the accuracy of payments amounting to Kshs. 45, 713,899 for the year ended 30th June, 2014 could not be confirmed.

Submission by the Fund Account Manager

560. Mr. Hassan Kassim, the Fund Account Manager submitted that during time of audit the total payment obtained from the cashbook was over stated by Kshs. 2,339,376 to Kshs. 48,053,274.80 Instead of Kshs. 45,690,899. This excess was as a result of replaced cheques and contra entries being double-counted thus overstating the actual payments. The extract of the cashbook folios was presented to the auditor for review.

Committee Observations

561. The Committee observed that the documents for the unexplained difference of Kshs. 2,339,376 were provided for audit verification.

Committee Recommendations

562. **The Committee recommends that the Accounting Officer ensure that Fund Account Manager keeps financial and other records accurate, reliable, and complete and ensure adherence to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 101(4).**

4.1.1.4 Committee Expenses

563. The statement of receipts and payments for the year ended 30th June, 2014 reflected payment in respect of committee expenses amounting to Kshs. 2,171,000 all of which relates to payment of allowances. The management availed only a summary breakdown of this payment. However, the rate applied, and minutes in support of these meetings were not availed. Consequently, the propriety of the committee expenses for the year ended 30th June, 2014 amounting to Kshs. 2,171,000 could not be ascertained.

Submission by the Fund Account Manager

564. Mr. Hassan Kassim, the Fund Account Manager submitted that these expenses were funds allocated in Administration, Monitoring and Evaluation vote heads to cater for CDFC members allowances and all expenses incurred when conducting a meeting, training, inter- constituency visits and when undertaking monitoring and evaluation of the on-going project. The Fund Account Manager availed a breakdown of activities and amount involved together with minutes and copies of payment vouchers with payment schedules containing attendant rates for verification.

Committee Observations

565. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit relevant supporting documents to support the expenditure on committee expenses; and

(ii) The documents were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

566. **The Committee recommends that the Accounting Officer ensures that all Fund Account Manager avail supporting documents to the Auditor during an audit as required under section 9(1)(e) Public Audit Act, 2015.**

4.1.2 AUDIT MATTERS IN THE FINANCIAL STATEMENT FOR 2014/2015

567. The Auditor General flagged out four audit Matters during the examination of financial statements for Lunga Lunga Constituency for the year 2014/2015.

4.1.2.1 Cash and cash Equivalent.

568. The statement of assets as at 30th June, 2015 reflected cash and cash equivalent balance of Kshs. 73,520,456 which included a bank balance of Kshs. 73,271,417. However, the bank reconciliation statement availed for audit indicated that out of the total outstanding cheques of Kshs. 8,162,893, cheques amounting to Kshs. 418,449 were stale and could not be honoured. Further included in the cash and cash equivalent balance was a cash balance of Kshs.39. However, the report of the board of survey on cash balance availed for audit verification indicated a cash balance of Kshs. 1,999,000 as at 30th June, 2015 resulting in an unexplained or unreconciled variance of Kshs. 1,998,961. Consequently, the accuracy and validity of cash and cash equivalent balance of Kshs. 73,520,456 could not be confirmed.

Submission by the Fund Account Manager

569. The Fund Account Manager submitted that stale cheques amounting to Kshs. 418,449 were from the education bursary vote. The stale cheques were reversed and re-issued to the needy students within Lunga Lunga constituency. Copies of the cashbook extracts and bank reconciliation statements were availed to the auditor for review. Further, the initial cashbook balance was Kshs. 1,999,039 and not Kshs. 39. The amount was further reduced by Kshs. 1,750,000 being imprest surrendered inadvertently omitted earlier, leaving a balance of Kshs. 249,039 as shown in the cashbook extract.

Committee Observations

570. The Committee observed that-

(i) The Fund Account Manager did not maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund; and

(ii) The documents were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

571. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, and complete financial and other records and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 101(4).**

4.1.2.2 Inaccuracies in the financial statement

572. The statement of assets as at 30th June, 2015 reflected the total financial assets of Kshs. 73,520,456 represented by the net financial position of Kshs. 73,520,456. However, recomputed net financial position reflected a figure of Kshs. 73,497,457 resulting to a variance of Kshs. 22,999. Consequently, the accuracy, completeness and validity of the statement of assets could not be confirmed.

Submission by the Fund Account Manager

573. Mr. Hassan Kassim, the Fund Account Manager submitted that the variance of Kshs. 22,999 was cash-in-hand as at 30th June, 2014 which was erroneously omitted when preparing the financial statement. The error was then corrected for the financial year ending 30th June, 2015.

Committee Observations

574. The Committee observed that the Fund Account Manager omitted cash-in-hand balances when preparing the financial statement which had since been rectified and documents submitted to the auditor for audit verification.

Committee Recommendations

575. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, and complete financial and other records and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFMAct, No. 18 of 2012 and PFM (NG) Regulation 101(4).**

4.1.2.3 Statement of cash flow

576. The International Public Sector Accounting Standards No. 2 requires an entity to disclose the component of cash and cash equivalent and present the reconciliation of the amounts in its cash flow statement with equal items reported in the balance sheet. However, the statement of cash flow presented for the year under review was not in line with this requirement. Further the recomputed cash flow cash balance of Kshs. 73,497,457 was at variance with cash and cash equivalent of Kshs. 73,271,417 reflected in the statement of assets resulting in an unexplained variance of Kshs. 22,999.

Submission by the Fund Account Manager

577. Mr. Hassan Kassim, the Fund Account Manager submitted that the variance of Kshs. 22,999 was an error from not including the prior year adjustments of cash-in-hand carried forward from the financial year 2013/2014. The error had been corrected in the financial statement ending 30th June, 2015.

Committee Observations

578. The Committee observed that-

(i) The Fund Account Manager omitted cash in and balances when preparing the financial statement; and

(ii) The figures had since been rectified and documents submitted to the auditor for verification.

Committee Recommendations

579. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keep accurate, reliable, and complete financial records and other records and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFMAct, No. 18 of 2012 and PFM (NG) Regulation 101(4).**

4.1.2.4 Budgetary Controls and Performance

580. Information availed indicated that the approved budget of the year for Constituencies Development Fund – Lunga Lunga Constituency was Kshs. 126,602,963. However, the summary statement of appropriation reflected a total budget of Kshs. 140,518,736 resulting in a variance of Kshs. 13,915,773. The approval for this additional amount of Kshs. 13,915,773 was not availed for audit verification.

581. As shown in the budget summary, the actual expenditure for the Fund during the year ended 30th June, 2015 amounted to Kshs. 80,539,600 against a budget of Kshs. 140,518,736 resulting in overall under expenditure of Kshs. 59,979,135. With this absorption, the intended purpose of the project may not be realized which may affect the delivery of goods and services to the people of Lunga Lunga Constituency.

Submission by the Fund Account Manager

582. Mr. Hassan Kassim, the Fund Account Manager submitted that the allocation for the Constituency was Kshs. 137,602,963 and not Kshs. 126,602,963. The balance brought forward from previous years amounted to Kshs. 2,915,773 giving a total budget of Kshs. 140,518,736. The late utilization of the fund is a result of the late disbursement of the funds from the NG-CDF board. The funds were received as follows:

Date	AIE NO.	Amount
02/06/15	A796811	15,760,296
17/6/15	A796126	34,965,229
	TOTAL	**50,725,525**

Committee Observations

583. The Committee observed underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury and the audit query is resolved.

Committee Recommendations

584. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.1.2.5 Project implementation and verification

585. A review of the project status indicated that although 19 projects had been allocated funds totalling to Kshs. 53,585,690, the projects had not been initiated by 30th June, 2015. Further seven (7) projects with a total allocation of Kshs. 31,432,500 were at various levels of completion as at 30th June, 2015.

Submission by the Fund Account Manager

586. The Fund Account Manager submitted that all the projects which had not been started and were ongoing had been completed and handed over to the end-users.

Committee Observations

587. The Committee observed that delays in implementation of projects were occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and in use and the audit, query is resolved.

Committee Recommendations

588. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/ 2016

589. The Auditor General flagged out four audit Matters during the examination of the financial statements for the year 2015/2016.

4.1.3.1 Transfers from National Government Constituencies Development Fund Board- AIE Received

590. The statement of receipts and payments for the year ended 30th June, 2016 reflected a transfer from NG-CDF Board – AIEs received of Kshs. 105,836,252 whereas the summary statement of appropriation reflected a balance of Kshs. 154, 862,488 resulting to unreconciled variance of Kshs. 49,026,236. Under this circumstance, it is not possible to confirm the accuracy and completeness of the transfer from the NG-CDF Board. AIE Received of Kshs. 105,836,252.

Submission by the Fund Account Manager

591. The Fund Account Manager submitted that the total AIEs received from the NG-CDF Board during the financial year, 2015/2016 amounted to Kshs. 105,836,252. The difference of Kshs. 49,026,236 was the opening balance at the beginning of the financial year.

Committee Observations

592. The Committee observed that unexplained difference of Kshs. 49,026,236 was the opening balances at the beginning of the financial year and that the audit query is resolved.

Committee recommendations

593. **The Committee recommends that the Accounting Officer ensure the Fund Account Manager keeps accurate, reliable, and complete financial and other records nd adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFMAct, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

4.1.3.2 Other Grants and other payments.

594. The statement of receipts and payments for the year ended 30th June, 2016 reflected transfers to other Government units of Kshs. 59,389,502.00 Out of which Kshs. 11,600,000.00 was for the installation of solar panel floodlights to twenty (20) villages within the constituency. Further, audit verification revealed that ten (10) panels were not working as at March 2017.

Submission by the Fund Account Manager

595. The Fund Account Manager submitted that the installation of solar panel floodlights to twenty (20) villages within the Constituency was to curb security challenges and the project was implemented. However, by March 2017, ten (10) panels were not working due to the vandalism of the solar panels and batteries by the locals.

Committee Observations

596. The Committee observed that-

i. The Fund utilized Kshs. 11,600,000.00 on the installation of solar panel floodlights to twenty (20) villages within the constituency;
ii. As at March 2017, ten (10) panels were not working due to vandalism of the solar panels and batteries by the locals; and
iii. The vandalism was not reported to the police as there was no documentation on the same, such as Occurrence Book Number.

Committee Recommendations

597. **The Committee recommends Accounting Officer ensure that the Fund Account Manager put in place adequate control measures to ensure the proper safeguard of public assets and resources as required under Regulation 139 (1) (a) of PFM (National Government) Regulation, 2015.**

4.1.3.3 Bank Balance

598. The statement of assets as at 30th June, 2016 reflected a balance of Kshs. 24,494,220. Examination of the bank reconciliation indicates a balance of Kshs. 11,045,175 which was unpresented cheques out of which Kshs. 285,345 were stale cheques. There was no explanation as to why these cheques were neither replaced nor reversed in the cashbook.

Submission by the Fund Account Manager

599. Mr. Hassan K. Kassim, the Fund Account Manager stated that the stale cheques amounting to Kshs. 285,345 were for bursary and statutory deductions. The cheques were reversed and cleared as shown in the cashbook extract.

Committee Observations

600. The Committee observed that the stale cheques had since been reversed and supporting schedules provided to the auditor for audit verification.

Committee Recommendations

601. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

4.1.3.4 Budgetary Controls and Performance

602. During the period under review, Lunga Lunga constituency had a final budget of Kshs. 281,810,153 and spent Kshs. 154,862,488 or 55%, resulting in under absorption of Kshs. 126,947,665 or 45%. The under absorption of Kshs. 126,947,665 was an indication that goods and services to the residents of Lunga Lunga constituency were not fully delivered.

Submission by the Fund Account Manager

603. Mr. Hassan K. Kassim, the Fund Account Manager informed the meeting that the low utilization of the budget was due to the delay in disbursement of funds by the NG-CDF Board.

Committee Observations

604. The Committee observed that underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received towards the end of the financial year and therefore it was not possible for the projects to utilize all the funds within a few days and the audit query is resolved.

Committee Recommendations

605. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.1.3.5 Project implementation

606. The project status report availed for Audit review indicated that a total of Kshs. 93,181,387 was approved for forty-two (42) projects by the NG-CDF Board for project implementation out of which Kshs. 51,000,000 was disbursed to the projects. A review of the project status report indicated that:

i) Ten (10) projects within an allocation of Kshs. 35,950,000 were initiated and completed during the year under review.
ii) Ten (10) projects allocated Kshs. 1,521,387 had not been started.
iii) Twenty (20) projects with an allocation of Kshs. 52,800,000 were on-going.
iv) Two (2) projects costing Kshs. 2,910,000 were re-allocated.

Submission by the Fund Account Manager

607. Mr. Hassan K. Kassim, the Fund Account Manager submitted that all the projects which were ongoing and not started at the time of the audit had since been completed and handed over to the various users as shown in the Project implementation status report as at 31st December, 2019.

Committee Observations

608. The Committee observed that delays in implementation of projects were occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and in use and the audit query is resolved.

Committee Recommendations

609. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.1.3.6 Project verification

610. During the audit seven (7) projects with a total of disbursement of Kshs. 50,650,000 were inspected in March, 2017 and various issues were noted as indicated below:

	Project Name	Project activity	Amount	Status /remarks
1	Mwashetani high school	Construction of four new classrooms.	5,000,000	Stalled. Contractor left site.
2	Shirazi boy's high school.	Construction of four new classrooms.	5,000,000	Completed and handed over.
3	Floodlights.	Installation of solar panel flood lights.	6,000,000	Visited four villages project is complete and handed over.
4	Kikoneni secondary school	Purchase of a new school bus.	7,000,000	Bus was purchased and handed over to the school management.
5	Mkwajuni water project.	Drilling of a borehole and installation of pipes.	3,000,000	Completed and handed over.
6	Lunga lunga T.T. I	Counterpart contribution.	10,000,000	Confirmed the portion that was to be done by the fund.
7	Mwashetani high school	Construction of new science lab, administration block and three classrooms.	14,650,000	On-going and within the scheduled time.

611. Slow implementation of projects greatly affects service delivery to the citizens of Lunga Lunga constituency casting doubt on the effectiveness of project monitoring and evaluation carried out by Constituencies Development Committee.

Submission by the Fund Account Manager

612. Mr. Hassan K. Kassim the Fund Account Manager reported that all the projects were completed and handed over.

Inspection visits by the Committee undertaken on 24th to 28th May, 2021

613. The Committee resolved to undertake inspection visits to projects at Mwashetani High School and Installation of Solar Power Floodlights to verify the information submitted by the Fund Account Manager.

Committee Observations

614. The Committee observed that-

i. The classrooms, Science Lab and Administration Block projects were complete and in use. The workmanship is good and the cost is a true reflection of value for money.

ii. The school which serves over five primary schools in the area is key in enhancing the transition of pupils from primary to secondary school.

iii. Most of the Solar Panels were vandalized and the matter reported to the local administration and police. The project was handed over to the County Government for sustainability.

iv. The intention to install Solar Panels was informed by the need to curb insecurity in the villages. However, there was no provision for their maintenance, including securing them.

v. The delay in the implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been completed and in use.

Committee Recommendations

615. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.2 MSAMBWENI CONSTITUENCY

616. Mr. Kenneth Amanya, the current Fund Account Manager since 16th March 2020 appeared before the Committee on 29th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Msambweni Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Mr. Abdulhakim Ali, Former Fund Account Manager (2014 to 2017)

4.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

617. The Auditor General flagged out seven audit Matters during the examination of the financial statements of Msambweni Constituency for the year 2013/2014.

4.2.1.1 Cash and Cash Equivalents

618. The statement of financial assets and liabilities as at 30 June 2014 reflected a cash and cash equivalents balance of Kshs. 8,812,853. However, no bank reconciliations statements and a board of survey report in support of the balance of Kshs. 8,812,853 as at 30 June 2014 were availed for audit verification. In addition, out of the Kshs. 563,801 in respect of outstanding imprests, Kshs. 413,859 was owed by former employees of the Fund and recovery was doubtful. Consequently, the accuracy and validity of the cash and cash equivalent balance of Kshs. 8,812,853 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

619. Mr. Kenneth Amanya, the Fund Account Manager submitted that the board of survey report and the bank reconciliation statements in support of the cash and cash equivalents balance of Kshs. 8,812,853 had since been availed to the auditor for review. After several efforts by the manager to write letters to the former CDFC members asking them to surrender the outstanding imprests, the members eventually surrendered their imprests.

Committee Observations

620. The Committee observed that-

i. Bank reconciliations statements and a board of survey report in support of the balanceKshs. 8,812,853 as at 30 June 2014 were not availed for audit verification contrary to the provisions of section 68 of the PFMAct, 2012 on submission of documents; and
ii. The documents were however submitted to the auditor and review.

Committee Recommendations

621. The Committee recommends that-

1) **The Accounting Officer ensures that the Fund Account Manager complies with the provisions of section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures that the Fund Account Manager adheres to Regulation 94 of PFM (National Government) Regulation, 2015 on surrender of imprest.**

4.2.1.2 Fund Balance

622. The statement of financial assets and liabilities includes a fund balance brought forward of Kshs. 6,337,875 as at 30 June 2014. Included in this balance is a bank balance brought forward amounting to Kshs. 3,961,088 and outstanding imprest of Kshs. 2,376,787. However, no supporting schedules and documents were availed for audit review. Consequently, the accuracy and validity of the fund balance of Kshs. 6,337,875 could not be ascertained as at 30 June 2014.

Submission by the Fund Account Manager

623. Mr. Kenneth Amanya, the Fund Account Manager submitted that Kshs. 3,961,088 was bank balances in the Committees Account at Co-operative Bank as shown in the bank reconciliation statement. The Kshs. 2,376,787 outstanding imprest was as per the schedule availed to the auditor. The imprest had since been surrendered.

Committee Observations

624. The Committee observed that-

i. The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the fund balance which is contrary to the provisions of section 68 of the PFMAct, 2012; and
ii. The documentation was however submitted to the auditor for audit verification and reviewed by the auditor.

Committee Recommendations

625. The Committee recommends that-

1) **The Accounting Officer ensures that the Fund Account Manager complies with the provisions of section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures that the Fund Account Manager adheres to Regulation 94 of PFM (National Government) Regulation, 2015 on surrender of imprest.**

4.2.1.3 Receipts

626. The statement of receipts and payments for the year ended 30 June 2014 reflected receipts from the CDF board amounting to Kshs. 99,146,294. However, a review of disbursements from the Constituency Development Fund Board revealed that the fund received a total of Kshs. 107,146,294 resulting in unexplained or reconciled difference of Kshs. 8,000,000. Consequently, the accuracy and completeness of the receipts from CDF Board balance of Kshs. 99,146,294 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

627. Mr. Kenneth Amanya, the Fund Account Manager submitted that during the financial year 2013-2014, Msambweni Constituency received Kshs. 99,146,294 only vide three (3) AIEs as follows:

DATE	AIE NO	AMOUNT
15/7/2013	A711806	67,259,058
11/12/2013	A709968	2,000,000
9/1/2014	A735501	29,887,235.60
	Total	**99,146,293.60**

628. The Kshs. 8,000,000 was not captured as a receipt for the financial year as it was received before the start of the period 2013-2014. The bank statements showed when the Kshs. 8,000,000 was received.

Committee Observations

629. The Committee observed that-

(i) The Fund Account Manager received Kshs. 99,146,294 and not Kshs. 107,146,294 as reported.

(ii) The Fund Account Manager had submitted support documents which was later verified and reviewed by the auditor.

Committee Recommendations

630. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFMAct, No. 18 of 2012.**

4.2.1.4 Committee Expenses

631. The statement of receipts and payments for the year ended 30 June 2014 reflected payments in respect of committee expenses amounting to Kshs. 5,905,665. However, no supporting schedules and documents were availed for audit review. Consequently, the accuracy and propriety of the committee expenses of Kshs. 5,905,665 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

632. Mr. Kenneth Amanya, the Fund Account Manager submitted that expenses for the committee sitting allowances, monitoring and evaluation expenditure, office expenses, training, attendance registers, payment schedules, committee minutes and M&E to support the expenditure of Kshs. 5,905,665 had since been availed to the auditor.

Committee Observations

633. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure and

(ii) The documentations were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

634. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.**

4.2.1.5 Other payments

635. The statement of receipts and payments for the year ended 30 June 2014 reflected other payments amounting to Kshs. 1,229,098. Information availed for audit indicated that the payment was a transfer to Lunga Lunga Constituency Development Fund. However, the financial statements of Lunga Lunga Constituency Development Fund availed for audit did not include the transfer. Consequently, the propriety of other payments amounting to Kshs. 1,229,098 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

636. Mr. Kenneth Amanya, the Fund Account Manager submitted that when the larger Msambweni CDF was split, the share of funds belonging to the new Constituency was drawn vide Cheque No. 3166. Unfortunately, Lunga Lunga constituency delayed in depositing the cheque for payment to the bank during the financial year. It remained as an unpresented cheque in the books of Msambweni Constituency and at the same time, Lunga Lunga could not include it in the financial statement as a receipt. The cheque was deposited in August 2014. The bank statements of Lunga Lunga Constituency and Msambweni had been availed to the auditor for review.

Committee Observations

637. The Committee observed that-

(i) Kshs. 1,229,098 transferred to Lunga Lunga Constituency Development Fund had not been reflected in the financial statements of Lunga Lunga Constituency Development Fund at the time of Audit; and

(ii) The funds were later on reflected and the audit query was resolved.

Committee Recommendations

638. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with Section 68 of the PFMAct, No. 18 of 2012.**

4.2.1.6 Transfers to other Government Units

639. The statement of receipts and payments for the year ended 30 June 2014 reflected payments in respect of transfers to other Government units amounting to Kshs. 45,307,540. Information availed for audit indicated that the amounts were paid out as follows: to primary schools Kshs. 13,531,460 to secondary schools Kshs. 15,597,300 to tertiary institutions Kshs. 678,780 and to health institutions Kshs. 15,500,000.

640. However, no supporting schedules and documents were availed for audit review. In addition, the acknowledgment of receipt of the monies by the recipients in the respective public institutions was not availed for audit verification. Consequently, the propriety of the transfers to other Government units amounting to Kshs. 45,307,540 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

641. Mr. Kenneth Amanya, the Fund Account Manager submitted that the supporting schedules of funds transferred to the government units and bank statements were availed to the auditor for review. The schedules and bank statements of the respective projects as proof of receipt of funds were availed for verification.

Committee Observations

642. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure of Kshs. 45,307,540; and

(ii) The documentation was however submitted to the auditor for audit verification after the audit period and the audit query resolved.

Committee Recommendations

643. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.**

4.2.1.7 Acquisition of Assets

644. The statement of receipts and payments for the year ended 30 June 2014 reflected payments in respect of the acquisition of assets amounting to Kshs. 9,500,000. The payments comprised of Kshs. 8,500,000 and Kshs. 1,000,000 for construction of Msambweni CDF office and purchase of furniture and fittings respectively. However, information and payment documents availed for audit indicated that only Kshs.

7,752,918 was spent on the construction of the buildings resulting in an unexplained variance of Kshs. 1,747,082. In addition, although the contract costs for the construction of the office covered plumbing works, drainage, landscaping, construction of parking area and the gate totaling Kshs. 4,260,000 there was no indication that the same had been done by the time of this audit.

645. Further, documents in support of payments amounting to Kshs. 1,000,000 in respect of the purchase of office furniture and fittings were not availed for audit review. Additionally, no retention money was deducted from the payment for construction of the office building to cover the contract's defect period contrary to Government Financial regulations. Consequently, the accuracy and validity in respect of the acquisition of assets amounting to Kshs. 9,500,000 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

646. Mr. Kenneth Amanya, the Fund Account Manager submitted that the variance of Kshs. 1,747,082 was utilized as follows:

Project	Amount
Furniture	1,000,000
White house	250,000
Kidzumbani	250,000
Water in Lunga Lunga office	247,000

647. He further submitted that landscaping, plumbing works, drainage, car park and the gatehouse were all done. The project was paid a year after completion that's why there was no need for retention since the project had been there for more than six months. The Fund Account Manager, availed a copy of the Payment voucher for public toilets, purchase of office furniture and photos of landscaping, gate and car parking.

Committee Observations

648. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure of Kshs. 9,500,000; and

(ii) The documentation was however submitted to the auditor for audit verification after the audit period and the audit query was resolved.

Committee Recommendations

649. **The Committee recommends that:**

1) The Accounting officer ensures that the Fund Account Manager complies with Section 68 of the PFM Act, No. 18 of 2012; and

2) **The Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015**

4.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

650. The Auditor General flagged out four audit Matters during the examination of the financial statements of Msambweni Constituency for the year 2014/2015.

4.2.2.1 Receipts

651. The statement of receipts and payments for the year ended 30 June 2015 reflected receipts from other government entities amounting to Kshs. 133,949,060. However, a review of disbursement from the Constituency Development Fund Board revealed that the fund received a total of Kshs. 128,475,147 resulting in an unexplained or reconciled difference of Kshs. 5,473,913. Consequently, the accuracy and completeness of the receipts from other government entities balance of Kshs. 133,949,060 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

652. The Fund Account Manager submitted that Msambweni CDF received Kshs. 133, 949,060.65 from the CDF Board during the financial year 2014/2015 evident by the received AIEs as follows:

DATE	AIE NO	AMOUNT
21/7/2014	A750186	47,831,853.40
29/12/2014	A796517	25,705,736
10/2/2015	A796836	31,705,735.50
25/5/2015	A797186	28,705,735.75
	Total	**133,949,060.65**

653. The AIE copies, bank statements, cashbook excerpts and confirmation letters from the Board had been availed to auditors for verification.

Committee Observations

654. The Committee observed that the Constituency had received Kshs. 133,949,060 and there was no variation as indicated in the audit query hence the issue stands resolved.

Committee Recommendation

655. **The committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, 2012.**

4.2.2.2 Cash and Cash Equivalent.

656. The statement of assets reflected cash and cash equivalent balance of Kshs. 26,203,387. Bank reconciliation statements availed revealed that Kshs. 6,848,552 were cheques not presented for payment out of which cheques amounting to Kshs. 1,615,298 were stale and therefore could not be presented for payment. Further bank charges and commissions amounting to Kshs. 411,103 had not been adjusted in the cashbook. In addition, out of

the Kshs.1, 422,037 in respect of outstanding imprest Kshs.113, 859 were owned by a former employee of the fund and its recoverability is doubtful. Consequently, the accuracy and validity of the cash and cash equivalent balance of Kshs. 26,203,387 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

657. The Fund Account Manager submitted that all bank charges had been expensed against the administration vote and necessary adjustments had been done. Vouchers and cashbook excerpts had been availed for verification.

658. On the unpresented cheques, some of them were presented and cleared while others were replaced. The stale cheques were reversed and replaced and cleared by 30th June 2017 as shown in the schedule and excerpts of cashbook folio nos. 36401, 36402, 36404, 36406, 36413 and 36414 provided.

659. On the issue of outstanding imprest, all the outstanding imprests had since been surrendered.

Committee Observations

660. The Committee observed that-

(i) The Fund Account Manager had unpresented and stale cheques not reversed in the cashbook, did not maintain an up-to-date cashbook as it had not recorded bank charges; and

(ii) The unpresented and stale cheques were however reversed and unrecorded payments recorded in the cashbook after the audit period and the audit query resolved.

Committee Recommendations

661. **The Committee recommends that:**

1) **The Fund Account Manager ensures that financial records and other records are up-to-date, accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 101(4) of the PFM (National Government) Regulations 2015; and**
2) **The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

4.2.2.3 Acquisition of Land

662. The statement of receipts and payments as at 30 June 2015 reflected the acquisition of assets amounting to Kshs. 6,120,000. Included under this payment was the acquisition of land amounting to Kshs. 500,000 on which the Fund management had commenced building its offices. However, no evidence was availed for audit to show that the land

had been transferred to the Fund and that the land was public as required by Section 22[1] of the Constituency Development Fund Act, 2013, which requires that all projects undertaken shall be community-based. The Fund, therefore, was in breach of the Law.

Submission by the Fund Account Manager

663. The Fund Account Manager submitted that at the time of the audit, the transfer process was ongoing. This was completed and the title was issued and presented to the auditors for verification.

Committee Observations

664. The Committee observed that the title transfer process was completed and the title issued.

Committee Recommendations

665. **The Committee recommends that the Accounting Officer ensures that the Fund Account managers put in place proper control systems for safeguarding public assets in line with Regulation 139 of PFM (National Government) Regulations, 2015.**

4.2.2.4 Budgetary Controls and Performancee

666. Msambweni CDF actual expenditure for the year ending 30 June 2015 amounted to Kshs. 118,605,868 against a budget of Kshs. 113,322,942 resulting in an overall net excess expenditure of Kshs. 5,282,925. The fund overspent on four items namely transfer to other government Agencies, acquisition of assets and committee expenses amounting to Kshs. 11,449,154. There was no evidence of approval of the excess expenditure availed for audit review. Further, the fund underspent on four items to the tune of Kshs. 6,166,228. Although the fund indicated that the budget was adjusted by Kshs. 15,727,097, no evidence in form of a supplementary budget was availed to support the adjustment. Failure to utilize funds may lead to poor service delivery for the citizens of Msambweni Constituency.

Submission by the Fund Account Manager

667. The Fund Account Manager submitted that the Constituency carried forward funds from previous years which were utilized in the financial year 2014/15. There was therefore no over expenditure.

668. An amount of Kshs. 8,059,607.82 were funds transferred to other government units, Kshs. 2,871,235.56 used for acquisition of assets and Kshs. 18,312 utilized for committee expenses. The under expenditure was due to delay in preparation of BQs and also late disbursement of funds and procurement processes. The cash Kshs. 15,727,097 was not supplementary budget but funds of previous financial year and funds owed by the Board which is recorded in the adjustment column.

Committee Observations

669. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury while over expenditure was as a result of rollover funds from previous years which was utilized in the financial year.

Committee Recommendations

670. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.2.2.5 Project implementation

671. The statement of receipts and payments for the year ended 30 June 2015 indicated that Kshs. 82,799,462 had been disbursed to various projects. Thirty-three [33] projects were proposed and approved at an estimated budget of Kshs. 154,872,613. Out of this, eight projects were budgeted for Kshs. 29,300,000 were not started, two projects with an estimated budget of Kshs. 40,282,759 were partially completed and two projects at a cost of Kshs. 6,500,000 were complete but were not in use.

672. Although the management attributed the non-implementation of the project to poor funding from the Board, it was not clear how the project identified and marked for implementation during the year could not be implemented and yet the Fund had idle cash in the bank. The Fund should plan to implement and complete all the projects planned for the year for better delivery of services to the citizens of the Constituency.

Submission by the Fund Account Manager

673. Mr. Kenneth Amanya, the Fund Account Manager acknowledged that all projects had been completed and operational.

Committee Observations

674. The Committee observed that delays in the implementation of the projects were due to late disbursement of funds by the NG- CDF Board and the National Treasury. The projects are complete and in use, and the audit query resolved.

Committee Recommendations

675. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

676. The Auditor General flagged out five audit Matters during the examination of the financial statements of Msambweni Constituency for the year 2015/2016.

4.2.3.1 Cash and Cash Equivalents

677. The statement of assets as at 30 June 2016 reflected a bank balance of Kshs. 14,639,107. Bank reconciliation availed for audit revealed that unpresented cheques were amounting to Kshs. 17,692,673 out of which cheques amounting to Kshs. 373,722 were stale and therefore could not be presented for payment. In addition, receipts in the cashbook not reflected in the bank statements amounted to Kshs. 215, 000. Further, bank charges and commissions amounting to Kshs. 70,441 had not been adjusted in the cashbook. Consequently, the accuracy and validity of the cash and cash equivalent balance of Kshs. 14,639,107.44 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

678. Mr. Kenneth Amanya, the Fund Account Manager submitted that the cashbook was corrected to reflect the true position as some errors were noted. The corrected cashbook and bank reconciliation were availed for audit review.

Committee Observations

679. The Committee observed that-

(i) The Fund Account Manager had unpresented and stale cheques not reversed in the cashbook, did not maintain an up-to-date cashbook as it had not recorded bank charges; and

(ii) The unpresented and stale cheques were however reversed and unrecorded payments recorded in the cashbook after the audit period.

Committee Recommendations

680. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFMAct, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

4.2.3.2 Transfer to other government Units

a) Transfers to Diani NG-CDF Health Centre Project.

681. The statement of receipt and payments for the year ended 30 June 2016 reflected an amount of Kshs. 59,500,000 in respect of transfers to other government entities. Included in this amount was Kshs. 10,000,000 being additional grants to Diani NG-CDF Health Centre which was being constructed by Msambweni NG-CDF at a total cost of Kshs. 30,

000, 000. However, examination of records availed for audit revealed that certificate No. 1 for Kshs. 10,300,000 was raised upon request by the contractor for payment of works which was not evaluated. Further, as at the end of the financial year under review, the contractor had been paid a total of Kshs. 27,121,000. However, physical verification of the project and examination of the bill of quantities revealed that works amounting to Kshs. 5,466,450 were still unfinished though the certificate was issued.

Submission by the Fund Account Manager

682. Mr. Kenneth Amanya, the Fund Account Manager submitted that, the payments of Kshs. 10,300,000 and Kshs. 16,821,000 were paid upon issuance of an evaluation certificate by the works officer. The project was completed and all works were done according to the BQ, with no extra costs.

Committee Observations

683. The Committee observed that payments were based on evaluation certificates issued by the works office and that the project had been completed and all works were done according to the BQ, with no extra costs, hence the audit query was resolved.

Committee Recommendations

684. The **Committee recommends that-**

1) **The Committee recommends that the Accounting Officer ensures that Fund Account Manager ensures that payments for works done must be based on completion certificate issued by the works officer; and**
2) **All NGCDF projects must be implemented as per the specifications under the BQs and the funds are retained for the defect liability period.**

b) Transfers to Dori Secondary School Project.

685. Included in the transfers to other government entities is Kshs. 19,500,000 for the proposed construction of laboratory, dormitory, six classrooms, pit latrine, kitchen and administration block at Dori Secondary School. Examination of records availed for audit revealed that the project management committee paid the contractor Kshs. 15,396,034 during the year, resulting in unpaid balance of Kshs. 4,103,966. However, examination of the bills of quantities showed works amounting Kshs. 8,266,272 remained unfinished though certified for payment. Under the circumstance, the propriety of expenditure of Kshs. 59,500,000 transferred to other government entities for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

686. Mr. Kenneth Amanya, the Fund Account Manager submitted that the payments of Kshs. 15,396,034 were paid upon issuance of an evaluation certificate by the works officer. The project was completed and all works were done with no extra cost.

Committee Observations

687. The Committee observed that payments were based on the evaluation certificate issued by the works officer and the audit query was resolved.

Committee Recommendations

688. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager only pays for works done based on the completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs. and the funds be retained for the defect liability period**

4.2.3.3 Other payments

689. Note 9 to the financial statements for the year ended 30 June 2016 reflected other payments of Kshs. 2,000,000 is the cost of construction of Msambweni Social Hall. It was, however, noted that this project had not been started at the time of audit in November 2016. The reason for the delay in implementation was unresolved land disputes. Further, the Project Management Committee did not return unutilized funds for the project to the Constituency account contrary to Section 26(1) of the National Government CDF Act, 2015 which requires new proposals to be submitted for all unspent funds at the end of the financial year. Consequently, the validity of the payments of Kshs. 2,000,000 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

690. The Fund Account Manager submitted that during public participation, the community had proposed the construction of the social hall and went further to offer land for its construction, after the project had been approved by the Board, the NG CDF went to start the construction but the owner who had earlier offered the land changed his mind and refused to donate it for the construction. The CDFC re-allocated the funds to construct a Dormitory at Msambweni Secondary School.

Committee Observations

691. The Committee observed that-

(i) The funds were reallocated for the construction of a Dormitory at Msambweni Secondary School;

(ii) Reallocation was approved and the project is complete.

Committee Recommendations

692. **The Committee recommends that the Accounting Officer ensure that all Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.**

4.2.3.4 Budgetary Controls and Performance

693. During the year under review, Msambweni NG-CDF"s actual expenditure for the year ending 30 June 2016 amounted to Kshs. 98,006,155.71 against a budget of Kshs. 121,739,588 resulting in an overall net under expenditure of Kshs. 23,733,432 or 23%. It is noted that the Fund overspent in other payments by Kshs. 1,500,000 or 300%. No evidence of approval of excess expenditure was availed for audit verification. Further, the fund underspent on four areas by Kshs. 25,233,432 or 21%. Further, actual disbursements to the Fund during the year under review were Kshs. 86,705,735 or 71% of the budget. This may have contributed to delays in projects implementation. Failure to utilize funds may lead to poor service delivery to the people of Msambweni Constituency.

Submission by the Fund Account Manager

694. The Fund Account Manager submitted that during the year, the board disbursed funds to Msambweni CDF as follows:

DATE	AIE NO	AMOUNT
20/07/2015	A796135	23,956,971.35
30/01/2016	A796338	20,000,000
30/01/2016	A820621	10,000,000
30/01/2016	A820754	20,000,000
6/30/2016	A825542	10,000,000
6/30/2016	A825774	2,748,764
	Total	**86,705,735.35**

695. The funds brought forward was Kshs. 26,203,387.3 and the amount received was Kshs. 86,705,735.35 totaling Kshs. 112,909,122.65. Underspending was due to late disbursement of funds from the Board, process of procurement and delay of BQs preparation. There was no over expenditure on other payments of Kshs. 1,500,000 as the Constituency had a balance b/f of Kshs. 2,000,000 for the construction of Msambweni social hall and an allocation of Kshs. 500,000 for the renovation of Mafisini Social Hall for the FY2015/16 totaling Kshs. 2,500,000 available for other payments. Therefore, during the financial year, the Fund spent only Kshs. 2,000,000 for Msambweni Social Hall. The Kshs. 500,000 allocated for Msambweni Social was not spent in that financial year because the funds were not received in that financial year and the project was also re-submitted to Mafisini Primary School.

Committee Observations

696. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury whereas over expenditure was as a

result of rollover funds from previous years which was utilized in the financial year, hence the audit query stands resolved.

Committee Recommendations

697. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.2.3.5 Project Implementation

698. The statement receipts and payments for the year ended 30 June 2016 indicated that Kshs. 83, 897,609 had been disbursed to various projects as transfers and grants. Out of these, twenty-two [22] projects with a budget of Kshs. 62,300,000 were visited for audit verification. Four of these projects with a budget of Kshs. 30 million were ongoing and one project [Msambweni Social Hall] with a budget oh Kshs. 2 million had not started due to unresolved land issues as explained by management. The Fund Account Manager should have ensured that ownership of land on which projects funded by the Fund was to be carried out and had no disputes to avoid delay in project implementation.

Submission by the Fund Account Manager

699. The Fund Account Manager submitted that all projects were complete. Kshs. 2,000,000 was re-allocated to construct a dormitory at Msambweni Secondary school. The letter authorizing the re-allocation, bank balance and completion certificate of the dormitory had been availed for audit verification.

Committee Observations

700. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury. The projects are complete and in use and the audit query resolved.

Committee Recommendations

701. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

4.3 MATUGA CONSTITUENCY

702. Mr. Peter Mwaighonda, the current Fund Account Manager (2007 to date) appeared before the Committee on 29th September, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Matuga Constituency and was accompanied by:
    1. Mr. James Chebii, Ag. Manager Field Financial Services
    2. Ms. Christine Mwangolo, Ag. Manager Field Operations
    3. Mr. Andrew Lumunge, Former Fund Account Manager

4.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

703. The Auditor General flagged out five audit Matters during the examination of the financial statements of Matuga Constituency in the year 2013/2014.

4.3.1.1 Transfers to Other Government Units

704. The statement of receipts and payments for the year ended 30 June 2014 reflected transfers to other Government entities amounting to Kshs. 36,920,038 which included Kshs. 32,422,000 in respect of transfers to secondary schools. However, supporting schedules for amounts transferred to secondary schools indicate the total transfers were Kshs. 34,299,431 resulting in an unexplained and unreconciled variance of Kshs. 1,877, 431. In addition, payment to one of the secondary schools was indicated as Kshs. 1,477, 431 even though the actual payment amounted to Kshs. 1,100,000 again resulting to an unexplained variance of Kshs.377, 431. Consequently, the accuracy of the transfer to other Government entities amounting to Kshs. 36,920, 038 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

705. The Fund Account Manager submitted that the total transfers to the Education sector (Primary and Secondary schools) during 2013/2014 F.Y was Kshs. 34,299,431.00 and not Kshs. 32,422,000.00. The Financial statement had since been amended to reflect the true position.

706. The payment to the aforementioned secondary school was Kshs. 1,100,000.00. The Kshs. 377,431.00 was erroneously categorized as transfers to Secondary schools. The Financial statement had since been amended to reflect the true position.

Committee Observations

707. The Committee observed that the Fund Account Manager had erroneously categorized a payment as transfers to Secondary schools and that financial statement had since been amended to reflect the true position.

Committee Recommendations

708. **The Committee recommends that the Accounting Officer ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFMAct, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

4.3.1.2 Other Grants and Transfers

709. The statement of receipts and payments for the year ended 30 June 2014 reflected an amount of Kshs. 46,869, 506 in respect of other grants and transfers which included Kshs. 35,171, 858 relating to scholarships and other educational benefits. However, supporting schedules and bursary documents for students in special schools, secondary and tertiary institutions amounting to Kshs. 15,290,353 were not availed for audit verification. In addition, the financial statements reflected an amount of Kshs. 4,006,539 relating to emergency projects out of which Kshs. 448,560 was a grant to a secondary school being final payment for the sinking of a borehole and other related works at the school.

710. However, no documentation was provided for audit verification to justify the payment as an emergency project. Consequently, the accuracy and propriety of the other grants and transfers amounting to Kshs. 35,620, 418 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

711. Mr. Peter Mwaighonda, the Fund Account Manager submitted that bursary documents for students in special schools, secondary and tertiary institutions amounting to Kshs. 15,290,353.00 had since been availed for verification.

712. Emergency funds of Kshs. 448,560.00 was the final payment for the sinking of a borehole at Golini secondary school, Members considered completion of the project as an Emergency because leaving it at the stage it had reached could mean that the borehole could collapse leading to loss of public funds. Thus, members considered the request from the P.M.C - Golini secondary school for completion of the project and subsequently approved the payment (Kshs. 448,560.00) through MIN. C.D.F.C/MTG/27/2014 at the C.D.F.C Meeting held on 9th April, 2014.

Committee Observations

713. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure which is contrary to the provisions of section 68 of the PFMAct, 2012; and

(ii) The documentation was however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

714. The Committee recommends that-

1) **The Accounting Officer ensures that the Fund Account Manager always avails supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.; and**
2) **The Accounting Officer ensures that the Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015**

4.3.1.3 Cash and Cash Equivalents

715. The statement of financial assets and liabilities reflected a cash and cash equivalent balance of Kshs. 6,443, 915. Information provided for audit revealed that a board of survey on cash did not check and close the Kenya Commercial Bank Account Number 1108631967 cashbook on 30th June 2014 as required by Chapter 5.9.9.2 of Government financial regulations and procedures which requires the board of survey to verify the cash and bank balances on the last working day of the financial year. In addition, the bank reconciliation statements for the Kenya Commercial Bank Account had unpresented cheques amounting to Kshs. 104, 175 which were stale as at 30th June 2014 and the same had not been reversed in the cashbook. Consequently, the accuracy and completeness of the cash and bank balance of Kshs. 6,443,915 at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

716. Mr. Peter Mwaighonda, the Fund Account Manager disclosed that the Constituency had opened a new bank account with Equity bank and was in the process of closing the KCB bank account after ensuring all issued cheques had been cleared and upon verification in the Bank reconciliation. The Board of Survey had been done. The stale cheques amounting to Kshs. 104,175.00 were reversed in the Cashbook on 29/9/2014 and the Cashbook page extract had been provided for audit review.

Committee Observations

717. The Committee observed that-

(i) The Fund did not close the KCB bank account because it had to ensure all the issued cheques had been cleared.

(ii) The stale and unpresented cheques were reversed in the Cashbook on 29/9/2014 and the Cashbook page extract was provided for audit review.

Committee Recommendations

718. **The Committee recommends that:**

1) **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**
2) **The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

4.3.1.4 Use of Goods and Services

719. Included in the use of goods and services balance of Kshs. 2,165,434 are amounts of Kshs. 83,800 and Kshs. 83,200 in respect of repairs of motor vehicles and partitioning the accountant's office respectively. However, no evidence was availed for audit verification to support the adherence to public procurement procedure in the sourcing of these services. Under the circumstances, the competitiveness of the procurement of goods and services amounting to Kshs. 167,000 could not be ascertained.

Submission by the Fund Account Manager

720. Mr. Peter Mwaighonda, the Fund Account Manager submitted that repair of the motor vehicle at Kshs. 83,800.00 had been done through a request for quotations and the winning bidder, M/s Wandandu Garage had been awarded the tender. The following documents in support of adherence to Public Procurement procedures had been availed to the auditor; Pre-inspection and post-inspection reports, Quotations, Evaluation report, Tender opening minutes, LSO copy.

721. The partitioning of the office at Kshs. 83,200.00 had been done through a request for quotations and the following documents in support of adherence to Public Procurement procedures had been availed to the auditor; Measurements for the partitions/estimates from the Public Works department, quotations, tender opening minutes, tender evaluation reports and LSO.

Committee Observations

722. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure; and
(ii) The documentation was submitted to the auditor and later verified.

Committee Recommendations

723. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

4.3.1.5 Fund Balance

724. The statement of financial assets and liabilities as at 30 June 2014 included a fund balance brought forward amounting to Kshs. 3,719, 263. However, no supporting documents were availed for audit verification in support of the balance. In addition, the statement of financial assets and liabilities included a prior year adjustment balance of Kshs. 377, 431 which had not been explained or supported. Consequently, the accuracy and validity of the net financial position balance of Kshs. 6,443, 915 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

725. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the fund balance of Kshs. 3,719,263.00 was the bank balance brought forward from the previous year as per the Cashbook extract and bank reconciliation. The documents had since been availed for verification. Accounting of Kshs. 377,431.00 was erroneous since the expenses had been incurred under Goods and Services in that financial year.

Committee Observations

726. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the balances. The documents were later submitted to the auditor and subsequently reviewed.

(ii) The delays in the preparation of complete financial statements are attributable to a lack of adequate capacity at the Constituency NG-CDF Offices. The Sub- County Treasuries (formerly District Accountant) in charge of maintaining books of accounts for all national government offices at the Sub-County is also maintaining accounting records and various supporting documents of the fund at the Constituencies.

Committee Recommendations

727. The Committee recommends that:

1) **The National Government Constituencies Development Fund Board strengthens the NG-CDF Regional Offices by establishing Treasury units to serve the Constituency funds within the regions; and**
2) **The NG-CDF Board should consider employing Regional Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board.**

4.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

728. The Auditor General flagged out five audit Matters during the examination of the financial statements of Matuga Constituency in the year 2014/2015.

4.3.2.1 Receipts and Payments

729. The statement of receipts and payments for the year ended 30 June 2015 reflected receipts from CDF Board amounting Kshs. 132, 995,842. However, records held by the parent Ministry at the same time revealed that Kshs. 114,028, 955 had been disbursed to the fund resulting in an unexplained variance of Kshs. 18,966, 887. Consequently, the accuracy and completeness of receipts from CDF Board balance of Kshs. 132, 995, 842 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

730. Mr. Peter Mwaighonda, the Fund Account Manager submitted that Matuga C.D.F received a total of Kshs. 132,995,842.75 from NG-CDF Board in the year under review, 2014/2015 as summarized as hereunder:

A.I.E No.	Date	Amount (Kshs)
A750178	22/07/2014	42,004,390.00
A796502	08/01/2015	25,330,484.00
A796829	16/02/2015	18,198,291.00
A796961	21/04/2015	17,132,193.50
A796055	30/06/2015	30,330,484.25
Total		**132,995,842.75**

731. Copies of the A.I.Es received in the FY 2014/2015 and a copy of the Bank Statement was availed for verification.

Committee Observations

732. The Committee observed that the Constituency had received Kshs. 132,995,842 in the financial year and audit query resolved.

Committee Recommendations

733. **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

4.3.2.2 Committee Expenses

734. The statement of receipts and payments reflected the Committee expenses of Kshs. 4,219,600 for the year ended 30 June 2015. Included in this was Kshs. 2,317,700 incurred by Development Committee during the inter Constituency visit to Busia and Kisumu. A review of the budgetary provisions indicated that the Fund had provided for Kshs. 1,450,000 on the same resulting to an over-expenditure of Kshs. 867,700. This contravened section 21(3) of the Constituencies Development Fund Act, 2013 which requires that a project whose cost exceeds the budget limit shall be referred back to the Constituencies Development Fund Committee for amendment and re-submission. Consequently, the propriety of Kshs. 867,700 spent on committee allowances for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

735. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the amount budgeted for the Inter-Constituency visit to Busia & Kisumu was Kshs. 1,450,000.00. In the previous year an amount of Kshs. 867,700.00 approved for the Inter-Constituency visits remained unspent bringing the total available balance to Kshs. 2,317,700.00. The Kshs. 2,317,700.00 was the actual budget for the Inter-Constituency visits. The 2nd Schedule had since been availed.

Committee Observations

736. The Committee observed that the expenditure of Kshs. 867,700.00 was not an over-expenditure because the funds were approved in 2013/14 but were spent in the FY 2014/15 hence the audit query stands resolved.

Committee Recommendations

737. **The Committee recommends that the Fund Account Manager ensures compliance with Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

4.3.2.3 Transfers to Other Government Units

738. The statement of receipts and payments for the year ended 30 June 2015 reflected an amount of Kshs. 74,095,224 in respect of transfers to other Government units. An audit review of the procurement procedures revealed that the Project Management Committee failed to maintain a list of prequalified contractors and had advertised tenders locally. Although the Constituencies Development Fund Board had provided for local advertisement in its financial manual this contravenes Regulation 25 of the Public Procurement and Disposal Regulations, 2006 which requires that the procuring entity prepare a list of prequalified suppliers to be used in the procurement. Consequently, the regularity, authenticity and validity of Kshs. 74,095,224 in respect of transfers to other government units for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

739. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the procuring entities used an open tendering method whereby all tenders were advertised locally in public places. Further, the NG-CDFC was in the process of pre-qualifying suppliers and contractors, a process done jointly with other Government departments at the Sub-County level.

Committee Observations

740. The Committee observed that the Fund Account Manager used the open tendering method where all tenders were advertised locally in public places.

Committee Recommendations

741. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Public Procurement and Asset Disposal Act, 2015 and its PPAD Regulations 2020.**

4.3.2.4 Cash and Cash Equivalents

pThe statement of financial assets reflected a bank balance of Kshs. 33,195,678. Included in this balance is the Equity bank account balance of Kshs. 31,961,226. However, the bank reconciliation statement availed for audit indicated that the cashbook balance as at 30 June 2015 amounted to Kshs. 1,630,741 resulting in an unexplained variance of Kshs. 30,330,484. Further, the bank reconciliation statement included an amount of Kshs. 30,357,484 as receipts in the bank not recorded in the cashbook and Kshs. 381,259 as payment in the bank not recorded in the cashbook. Management had not explained the failure to record these transactions in the cashbook. Consequently, the accuracy and completeness of cash and bank balance of Kshs. 33,195,678 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

742. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the statement of financial assets reflected a bank balance of Kshs. 33,195,678.00 which included Kshs. 31,961,226.00 Equity Bank account balance and KCB reconciled balance of Kshs. 1,234,452.00. The Kshs. 30,330,484.00 was receipted in the cashbook and Kshs. 381,259.00 bank charges were posted in the Cashbook in the subsequent financial year. The Cashbook page extract was availed to the Auditor for verification.

Committee Observations

743. **The Committee observed that there were inaccuracies on cash and cash equivalents as cashbook and bank reconciliation statements were not updated**

Committee Recommendations

744. The Committee recommends that-

1) **The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are up-to-date, accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 101(4); and**
2) **The Accounting Officer ensures that the Fund Account Manager at all times avails supporting documentation to the financial statements within (3) three months after the end of the financial year pursuant to section 68 (2) (k) of the PFM Act 2012.**

4.3.2.5 Budgetary Controls and Performance

745. During the year under review, Matuga Constituency had a total budget of Kshs. 121, 321,937. The Fund made total payments and transfers amounting to Kshs. 106,244,080 or 88% of the budgeted fund.

746. Matuga CDF had an over absorption of Kshs. 7,266,790 which the management did not explain how it was funded. Further, the fund was underspent by Kshs. 24,325,500 which is an indication that not all planned projects and programs were implemented in the year under review. These also imply that the management had over-budgeted and therefore there was a need to review the budgeting process to direct funding to priority areas.

Submission by the Fund Account Manager

747. Mr. Peter Mwaighonda, the Fund Account Manager submitted that there were balances brought forward from the previous year, which catered for the aforementioned amount of Kshs. 7,266,790.00 whose expenditure was approved in the previous year. The under-expenditure of Kshs. 24,325,500.00 was due to a delay in the disbursement of funds by the NG-CDF Board. An A.I.E for a sum of Kshs. 30,330,484.25 was received on 30th June, 2015.

Committee Observations

748. The Committee observed that underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

749. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board for timely transfers to the constituencies.**

4.3.2.6 Presentation

750. The financial statements presented for audit during the year ended 30 June 2015 included key constituency information and management, statement of receipts and payments and statement of financial assets. However, all these statements did not contain

page numbers. Under the circumstances, it had not been possible to confirm that the overall financial statements comply with the International Public Sector Accounting Standards (IPSAS 1) paragraph 32 (b) which requires that information provided in the statements be reliable, comparable and understandable.

Submission by the Fund Account Manager

751. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the omission was noted and the subsequent statements comply with the International Public Sector Accounting Standards.

Committee Observations

752. The Committee observed that-

(i) Statement of receipts and payments, and statement of financial assets did not comply with the IPSAS No. 1 paragraph 32 on the requirement that information provided in the statements be reliable, comparable and understandable; and

(ii) The omissions and inconsistencies are attributable to a lack of adequate capacity. The accounting records of the fund are maintained by the Sub- County treasuries (formerly District Accountant) who handles all MDAs at the Sub-County.

Committee Recommendations

753. **The Committee recommends that:**

1) **The National Government Constituencies Development Fund Board strengthens the NG-CDF Regional Offices by establishing Treasury units to serve the Constituency funds within the regions; and**
2) **The NG-CDF Board employs qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices**

4.3.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

754. The Auditor General flagged out five audit Matters during the examination of the financial statements of Matuga Constituency in the year 2015/2016.

4.3.3.1 Inaccuracies in the Financial Statements

755. The financial statements for the year under review presented for audit contained the following anomalies:

(i) Note 4 to the financial statements reflected compensation of employees' figure of Kshs. 1,541,067 for the year ended June 2015 whereas the certified financial statements for the same period indicated Kshs. 1,520,267 resulting in an unexplained and unreconciled variance of Kshs. 20,800.

(ii) Annex 4 to the financial statements reflected the balance of the asset of Kshs. 13,192,655 as at 30 June 2016, an increase of Kshs. 194,500 from the previous year. However, the statement of receipts and payments reflected assets acquired during the year amounting to Kshs. 236,000 resulting in an unexplained understatement of assets by Kshs. 41,500.

756. Consequently, the accuracy of compensation of employees and assets acquisitions balances reflected in the financial statements could not be confirmed.

Submission by the Fund Account Manager

757. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the compensation of employees' figure was Kshs. 1,609,277.90 as reflected in the certified financial statements and Note 4. Annex 4 to the financial statements was adjusted to reflect the net increase of Kshs. 236,000.00. This figure agrees with assets acquisitions during the year.

Committee Observations

758. The Committee observed that-

(i) The omissions and inconsistencies are attributable to a lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County; and

(ii) The financial statements were amended and variations corrected. Further, the relevant documentation were presented to the auditor general for verification after the audit period.

Committee Recommendations

759. The Committee recommends that:

1) **The National Government Constituencies Development Fund Board strengthens the NG-CDF Constituency Offices by establishing Treasury units to serve the Constituency funds within the regions; and**
2) **The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices**

4.3.3.2 Transfers to Other Government units

760. The statement of receipts and payments for the year ended 30 June 2016 reflected an amount of Kshs. 88,735,478 in respect of transfers to other government units as detailed in Note 6 to the financial statements. This included Kshs. 66,751,000 to secondary schools out of which Kshs. 18,626,633 was transferred to Matuga Girls Project Management Committee account for the construction of an administration block. Records availed for audit review indicated that the project's approved budget amounted to Kshs. 14,901,633 resulting in unapproved disbursement of Kshs. 3,725,000. Further, the contract agreement indicated that the project was to be completed by June 2016. A site visit during April 2017 revealed that the project was at the plastering, plumbing and electrical fitting stage but the contractor was not on site. Consequently, the propriety and value for money of Kshs. 18,626,633 transferred to Matuga Girls Secondary School for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

761. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the initial budget for Matuga Girls' Project was Kshs. 14,901,633.00 as approved in F/Y 2015/2016. An additional budget of Kshs. 6,626,633.60 was approved in F/Y 2016/2017 bringing the total budget to Kshs. 18,626,633.00. The plastering, plumbing and electricity works were done to completion.

Committee Observations

762. The Committee observed that Matuga Girls' Project had an allocation of Kshs. 14,901,633.00 which was approved in F/Y 2015/2016. Further, an additional budget was approved in F/Y 2016/2017 bringing the total budget to Kshs. 18,626,633.00.

Committee Recommendations

763. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure**

that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.

4.3.3.3 Other Grants and Other Payments

764. The statement of receipts and payments for the year ended 30 June 2016 reflected an amount of Kshs. 26,306,561 in respect of other grants and other payments as detailed in Note 7 to the financial statements. Included in this amount is Kshs. 5,400,259 paid as emergencies to fund various projects. However, the Project Management Committee did not provide Minutes classifying these projects as emergencies as required by Section 8(3) of the National Government Constituency Fund Act, 2015. Consequently, the propriety of Kshs. 5,400,259 incurred on emergency projects during the year under review could not be confirmed.

Submission by the Fund Account Manager

765. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the Kshs. 5,400,259.00 was an emergency fund for the previous year which the Committee sought Board's approval to re-allocate to the various projects as required by the NG-CDF Act, 2015. The approval was granted by the Board.

Committee Observations

766. The Committee observed that Kshs. 5,400,259.00 was an emergency fund for the previous financial year which the Committee sought Board's approval to re-allocate to the various projects as required by the NG-CDF Act, 2015. The approval was granted hence the explanation is satisfactory.

Committee Recommendations

767. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

4.3.3.4 Bank Balance

768. The statement of assets as at 30 June 2016 reflected a bank balance of Kshs. 66,098,243. The bank reconciliation statement presented for audit included payments in bank statements not recorded in cashbook totaling Kshs. 2,594 and which is related to bank charges. It was not clear why the management had not adjusted the cashbook with this amount. Consequently, the accuracy and completeness of cash and bank balance of Kshs. 66,098,243.75 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

769. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the Kshs. 2,594 bank charges were expensed in the subsequent financial year.

Committee Observations

770. The Committee observed that-

i. The Fund did not maintain an up-to-date cashbook as it had not recorded bank charges totaling Kshs. 2,594 in the cashbook. However, unrecorded payment was subsequently recorded in the cashbook;

ii. The challenges in maintaining up to date financial statements including cashbook are attributable to lack of adequate capacity; and

iii. The accounting records of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

771. **The Committee recommends that;**

1) **The National Government Constituencies Development Fund Board strengthens the NG-CDF Constituency Offices by establishing Treasury units to serve the Constituency Funds; and**

2) **The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

4.3.3.5 Budgetary Controls and Performance

772. During the year under review, Matuga NG-CDF had an approved final budget of Kshs. 161,924,965. The Fund made total payments and transfers amounting to Kshs. 125,657,205 or 78% of the budgeted fund resulted in under-absorption of the budget by Kshs. 36,267,760 or 22% as summarized below:

Expenditure item	Final Budget Kshs	Actual expenditure Kshs	Utilization %	Budget Utilization Difference Kshs	Under/ utilized
Compensation of Employees	2,684,727	1,609,277	60%	1,075,449	40%
Use of goods and services	11,510,299	8,769,889	76%	884,063	24%
Transfer to other Governments units	96,230,593	88,735,478	92%	7,495,115	8%
Other grants and transfers	50,199,346	26,306,561	52%	23,892,784	48%
Acquisition of Assets	300,000	236,000	79%	64,000	21%
Other Payments	1,000,000	-		1,000,000	100%
TOTAL	**161,524,965**	**125,657,205**	**78%**	**36,267,760**	**22%**

773. The under-absorption indicates that the goods and services were not delivered to the residents of Matuga Constituency as budgeted. In addition, the CDF underspent by 48% on other grants and other payments which comprised of bursary among other payments an indication that funds were not released to learning institutions as planned.

Submission by the Fund Account Manager

774. Mr. Peter Mwaighonda, the Fund Account Manager submitted that under-absorption of Kshs. 36,267,760.00 was due to a delay in funds disbursement from the Board. The Kshs. 64,180,719.00 was received on 30th June, 2016 further, delay to enactment and commencement of the National Government Constituencies Development Fund Act, 2015 and its regulations on 19th February, 2016 delayed the appointment of the new Committee members which led to under-absorption of funds.

Committee Observations

775. The Committee observed that underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received towards the end of the financial year and therefore it was not possible for the projects to utilize all the funds within a few days and the audit query is resolved.

Committee Recommendations

776. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursement of money to the Constituencies.**

4.3.3.6 Project Implementation

777. The project implementation status report availed for audit review indicated that a total of 38 projects were approved for implementation during the year under review at a total budget of Kshs. 128,650,000. As at 30th June 2016, three (3) projects with a total budget of Kshs. 20,300,000 had not been completed.

Submission by the Fund Account Manager

778. Mr. Peter Mwaighonda, the Fund Account Manager attributed the delay to the enactment of the National Government Constituencies Development Fund Act, 2015 which was done on 19th February, 2016 which delayed the appointment of new Committee members. The Implementation Status of the three projects is as follows:

S/NO.	PROJECT	STATUS
1.	Mwaluphamba Sec. school Administration block	Complete
2.	Matuga Girls Sec. School Administration block	On-going
3.	Lukore Sec. school Dormitory	Complete

Committee Observations

779. The Committee observed that the slow implementation of projects was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within a few days, hence the audit query is resolved.

Committee Recommendations

780. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursement of money to the Constituencies.**

4.3.3.7 Project Verification

781. Audit verification was done in April 2017 on ten (10) projects with a budget of Kshs. 32,500,000 revealed the following:

S/No	Project Name	Activity	Completion Date	Project cost (Kshs)	Status
1	Kombani primary school	Renovation of 12 No. Classrooms; Re-roofing, floor screeding, plastering and painting	Mar-16	3,600,000.00	Complete
2	Golini primary school	Renovation of 8 No. Classrooms; Re-roofing, floor screeding, plastering and painting	Feb-16	2,400,000.00	Complete
3	Tiwi Boys' secondary school	Construction of 2 No. Classrooms	Jan-16	2,200,000.00	Complete but not in use
4	Waa Boys' high school	Construction of a Staff House	Jan-16	2,500,000.00	Complete
5	Tiwi Girls' secondary school	Construction of a Laboratory Block	Jan-16	5,300,000.00	Complete
6	Tsimba chief's office	Construction of Chief's office	Jun-16	2,500,000.00	Complete but the roofing was done using gauge 30 iron sheets instead of gauge 28
7	Ng'ombeni secondary school	Construction of a Laboratory	Jul-15	5,300,000.00	Complete but ceiling done using plywood instead of soft board
8	Tiwi Girls' secondary school	Construction of Administration Block	Mar-15	3,000,000.00	Complete
9	Kaya-Tiwi secondary school	Construction of a Library	Mar-15	3,200,000.00	Partially painted

10	Amb. Mwakwere sec. school water project	Sinking of a Borehole and Construct/install Submersible Pump & Related Accessories	Nov-14	2,500,000.00	Funds re-allocated to Building a Dormitory
	Total			**32,500,000**	

782. Poor implementation of projects affects service delivery to the public adversely and casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituencies Development Fund Committee.

Submission by the Fund Account Manager

783. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the delay in implementation of the projects was due to a delay in funds disbursement from the Board but the projects were now completed and in use.

Committee Observations

784. The Committee observed that the projects are complete and in use. The slow implementation of projects was occasioned by the late disbursement of funds by the NG-CDF Board and the National Treasury hence the audit query is resolved.

Committee Recommendations

785. **The Committee recommends that the Accounting Officer ensure that all Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.**

4.4 KINANGO CONSTITUENCY

786. Mr. Joseph Kumbatha, the current Fund Account Manager appeared before the Committee on 29th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Kinango Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Mr. Kenneth Martin Amanya, Former FUND ACCOUNT MANAGER during the period under audit.

4.4.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

787. The Auditor General raised four audit Matters during the examination of financial statements of Kinango Constituency in the year 2013/2014.

4.4.1.1 Compensation to Employees

788. The statement of receipt and payment for the year ended 30 June 2014 reflected an amount of Kshs. 1,211,126 in respect of amount paid as compensation to employees. However, the supporting schedule reflected a figure of Kshs. 1,225,526 resulting in an unexplained or reconciled difference of Kshs. 14,400. In addition, an audit review of payment vouchers revealed that the fund paid Kshs. 41,340 and Kshs. 73,200 to NHIF and NSSF respectively. These amounts included penalties for noncompliance amounting to Kshs. 13,200 for NHIF and Kshs. 60,000 for NSSF; however, these payments could not be traced in the financial statements. Under the circumstances the propriety and accuracy of Kshs. 1,211,126 in respect to compensation to employees for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

789. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the supporting schedule figure of Kshs. 1,225,526 included the social security benefits amount of Kshs. 14,400 reported in Note 9 of the statement of receipts and payments. He acknowledged the omissions and penalties under NHIF & NSSF. However, corrective measures were instituted to ensure statutory deductions are filed on time.

Committee Observations

790. The Committee observed that-

(i) The Fund Account Manager had not filed statutory deductions on time-NHIF & NSSF in contravention to the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No 9 of 1998. Further, the Fund paid penalties for non-compliance amounting to Kshs. 13,200 for NHIF and Kshs. 60,000 for NSSF; and

(ii) Corrective measures had been instituted and statutory deductions are done on time.

Committee Recommendations

791. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager deducts and submit statutory deductions on time in accordance with the National Social Security Fund Act, 2013 and the National Health Insurance Find Act No. 9 of 1998 to avoid the incurrence of fines and penalties.**

4.4.1.2 Transfers to Other Government Units

792. Included in the transfers to other government units' balance of Kshs. 95,279,579 were transfers to various PMC bank accounts for various projects that were identified for implementation during the year under review. However, records showing all receipts, disbursements and actual expenditures monthly in respect of all the projects and sub-projects were not made available for audit verification. In addition, a total of Kshs. 8,300,000 was disbursed for various projects which were not in the approved code list as a result of which it was not possible to confirm how the projects were identified and whether their implementation was in adherence to the CDF Act, 2013. Consequently, the transfers to other government units amounting to Kshs. 95,279,579 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

793. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the record showing receipts and disbursements to PMCs including actual expenditure returns had been availed to the auditors for review. Further, the Kshs. 8,300,000.00 spent that could not be traced to the Approved Schedules for FY 2013/2014, is captured in the Approved Schedules for FY 2012/2013, but the expenditures were done late due to project implementation challenges.

Committee Observations

794. The Committee observed that-

(i) Records showing all receipts, disbursements and actual expenditures monthly in respect of all the projects and sub-projects were not made available for audit verification in time.

(ii) The supporting documents had since been provided and reviewed by the auditor.

(iii) The projects which were not in the approved code list in FY 2013/14 had been approved in FY 2012/13.

Committee Recommendations

795. **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable,**

complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015

4.4.1.3 Other Grants and Transfers

796. The statement of receipts and payments for the year ended 30 June 2014 reflected an amount of Kshs. 46,250,700 as other grants and transfers, which included Kshs. 19,127,000 in respect of scholarship and other education benefits. However, supporting schedules and bursary documents for students in secondary and tertiary institutions amounting to Kshs. 19,003,500 were not availed for audit verification. Consequently, the accuracy and propriety of other grants and transfers amounting to Kshs. 19,003,500 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

797. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the supporting schedules and bursary documents for students in secondary and tertiary institutions amounting to Kshs. 19,003,500.00 had been availed to the auditors for review.

Committee Observations

798. The Committee observed that-

(i) Supporting schedules and bursary documents for students in secondary and tertiary institutions amounting to Kshs. 19,003,500 were not availed for audit verification.

(ii) The supporting documents had since been provided and reviewed by the auditor.

Committee Recommendations

799. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

4.4.1.4 Bank Balances

800. Included in the statement of financial assets and liabilities, as at 30 June 2014 was the cash and bank balance of Kshs. 12,804,408. The bank reconciliation statement availed for audit verification indicated that as at 30 June 2014 unpresented cheques amounted to Kshs. 12,268,725 were outstanding for periods dating back to November 2013 and had not been reversed.

801. In addition, the bank reconciliation statement reflected payments in the bank statement not recorded in the cashbook amounting to Kshs. 3,519,920 out of which Kshs. 3,500,000 related to a payment dated June 2012 for which the payee was not disclosed. It is not clear why these long outstanding reconciling items had not been cleared from the

books. As a result, the accuracy and validity of the cash and bank balance of Kshs. 12,804,408 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

802. Mr. Joseph Kumbatha, the Fund Account Manager submitted that a majority of the unpresented cheques were cleared in the subsequent months. The stale cheques were reversed and replaced as shown in the cashbook extracts. The expenditure of Kshs 3,500,000 related to payments which were posted in the cashbook as surrendered imprests.

Committee Observations

803. The Committee observed that-

(i) Unpresented and stale cheques amounting to Kshs. 12,268,725 had not been reversed to the cashbook as at 30th June 2014;

(ii) Payment amounting to Kshs. 3,500,000 had not been posted in the cashbook; and

(iii) The stale and unpresented cheques were later reversed and replaced and omitted payments recorded in the cashbook.

Committee Recommendation

804. **The Committee recommends that-**

1) **The Accounting Officer ensures that the Fund Account Manager keeps up-to-date, accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFMAct, No. 18 of 2012 and PFM (NG) Regulation 101(4); and**

2) **Within three months of the adoption of this report, the Accounting Officer ensures the Fund Account Manager reconciles the amount of Kshs. 3,500,000 relating to a payment dated June, 2012. Further, the reconciled statement with supporting documents is submitted to the auditor for audit review.**

4.4.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

4.4.2.1 Excess Expenditure

805. According to the information availed for audit, the Constituency Development Fund had a total budget of Kshs. 160,757,031 in the year under review. However, the summary statement of appropriation reflected a total final budget of Kshs. 215,776,079 resulting in an un-reconciled variance of Kshs. 55,019,048 it was not clear how the additional amount of Kshs. 55,019,048 was approved. Consequently, the propriety of excess expenditure of Kshs. 55,019,048 could not be ascertained for the year ended 30 June 2015.

Submission by the Fund Account Manager

806. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the difference of Kshs. 55,019,048 was as a result of the adjustments during the financial year where the amount related to the cashbook opening balances as well as funds that were due from the board for the previous financial year.

Committee Observations

807. The Committee observed the unexplained amount of Kshs. 55,019,048 was balances carried forward from the previous financial year.

Committee Recommendations

808. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursement of money to the Constituencies.**

4.4.2.2 Acquisition of Assets

809. The Statement of Receipts and Payments for the year ended 30th June 2015, reflected an amount of Kshs. 3,079,326.00 as Acquisition of Assets, which included Kshs. 2,156,850.00 in respect of the purchase of the motor vehicle. However, no records were available to verify that the motor vehicle was registered in the name of the Kinango CDF Committee. In addition, a motor grader valued at Kshs. 19,640,000.00 was not in the custody of Kinango CDF Committee but was held and being used by the National Government. There was no documentation to indicate how this transfer was done and the terms and conditions of the transfer. Consequently, the ownership status of the assets acquired by the fund is valued at Kshs. 3,079,326.00 for the year under review and the grader valued at Kshs. 19,640,000.00 previously acquired could not be confirmed as at 30 June 2015.

Submission by the Fund Account Manager

810. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the log book was obtained from the board and a copy availed to the auditors for verification. The said motor grader remained a property of the CDF Committee but stationed at the Constituency Roads Engineer's Offices compound. The management of its operations had also been left with the technical line ministry and the Constituency Roads Engineer oversaw its daily schedule. No official communication had been made to this effect because the CDF Committee still held the authority to administer its operations.

Committee Observations

811. The Committee observed that the logbook was obtained from the board and a copy availed to the auditors for verification. The cost of operating and maintaining the grader is high.

Committee Recommendations

812. **The Committee recommends that-**

1) **The NG-CDF Board reviews its circular dated 11th May 2010 on motor graders, tractors and other machinery acquired by the various Constituency CDF Committees to provide direction on the management of NGCDF assets including their disposal;**
2) **Within three months of the adoption of this report, the Accounting Officer and all the Fund Account Managers take stock of motor graders, tractors and other machineries that are lying idle in all the Constituencies and report to the National Assembly; and**
3) **Within three months of the adoption of this report, the Accounting Officer ensures the Fund Account Manager avails to the auditor, the details including the logbook for the motor vehicle worth Kshs. 2,156,850 purchased during the year.**

4.4.2.3 Committee Expenses

813. The Statement of Receipts and Payments for the year ended 30th June 2015 reflected an amount of Kshs. 9,971,272.00 as committee expenses against a budget of Kshs. 6,400,000 resulting to an excess expenditure of Kshs. 3,571,272 contrary to the PFM Act, 2012 which requires prudent utilization of resources as per the budget. Consequently, the propriety and validity of Kshs. 3,571,272.00 spent on committee allowances for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

814. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the over-expenditure noted in the committee expenses and monitoring & evaluation expenses resulted from balances brought forward from previous financial years as included in the overall expenditure for the period where a total of Kshs. 175,586,821.15 was expended against the financial year 2014/2015 period budget of Kshs. 160,757,031.00 a tabulated analysis

of the actual expenditures detailing the budget balances brought forward (as evidenced by referenced AIEs) from previous financial years has been availed to the auditor for review. Also availed were copies of the work plan, training materials, training programs and monitoring and evaluation reports.

Committee Observations

815. The Committee observed that over-expenditure on committee expenses and monitoring & evaluation expenses resulted from balances brought forward from the previous financial year 2013/14 expended in the financial year 2014/15 hence the audit query is resolved.

Committee Recommendations

816. **The Committee recommends that-**

1) **The Accounting Officer ensures all Fund Account Manager comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act No. 18 of 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures the Fund Account Manager complies with section 43 (11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.**

4.4.2.4 Other Grants and Other Payments

817. The Statement of Receipts and Payments for the year ended 30th June 2015, reflected an amount of Kshs. 74,338,660.00 out of which Kshs. 180,000 was for bursary awarded to 12 people who were either employed or pursuing higher education. This contravened CDF regulations that limit the beneficiaries to orphans; self-sponsored students without guardians or parents and socially and economically disadvantaged persons. Consequently, the propriety of the Kshs. 180,000 for the year ended 30 June 2015 could not be confirmed as the process of awarding the bursaries contravened the CDF Act, 2013.

Submission by the Fund Account Manager

818. Mr. Joseph Kumbatha, the Fund Account Manager submitted that awarding of bursaries to unqualified applicants, i.e., applicants who are pursuing higher education or working was a regrettable error that escaped the scrutiny and vetting of applicants by the Bursary Subcommittee. The error was actually within acceptable margin as out of Kshs. 33,742,500.00 bursaries disbursed only Kshs. 180,000.00 was erroneously awarded to undeserving cases, which translates to approximately 0.50% of total bursary disbursement for the referred period. Nevertheless, the committee was working tirelessly to institute measures that would eliminate or reduce errors to the minimum.

Committee Observations

819. The Committee observed that the Fund awarded bursary to 12 people who were either employed or pursuing higher education. This contravened CDF regulation, which limits the beneficiaries to orphans; self-sponsored students without guardians or parents and socially and economically disadvantaged persons.

Committee Recommendations

820. **The Committee recommends that:**

1) **The NG-CDF Board should develop an overarching policy framework to guide Constituency bursary committees in line with their specific needs; and**
2) **Each NG-CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.**

4.4.2.5 Bank Balances

821. The Statement of Financial assets as at 30th June 2015 reflected cash and bank balances of Kshs. 12,548,979.00. The bank reconciliation statement availed for audit verification indicated that as at 30th, June 2015, unpresented cheques amounting Kshs. 6,439,997.00 were outstanding out of which Kshs. 60,268 were stale and had not been reversed to the cashbook. In addition, the bank reconciliation statement reflected receipts in the bank statement not recorded in the cashbook amounting to Kshs. 40,189,257 and payments in bank statement not in cashbook amounting to Kshs. 51,741. It was not clear why these long outstanding reconciliations items had not been subsequently cleared or adjusted in the cashbook as at 30th June 2015. As a result, the accuracy and validity of the cash and bank balances of Kshs. 12,548,979.00 as at 30th June 2015 could not be ascertained.

Submission by the Fund Account Manager

822. Mr. Joseph Kumbatha, the Fund Account Manager submitted that Kshs. 60,268.00 in stale cheques had since been reversed as per the cashbook extract availed to the auditors for review. The receipt of Kshs. 40,189,257.85 in the Reconciliation was a disbursement from the CDF Board received in the bank account on 26/06/2015 and had not yet been posted to the Cashbook. It had since been posted.

823. The payment is in the bank statement of Kshs. 51,741.00 not yet posted into the Cashbook was the figure for accumulative bank charges that were yet to be charged into the books. It had since been processed and cleared.

Committee Observations

824. The Committee observed that the stale and unpresented cheques were later reversed and omitted payments were later recorded in the cashbook.

Committee Recommendations

825. **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

4.4.2.6 Project Implementation

826. According to the project expenditure status report availed during the audit, out of the 24 development projects funded by CDF, twenty (20) with a total disbursement of Kshs. 84,300,000 had not been implemented. The funds disbursed to these projects had not been spent as at 30 June 2015. It was not clear and the management had not explained why public funds remained idle in the Project Management Committee bank accounts. Failure to implement projects would likely impact negatively on the standards of living for the people of Kinango Constituency due to lack of infrastructure.

827. Four (4) projects with a total disbursement of Kshs. 21,650,000 had been started and were at various levels of completion. A total of Kshs. 14,597,790 in respect of these projects had been spent with a balance of Kshs. 7,052,210 unspent as at 30 June 2015. Slow implementation of development projects affects service delivery to the public and the intended purpose of the project may take longer to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

828. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the projects were complete and in use.

Committee Observations

829. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and were in use and the audit query resolved.

Committee Recommendations

830. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board for timely release to all the Constituencies.**

4.4.2.7 Project Verification

831. Project site verification done during April 2016 revealed the following-

(i) Kinango Secondary School: The Library was not in use and empty without furniture or reading materials.

(ii) Kinagoni Dispensary: The work was in Progress - In the advanced stages nearing completion.

(iii)Mwarovesa Secondary School: Construction of Science Lab - The Building was complete but there was no equipment and was not in use.

Submission by the Fund Account Manager

832. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the building of the library was complete and in use. Further, the Library was equipped with furniture.

Inspection visits by the Committee

833. The Committee undertook inspection visits from 24th to 28th May, 2021 to verify the information presented on the library project at Kinango Secondary School and Science Laboratory at Mwarovesa Secondary School.

Committee Observations

834. The Committee observed that-

(i) The construction of the modern library in Kinango Boys Secondary School and Science Laboratory at Mwarovesa Secondary School had been completed in F/Y 2016/17;

(ii)The facilities were in use as submitted by the Fund Account Manager; and

(iii)There was a delay in the submission of documents on the completeness of the projects to the auditors for verification.

Committee Recommendations

835. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board for timely release to all the Constituencies.**

4.4.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

836. The Auditor General raised five audit Matters during the examination of the financial statements of the year ended 2015/2016.

4.4.3.1 Transfers to Other Government Units

837. The statement of receipts and payments for the year ended 30 June 2016 reflected an amount of Kshs. 99,177,958 in respect of transfers to other government units out of which Kshs. 10,000,000 was transferred to the Technical University of Mombasa towards the construction of Kinango Technical Training Institute. Although the management availed the bills of quantities and invoice for the erection and completion of the twin workshops, classrooms and office block, there was no defined unit or phase of the project which the NG-CDF was funding contrary to Section 49 of the NG-CDF Act, 2015 which requires that part-funding of a project shall go to a defined unit or phase. Under the circumstances, it was not possible to confirm the propriety of Kshs. 10,000,000 transferred to Technical University of Mombasa during the year ended 30 June 2016.

Submission by the Fund Account Manager

838. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the letter to the Technical University of Mombasa requesting copies of payment certificates as per the specified portion to be funded (as per the CDF Board approved budget) had since been dispatched, awaiting a response.

Committee Observations

839. The Committee observed that there was an agreement for NG-CDF to provide counterpart funding for construction for TTIs across all Constituencies.

Committee Recommendations

840. **The Committee recommends that the Accounting Officer at all times guides all the Fund Account Managers comply with the provisions of PFM Act, 2012, and the NG-CDF Act 2015 when providing counterpart funding to the projects.**

4.4.3.2 Other Grants and Transfers

841. The statement of receipts and payments for the year ended 30 June 2016 reflected an amount Kshs. 20,969,381 in respect of other grants and other transfers. Included in this amount under Note 6 to the financial statements as a security of Kshs. 8,150,000 out of which Kshs. 600,000 was allocated for the completion of AP Lines in Samburu. However, physical verification of the project indicated that the contractor had used softwood for four (4) main entrance doors instead of hardwood as specified in the bills of quantities. Further, the painting was being done using third-grade paint instead of first-

grade as required in the bills of quantities. Consequently, the propriety of Kshs. 600,000 spent on completion of the AP lines for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

842. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the anomalies occurred during the implementation of the project by the PMC due to implementation capacity challenges. Training and capacity building of PMC were carried out to improve their ability to implement projects effectively.

Committee Observations

843. The Committee observed that the project was implemented by the PMC which had capacity challenges. However, the public works officer should have supervised to ensure the quality of the project was not compromised.

Committee Recommendations

844. The Committee recommends that-

1) **The Fund Account Manager ensures that projects are implemented as per the Bills of Quantities and ensure the relevant departments are involved in the implementation of projects as per the requirement of Section 36(1) of the NG-CDF Act, 2015; and**
2) **The NG-CDF Board ensures that it facilitates the training and capacity building of PMCs to improve their ability to implement projects effectively.**

4.4.3.3 Bank Balances

845. The statement of financial assets as at 30 June 2016 reflected bank balances of Kshs. 84,233,740.89. The bank reconciliation statement availed for audit verification indicated that as of 30 June 2016 unpresented cheques amounting to Kshs. 3,350,331.50 were outstanding out of which of Kshs. 565,824 were stale cheques and had not been reversed in the cashbook. In addition, the bank reconciliation statement reflected payments in bank statements not recorded in cashbook amounting to Kshs. 158,365 and receipts in cashbook not yet recorded in the bank statement of Kshs. 30,000. The management had not justified not adjusting the cashbook accordingly. Consequently, the accuracy and completeness of the bank balances of Kshs. 84,233,740 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

846. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the delay in the execution of cancelling and reversing stale cheques was occasioned by the demand by the District Treasury to have all stale cheques returned to the cashier (physically) which the CDF Office tried to pursue in vain since most of the stale cheques had been misplaced by bursary beneficiaries. However, by the time the District Treasury agreed to

cancel and reverse the stale cheques through the directives of a letter from the CDF Office, there were mass transfers that hindered the process. Nevertheless, the new office holders at the District Treasury executed the recommendation to cancel and reverse the stale cheques.

Committee Observations

847. The Committee observed that the stale and unpresented cheques were later reversed and omitted payments later recorded in the cashbook.

Committee Recommendations

848. The Committee recommends that -

1) **The Fund Account Manager ensures that that financial records and other records are up-to-date, accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 101(4); and**
2) **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques**

4.4.3.4 Outstanding Imprest

849. The statement of financial assets as at 30 June 2016 reflected a balance of Kshs. 400,000 as outstanding imprest. These amounts were issued to the Fund Account Manager on various dates contrary to Section 93(5) of the PFM Regulation, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after return to duty station. Consequently, the regularity of Kshs. 400,000 outstanding as imprest as at 30 June 2016 could not be ascertained.

Submission by the Fund Account Manager

850. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the payment vouchers submitted for surrender and copies were availed to the auditor for verification.

Committee Observations

851. The Committee observed the imprest was surrendered and copies of surrender documents availed to the auditor for review and verification.

Committee Recommendations

852. **The Committee recommends that the Accounting Office ensures that the Fund manager ensures adherence to Section 71 (2) of the PFM Act, 2012 Regulation 93 (5) and (6) of the PFM (National Government) on surrender of imprest.**

4.4.3.5 Budgetary Control and Performance

853. During the year under review, Kinango NG-CDF's actual expenditure for the year ending 30 June 2016 amounted to Kshs. 141,703,141.00 against a budget of Kshs. 226,336,881 resulting in overall under expenditure of Kshs. 84,633,740 or 37%.

Submission by the Fund Account Manager

854. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the delay in absorption of funds had been attributed to the following causes: -

(i) The lapse of the CDF Act, 2013 on the 19th February, 2016 and the implementation of the new NG-CDF Act, 2015 that took effect from 19th February, 2016.

(ii) The transition of these legislations resulted in the change of CDF Committees to NG-CDF Committees that affected operations from 19th February, 2016 to May, 2016.

(iii)The delay by the CDF Board Secretariat to disburse funds to the Constituency Bank accounts as half of the total allocation for the FY 2015/2016 budget was received on 29th June, 2016

Committee Observations

855. The Committee observed that underutilization and over expenditure of the funds were due to late disbursement of funds by the NG- CDF Board and the National Treasury, hence the audit query is resolved.

Committee Recommendations

856. **The Committee recommends that the Cabinet Secretary for the National Treasury shall expedite the process disbursement of funds NG-CDF Board for timely release to all the constituencies.**

4.4.3.6 Project Implementation

857. A review of project documentation revealed that disbursements during the 2015/2016 financial year was Kshs. 51,855,693.00 out of which projects, mainly for primary schools for the purchase of desks whose value was Kshs. 5,500,000, had not been started while projects with a value of Kshs. 46,355,693.00 were at between 20% and 90% completion.

Submission by the Fund Account Manager

858. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the Project Implementation Status Report (PIS) was normally updated quarterly and by the time of the audit (November 2016) the presented document had already been updated up to September 2016, thus reflecting a higher absorption margin as compared to the figures of the financial statements that were prepared up to June 2016. However, a different version

in a format requested by the auditor captured the information up to the date of the financial statements.

Committee Observations

859. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National hence the audit query is resolved.

Committee Recommendations

860. **The Committee recommends that the Cabinet Secretary for the National Treasury shall expedite the process disbursement of funds NG-CDF Board for timely release to all the constituencies.**

CHAPTER FIVE: TANA RIVER COUNTY

5.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR CONSTITUENCIES IN TANA RIVER COUNTY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEARS

5.1 GARSEN CONSTITUENCY

861. Mr. Juma N. Budugur, the current Fund Account Manager appeared before the Committee on 29th November, 2020 to respond to the audit Matters raised in the report of the Auditor General for Garsen Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Mr. John Mwangi Chege, Former FUND ACCOUNT MANAGER

5.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

862. The Auditor General raised three audit Matters during the examination of the financial statements of the year 2013/2014.

5.1.1.1 Transfers to Other Government Entities

863. Included in the receipts and payments for the year ended 30 June 2014 was an amount of Kshs. 52,296,089.00 for transfer to other government entities which included amounts of Kshs. 30,470,094.80, Kshs. 14,325,994.60 and Kshs. 7,500,000.00 in respect of transfers to primary, secondary schools and health institutions respectively as reported in Note 5 to the Financial Statements. Although support schedules and payment vouchers were availed to support the expenditure, project files were incomplete in that they lacked records on how the projects were initiated, contractors identified, selected and awarded the projects arising from these transfers. It was therefore not possible to ascertain whether procurement processes were in line with the Public Procurement and Disposal Act, 2005.

Submission by the Fund Account Manager

864. Mr. Juma N. Budugur, the Fund Account Manager submitted that the disbursements were made to Project Management Committee accounts and funds expended by the PMCs after capacity building sessions to support those PMCs to undertake the procurement processes. Some of the grants were disbursed in the financial year 2012/2013. The projects were undertaken in the 2013/2014 financial year. Because of this aspect, the projects were completed and audited in the 2013/2014 financial year.

865. Although the procurement documents were not availed at the time of the audit, they had since been availed to the auditors for verification. The documents for the following projects category with their respective procurement documents were availed;

i). Primary School- Kshs. 30,470,094.80

ii). Secondary School-Kshs. 14,325,994.60

iii). Health projects- Kshs 7,500,000

Committee Observations

866. The Committee observed that-

(i) The Fund Account Manager did not provide the supporting documents on how the projects were initiated, contractors identified, selected and awarded; and

(ii) The documents provided by the Fund Account Manager were not adequate to address the query, and some documents did not relate to the financial year under review hence the audit query remains unresolved.

Committee Recommendations

867. **The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager submits to the auditor supporting documents on how the projects were initiated, contractors identified, selected and awarded PFM**

5.1.1.2 Other Grants and Other Payments

868. Included in the statement of receipts and payments for the year ended 30 June 2014 was an amount of Kshs. 27,682,101.00 for other grants and other payments which included an amount of Kshs. 3,862,438.00 in respect of water projects, Kshs. 1,100,000.00 for road projects and Kshs. 600,000.00 for security projects as reported in note 6 to the financial statements. Although support schedules and payment vouchers were availed to support the expenditure, project files were incomplete in that they lacked information on how the projects were initiated, contractors identified, selected and awarded the works. Consequently, it had not been possible to ascertain if the payments on other grants and other payments totalling Kshs. 27,682,101.00 for the year ended 30 June 2014 were incurred for goods and services in line with the Public Procurement and Disposal Act, 2005.

Submission by the Fund Account Manager

869. Mr. Juma N. Budugur, the Fund Account Manager submitted that the disbursements were made to Project Management Committee accounts and funds expended by the PMC after capacity building sessions to support those (PMCs) undertaking the procurement processes. Although the procurement documents had not been availed at the time of the audit, they had since been availed to the auditors for verification.

Committee Observations

870. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit the supporting documents on how the projects were initiated, contractors identified, selected and awarded;

(ii) The Fund Account Manager could not provide the relevant documents to account for the expenditure;

(iii) The documents provided by the Fund Account Manager were not adequate to address the query, and some documents did not relate to the financial year in question; and

(iv) The audit query is not resolved.

Committee Recommendations

871. **The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager submits to the auditor supporting documents on initiation of the project, identification, selection and award of the contract.**

5.1.1.3 Outstanding Imprest

872. Included in the statement of financial assets and liabilities for the year under review was an amount of outstanding imprest of Kshs. 1,636,010.00 as at 30 June 2014. However, the Fund did not maintain an imprest register and therefore it was not possible to confirm the imprest issued and surrendered during the period. Consequently, the accuracy and validity of the outstanding imprest balance of Kshs. 1,636,010.00 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

873. Mr. Juma N. Budugur, the Fund Account Manager submitted that the NGCDF did not maintain an imprest register at the time. However, an examination of the payment vouchers for the imprests surrendered shows the dates the imprest was issued, the imprest warrant number(s) and the holders of the various imprests in addition to the date the imprests were surrendered.

Committee Observations

874. The Committee observed that-

(i) The Fund Account Manager did not maintain an imprest register and therefore it was not possible to confirm the imprests issued and surrendered during the period.

(ii) The Fund Account Manager could not provide the relevant documents to account for the expenditure. The documents that the Fund Account Manager provided were not adequate to address the query, and some documents did not relate to the financial year in question.

Committee Recommendations

875. **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

876. The Auditor General raised five audit Matters during the examination of financial statements for the year 2014/2015.

5.1.1.1 Inaccuracies in the Financial Statements

877. The Financial Statements availed for audit review for the year ended 30 June 2015 contained the following anomalies;

i) The name of the CDF was not indicated in the statement of management responsibilities on page 4 of the Financial Statements.

ii) The statement of management's responsibilities on page 4 of the financial statements indicated the year of the review as ending on June 20xx instead of the year ended 30 June 2015.

iii) The statement of management's responsibilities on page 4 of the financial statements was not signed.

iv) Analysis of pending bills as at 30 June 2015 had been omitted from the financial statements

v) Annex 1 indicates the year ended 30 June 2014 instead of the year ended 30 June 2015.

vi) Note 10 to the statement of assets reflected cash and cash equivalent of Kshs. 29,507,394.25 while notes to the financial statements reflected note 10 as outstanding imprest of Kshs. 2,809,000.00. Further, note 11 to the financial statements reflected balances brought forward of Kshs. 68,308,919.25. Also note 12 to the statement of assets indicates that Kshs. 32,316,394.25 on net financial position while notes to the financial statements reflected Note 12 as other important disclosures with nil balances.

vii) The statement of assets reflected fund balances brought forward of Kshs. 66,672,909.25. However, the comparative year 2013/2014 fund balances carried forward was indicated as Kshs. 68,308,919.25 resulting in an unexplained or un-reconciled variance of Kshs. 1,636,010.00

viii) The statement of receipts and payments reflected transfer from Other Government Entities comparative balance of Kshs. 148,106,149.00 while note 1 to the financial statements reflected AIEs brought forward of Kshs. 76,357,818.40 resulting in an unexplained or un-reconciled variance of Kshs. 71,748,341.10.

878. Consequently, the validity, accuracy and completeness of these financial statements for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

879. Mr. Juma N. Budugur, the Fund Account Manager submitted that the anomalies had since been corrected and verified by the auditors

Committee Observations

880. The Committee observed that;

(i) The financial statements showed various inaccuracies and errors. The noted errors were corrected. However, an audit query would remain because the financial statements could not be amended.

(ii) The errors, omissions and inconsistencies are attributable to a lack of adequate capacity. The accounting records of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

881. **The Committee Recommends that-**

1) **That Accounting Officer ensures the Fund Account Manager keeps up-to-date, accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**
2) **The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

5.1.1.2 Summary Statement of Appropriation

882. The summary statement of appropriation availed for audit review contained an adjustment of Kshs. 45,819,511.50. However, the detailed analysis of Kshs. 45,819,511.50 included as adjustments in the summary statement of appropriation, recurrent and development combined for the year ended 30 June 2015 was not provided for audit verification. In the circumstances, the validity and accuracy of the summary statement contained in this financial statement for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

883. Mr. Juma N. Budugur, the Fund Account Manager submitted that the detailed analysis of Kshs. 45,819,511.50 included as adjustments in the summary statement of appropriation, recurrent and development combined had been provided for audit review.

Committee Observations

884. The Committee observed that analysis of Kshs. 45,819,511.50 had been provided for audit verification and the audit query resolved.

Committee Recommendations

885. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

5.1.1.3 Cash and Cash Equivalents

886. The statement of financial assets reflected cash and cash equivalent balance of Kshs. 32,316,394.25 as at 30 June 2015. Included in this figure was a bank balance of Kshs. 29,507,394.25. Examination of bank reconciliation statements availed for audit revealed that stale cheques totaling Kshs. 359,180.00 had remained outstanding since 2013 and had not been reversed in the cashbook. Further, there were payments in the bank statements not posted in the cashbook totaling Kshs. 343,498.00 which were bank charges from years 2007 to 2015. No explanation was given for not accounting for the bank charges in these financial statements. Consequently, it had not been possible to confirm the accuracy and completeness of the bank balances figure of Kshs. 29,507,394.25 as at 30 June 2015.

Submission by the Fund Account Manager

887. Mr. Juma N. Budugur, the Fund Account Manager submitted that the Cashbook had since been corrected and updated and stale cheques reversed. Bank charges had also been accounted for in the cashbook.

Committee Observations

888. The Committee observed that:

i. The stale cheques were later reversed and replaced. Further, the omitted payments were later recorded in the cashbook; and
ii. Bank charges had also been accounted for in the cashbook.

Committee Recommendations

889. **The Committee recommends that:**

1) The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and

2) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

5.1.1.4 Outstanding Imprest

890. Included in the cash and cash equivalent balance of Kshs. 32,316,394.25 was an outstanding imprest balance of Kshs. 2,809,000.00 and whose imprest register, date of issue and warrant numbers were not availed for audit verification. Consequently, the propriety, accuracy and completeness of the outstanding imprest balance of Kshs.2, 809,000.00 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

891. Mr. Juma N. Budugur, the Fund Account Manager submitted that the NG-CDF did not maintain an imprest register at the time. However, an examination of the payment vouchers for the imprests surrendered showed that some payments for activities were made through claims by the persons responsible. In other cases, the warrants of imprest were not attached to the payment voucher.

Committee Observations

892. The Committee observed that the documents provided by the Fund Account Manager were not adequate to address the query, and some documents did not relate to the financial year in question, hence the audit query is not resolved.

Committee Recommendations

893. The Committee recommends that-

1) **Within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides supporting documents including, a warrant of imprest to the Auditors for review and reporting in the subsequent audit cycle.**
2) **The Accounting Officer ensures that All Fund Account Managers adhere to Section 71 (2) of the PFM Act, 2012 and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015; and**
3) **The Accounting Officer ensures that Fund Account Manager keeps financial and other records that are up-to-date, accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act No. 18 of 2012 and PFM (NG) Regulation 101(4).**

5.1.1.5 Unsupported Expenditure

894. The statement of receipts and payments for the year ended 30 June 2015 reflected total payments of Kshs. 136,981,353.84 out of which the following expenses totaling Kshs. 5,725,222.00 had no documentary supporting evidence availed for audit review:

i. Printing, advertising and information supplies and services - Kshs. 200,000.00
ii. Routine maintenance - vehicles and other transport equipment - Kshs. 781,960.00
iii. Fuel, Oil and lubricants - Kshs. 580,667.00
iv. Other operating expenses - Kshs. 235,095.00
v. Committee expenses - Kshs. 2,227,500.00

vi. Transfer and Other grants (roads) - Kshs. 1,700,000.00

895. Consequently, the propriety of Kshs. 5,725,222.00 reported as expenses for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

896. Mr. Juma N. Budugur, the Fund Account Manager submitted that the documentary supporting evidence supporting the following payments were later availed to the auditor for review.

(i) Payment vouchers for Kshs 200,000
(ii) Payment vouchers for Kshs 781,960.00(Routine maintenance - vehicles and other Transport equipment)
(iii) Payment vouchers for 580,667.00
(iv) Payment vouchers for Kshs. 235,095.00
(v) Payment vouchers for Kshs. 2,227,500.00 (Committee expenses)
(vi) Payment vouchers for Kshs 1,700,000 (Jua Kali B. Road)

Committee Observations

897. The Committee observed that-

(i) The Fund Account Manager had not provided the supporting documents on the expenditure of Kshs. 5,725,222.00. However, the Fund Account Manager later provided the documents to the auditors for review.
(ii) The Fund Account Manager only accounted for expenses relating to routine maintenance of vehicles and other transport equipment amounting to Kshs. 781,960.00 and Transfer and Other grants (roads) amounting to Kshs. 1,700,000.00.

Committee Recommendations

898. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents to the Auditor-General.**

5.1.1.6 Other Grants and Transfers

899. Included in other grants and transfers was an amount of Kshs. 38,448,758.60 and as disclosed in note 7 to the financial statements for the year ended 30th June 2015 were emergency projects expenses totalling Kshs. 3,453,502.00. Included in this was a payment of Kshs. 2,600,000.00 was spent on emergency roofing and kitchen construction of Kitere Primary School. Documents availed for audit review indicated that on 23rd October, 2014, the Head Teacher of Kitere Primary School wrote to the PMC requesting emergency funding of Kshs. 262,440.00 for construction of a kitchen and buying of iron sheets for a blown-off classroom roof.

900. On 23rd February, an amount of Kshs. 2,600,000.00 was released for this project vide payment voucher no. 60304. Bills of quantities and quotations were not availed for audit verification to confirm the basis of the increase of Kshs. 2,337,560.00 from the initial request of Kshs. 262,440.00. Consequently, the propriety, accuracy and completeness of emergency projects expenditure of Kshs. 2,600,000.00 for the year ended 30th June 2015 could not be ascertained.

Submission by the Fund Account Manager

901. Mr. Juma N. Budugur, the Fund Account Manager submitted that the head teacher had requested repairs of an existing semi-permanent kitchen in addition to the reroofing of the blown off classroom roof. The NGCDFC on the other hand resolved to put up a permanent and durable structure. The cost estimated for the permanent structure came up to Kshs 2,940,600. The CDF committee gave a grant of Kshs 2,600,000. This caused an increase in the cost estimates.

Committee Observations

902. The Committee observed that bills of quantities and quotations were not availed for audit verification to confirm the basis of the increase of Kshs. 2,337,560.00 from the initial request of Kshs. 262,440.00. The Fund Account Manager had not provided the supporting documents

Committee Recommendations

903. **Within three months upon adoption of this report, the Accounting Officer to ensure that the Fund Account Manager provides supporting documents including, Bills of quantities and quotations to the Auditors for review and reporting in the subsequent audit cycle.**

5.1.1.7 Budgetary Controls and Performance

904. During the year under review, the Fund had a final budget of Kshs. 161,430,167.50, resulting to an under-absorption of 24,448.813.66 or 15% as summarized below

Expenditure Item	Final Budget	Actual Expenditure	Under Absorption	Over Absorption	%Under/ Over Absorption
Compensation of employee	1350000	1,260,865	89,135.00		7%
Use of goods & services	5,466,349	2,210,948	3,255,491		60%
Committee Allowances	3,468,419	5,998,400		2,530,081	(73%)

Transfer to other government units	113,281,031	89,009,770	24,274,243		21%
Other grant and transfer	37,744,196	38,448,759		704,583	(2%)
Social Security Benefit	20,000	55,612	64,388		54%
Total	**161,430,167**	**136,981,354**	**27,683,257**	**3,234,644**	**15%**

905. From the above analysis, it is clear that there was an excess expenditure on committee expenditure of 73% and other grants and transfers 2%, while under absorption on use of goods and services 60% transfer to other governments units 21% and social security benefits. The excess expenditure of funds portrays non-adherence to budget ceilings and a lack of supervision and control by the National Government Constituency Development Fund Committee (NGCDFC). The management did not avail for audit review the approval of this over expenditure of Kshs 3,234,644.

906. The underutilization of funds is an indication that not all planned projects and programs were implemented by the NGCDFC as planned in the year. This is likely to have had a negative effect on the delivery of goods and services to the people of Garsen constituency.

Committee Observations

907. The Committee observed that-

(i) The under expenditure of the funds was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board;

(ii) The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within the few days; and

(iii)The over-expenditure was occasioned by roll-over funds for 2013/14 received and expended in 2014/15.

Committee Recommendations

908. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

5.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

909. The Auditor General raised seven audit Matters during the examination of the financial statements for the year 2015/2016.

5.1.2.1 Cash and Cash Equivalents

910. The statement of assets as at 30th June 2016 reflected a bank balance of Kshs. 14,082,525.00. However, the bank reconciliation statement as at 30th June 2016 reflected stale cheques totalling Kshs. 2,056,006.00, which had not been reversed in the cashbook. In addition, the bank reconciliation statement included bank charges amounting to Kshs. 289,372.90 dating back to November 2013 and which had not been recorded in the cashbook and therefore had been omitted in the financial statements. Further, subsequent bank statements were not availed for audit to confirm when cheques amounting to Kshs. 2,056,006 still outstanding as at 30th June 2016 were subsequently cleared.

911. A review of Constituency Development Fund Committee meeting minutes revealed that 44 bank accounts were opened for Project Management Committees (PMC) for projects already completed and had an accumulative balance of unspent funds amounting to Kshs. 747,208.00. Section 7(1) of the NG-CDF Act, 2015 states that all savings shall be returned to the Fund and in accordance with Section 6 (4) and (5) of the NG-CDF Act, 2015, unspent funds may be re-allocated. This amount was still held at the PMC bank accounts as at 30th June 2016 and therefore not included in the bank balances of Kshs. 14,082,525.00 as at 30th June 2016. Consequently, the accuracy and completeness of the bank balance of Kshs. 14,082,525.00 could not be confirmed.

Submission by the Fund Account Manager

912. Mr. Juma N. Budugur, the Fund Account Manager submitted that the stale cheques had since been reversed and the cashbook updated. Bank charges had also been accounted for in the cashbook as reported by the auditor.

913. The fund balances in the Project management Committee accounts were disclosed in the financial statements as "Other important disclosures" though the amounts reported could not be recalled back into the main Constituency account as these balances comprised the retentions withheld by the projects during payments but to be paid to the contractors upon the lapse of 6 months as stipulated by law.

Committee Observations

914. The Committee observed that-

(i) The stale cheques were reversed and replaced;

(ii) The amounts contained in the various Project Management Committees (PMC) accounts were retention for various contractors. These accounts could only be closed and subsequent balances transferred to the main account once respective merchants were paid their retention monies;

(iii)The corrections were done outside the audit period and therefore could not correct the figures as per the financial statements.

Committee Recommendations

915. **The Committee recommends that:**

1) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques; and
2) The accounting officer ensures that Fund Account Managers do not continue to hold retention money in the project account beyond the stipulated liability period. Any money in the project's account should be transferred to the main constituency accounts immediately after the completion of a project.

5.1.2.2 Outstanding Imprest

916. The statement of assets as at 30th June 2016 reflected outstanding imprests of Kshs. 2,943,131.00. However, a detailed schedule in support of this amount was not availed for audit review. Further, the imprest warrant book was also not availed for audit review. Consequently, the propriety and accuracy of the imprest balance of Kshs. 2,943,131.00 could not be confirmed.

Submission by the Fund Account Manager

917. Mr. Juma N. Budugur, the Fund Account Manager submitted that the outstanding imprests had since been surrendered.

Committee Observations

918. The Committee observed that aat the time of the audit, the supporting schedule and imprest warrant book had not been provided for audit. The documents have since been provided for audit verification.

Recommendations

919. The Committee recommends that-

1) **The Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015; and**
2) **The Accounting Officer ensures that the Fund Account Manager adheres to the provisions of Section 71 (2) of the PFM Act No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.**

5.1.2.3 Cash Balance

920. The statement of assets reflected a nil cash balance as at 30th June 2016. However, the board of survey certificate was not availed for audit review. Consequently, the accuracy, validity and completeness of nil cash balance could not be ascertained.

Submission by the Fund Account Manager

921. Mr. Juma N. Budugur, the Fund Account Manager submitted that although the statement of assets reflected a nil cash balance as at 30 June 2016, there was an outstanding imprest of Kshs 2, 943,131 at the same time.

Committee Observations

922. The Committee observed that the survey reports were submitted to the auditor for review and verification.

Committee Recommendations

923. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager strictly complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and PFM Act, No. 18 of 2012.**

5.1.2.4 Statutory Deductions

924. The statement of receipts and payments for the year ended 30th June 2016 reflected compensation of employees' balances of Kshs. 968,242.00. A review of personnel records availed for audit revealed that statutory deductions of Kshs. 161,810.00 were not remitted to the tax authorities. Consequently, the Fund was in breach of the Law and possible penalties for non-compliance had not been included in these financial statements.

Submission by the Fund Account Manager

925. Mr. Juma N. Budugur, the Fund Account Manager submitted that during that period under review, the station had challenges in obtaining KRA pin registration. However, the situation was rectified and all statutory deductions were paid on time as required by law.

Committee Observations

926. The Committee observed that the deductions could not be effected without a PIN certificate.

Committee Recommendations

927. The Committee recommends that;

1) **The Accounting officer ensures that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted**

and remitted on time to avoid possible fines and penalties accruing due to non-compliance; and

2) **The Accounting Officer in liaison with the KRA put in place sensitization programmes on taxes for the Fund Account Managers and the PMCs to enhance compliance.**

5.1.2.5 Bursaries

928. The statement of receipts and payments and as disclosed in Note 7 to the financial statement reflected other grants and payments of Kshs. 12,669,650.00 and payments to tertiary institutions of Kshs. 3,125,993.00 all totalling Kshs. 15,795,643.00. However, a review of bursary sub-committee minutes revealed that there was no documented criterion on how needy students were identified for sponsorship. Consequently, the propriety and validity of the bursary expenditure amounting to Kshs. 15,795,643.00 could not be confirmed.

Submission by the Fund Account Manager

929. Mr. Juma N. Budugur, the Fund Account Manager submitted that the CDF had a bursary sub-committee that would develop the criteria to be used in the award of bursaries. This criterion was then adopted with or without amendments by the full CDF committee. This formed the basis for an award of bursaries to needy students in all learning institutions.

Committee Observations

930. The Committee observed that at the time of the audit, the Fund had not provided the criteria used in identifying the needy students for sponsorship. This has since been provided to the auditors for review.

Committee Recommendations

931. **The NG-CDF Board should develop an overarching policy framework to guide constituency bursary committees on criteria for bursary awards in-line with the needs of each constituency. Further, Each NG-CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.**

5.1.2.6 Budgetary Controls and Performance

932. During the year under review, the Fund had a final budget of Kshs. 135,418,149 but received Kshs. 118,805,328 or 88% from the National Government Constituencies Development Fund Board. The Fund had actual expenditure amounting to Kshs. 134,096,066 or 99% of the budget. The Fund Overspent on Use of Goods and Services – Kshs. 4,958,152. Transfer to Other Government Units – Kshs. 5,365,580 and Acquisition of Assets – Kshs. 2,629,420 totalling to Kshs. 12,953,152 or 10% Over-expenditure of the budgeted amount. The approval for the Over Expenditure was not

availed for audit review. In addition, the Fund Under-spent on Compensation of Employees – Kshs. 1,011,758, Other Grants and Transfers – Kshs. 13,263,477 totalling to Kshs. 14,275,235 or 11% under Expenditure of the budgeted amount.

933. There was a need therefore for the Fund to ensure all projects and activities budgeted for were implemented in time to ensure that the citizens of the constituency enjoyed services and programs of the Fund for their development and welfare.

Submission by the Fund Account Manager

934. Mr. Juma N. Budugur, the Fund Account Manager stated that the over-expenditure on Use of Goods and Services and Acquisition of assets resulted from balances brought forward from the previous financial years which had not been recorded in the statement of appropriation as adjustments. The Under-expenditure captured on other grants and Transfers and Compensation of Employees was because of delays in the opening of bank accounts by Project Management Committees (PMCs). This in turn led to the delayed transfer of grants to the PMC accounts.

935. On the issue of compensation for employees, the under expenditure resulted from provisions for gratuity which was maturing in August 2016.

Committee Observations

936. The Committee observed that-

(i) The under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury;

(ii) The over-expenditure was due to rollover funds from previous years which was utilized in the financial year; and

(iii)The error could not correct the signed financial statements.

Committee Recommendations

937. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

5.1.2.7 Project Implementation Status

938. The Project Status Report availed for audit review indicated that 46 projects were budgeted for in the FY 2015/2016. However, 28 projects with a total allocation of Kshs. 45,600,000 had not been started as at 30th June 2016. Among the reasons given for the slow or non-Implementation of the projects was that funds from the NG-CDF Board were not received in good time and that project management committees were not having the capacity to conduct procurement procedures as required.

Submission by the Fund Account Manager

939. Mr. Juma N. Budugur, the Fund Account Manager submitted that the slow implementation of projects was because of delayed receipts of funds from the NG-CDF Board and bureaucratic tendering procedures.

Committee Observations

940. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and lack of capacity by project management committees to conduct procurement procedures as required.

Committee Recommendations

941. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

5.1.2.8 Project Verification

942. During the year under review, 16 projects with a total disbursement of Kshs. 53,765,110 were sampled and visited for verification. Findings revealed that 8 projects had been completed and in use while the rest were still ongoing. The CDFC should ensure that all projects are completed in time and are well supervised so that the citizens of Garsen can improve their livelihood through these projects.

Submission by the Fund Account Manager

943. Mr. Juma N. Budugur, the Fund Account Manager submitted that the slow pace in implementation of projects was due to bad weather that makes feeder roads impassable and insecurity that often disrupts the peace and normal life in the society.

Committee Observations

944. The Committee observed that slow implementations of projects were occasioned by insecurity and bad weather.

Committee Recommendations

945. **The Committee recommends that the Accounting officer ensures that the Fund account manager and PMCs consult with relevant security agencies during project implementation. Further, the annual project planning and implementation should take into consideration the weather patterns to avoid disruption of implementation.**

5.2 GALOLE CONSTITUENCY

946. Mr. Hussein Abdullahi, the current Fund Account Manager (2014 to date) appeared before the Committee on 30th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Galole Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:
   i. Mr. James Chebii, Ag. Manager Field Financial Services
   ii. Ms. Christine Mwangolo, Ag. Manager Field Operations
   iii. Mr. Ronald Jembe, Former Fund Account Manager (2009 to 2014)

5.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

947. The Auditor General raised one audit query during the examination of the financial statements for Galole Constituency in the year 2013/2014.

5.2.1.1 Bank Balance

948. Excluded from the bank balance of Kshs. 17,713,654 as at 30th June 2014 were unpresented cheques since 2010 and the management had not explained why the same had not been written back to cashbook. Further excluded from the balance of Kshs. 17,713,654.90 were payments amounting to Kshs. 2,106,104.05 is reflected in the bank statements but not in the cashbook. Some of the payments date back to 2007.

Submission by the Fund Account Manager

949. Mr. Hussein Abullahi, the Fund Account Manager submitted that the un-presented cheques were stale cheques, which had not been validated. The cheques amounting to Kshs. 917,643.65 were later validated and treated as payable and therefore would not be indicated on future bank reconciliation hence the accuracy of cash and cash equivalent figures as 30th June 2018.

Committee Observations

950. The Committee observed that the bank balance supporting the statement of assets was not correct since unpresented cheques had not been written back to the cashbook at the time of audit.

Committee Recommendations

951. **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4) of the PFM (National Government) 2015.**

5.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

952. The Auditor General flagged out five audit Matters during the examination of financial statements of the year 2014/2015. The basis of the audit opinion was a qualified because of the significance of the matters discussed in the basis of the qualified opinion paragraph.

5.2.2.1 Bank Balance

953. Records availed for audit review indicated that the Galole Constituency Development Fund had payments in the bank statements that had not been posted in the cashbook amounting to Kshs. 2,117,633.15. These payments were done between the year 2007 and June 2015. The payments were supposed to have been posted in the cashbook as soon as they were recognized to have occurred. These payments had remained outstanding for a long time. Therefore, the cash and cash equivalents figure of Kshs. 26,916,328.20 could not be confirmed.

Submission by the Fund Account Manager

954. Mr. Hussein Abullahi, the Fund Account Manager submitted that the un-presented cheques were stale cheques that had not been validated at the time of the audit but had since been validated.

Committee Observations

955. The Committee observed that-

(i) The Fund did not maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund.

(ii) The Fund had payments in the bank statements but not posted in the cashbook amounting to Kshs. 2,117,633.15. These payments were done between the year 2007 and June 2015 and had not been validated at the time of the audit but were later validated.

Committee Recommendations

956. **The Committee recommends that-**

The Committee recommends that:

1) **The Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**
2) **The Accounting Officer ensures that Fund Account Managers ensures to comply with the provisions of PFM Regulation 2015, section 90(1) on the preparation of bank reconciliation statement.**

5.2.2.2 Findings

957. Note 1 to the financial statement reflected transfers from other Government entities amounting to Kshs. 103,259,615. However, Authority to Incur Expenditure (AIE) No. 796092 of Kshs. 25,779,903 was omitted in the table. Also, records made available from the CDF Board indicate a total disbursement to Galole constituency Development Fund (CDF) amounting to Kshs 110,761,151.75 for the year ended 30 June 2015. No explanation was provided for the difference of Kshs. 7,501,536.75.

Submission by the Fund Account Manager

958. Mr. Hussein Abullahi, the Fund Account Manager submitted that the records both in the Constituency and the CDF Board, show the total disbursement for Galole Constituency as cash of Kshs. 103,259,615 for the year ended 30 June 2015.

Committee Observations

959. The Committee observed that disbursement to the Fund was Kshs. 103,259,615 and therefore no variation.

Committee Recommendation

960. **The Committee Recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

5.2.2.3 Budget control and performance

961. During the year under review, the Fund had a budget of Kshs. 103,119.615 for the financial year 2014/15. The Fund made transfers and payments amounting to Kshs. 97,978,430 or 95% of budgeted funds. There was an overall underutilization of Kshs. 5,141,185 which is 5% of the total budget.

962. There was an over absorption of Kshs. 4,317,244 which the management did not explain how it was funded. Further, the Fund had an absorption of Kshs. 9,782,429, which is an indication that the CDFC management as planned in the year implemented not all planned projects and programs. This is likely to have had a negative effect on the delivery of goods and services to the people of Galole Constituency.

Submission by the Fund Account Manager

963. Mr. Hussein Abullahi, the Fund Account Manager submitted that the overall utilization of Kshs. 5,141,185 was part of Kshs. 5,281,184.85, which was the opening balance during the 2014/15financial year. The under absorption was because of late disbursement from the Board.

Committee Observations

964. The Committee observed that underutilization and over expenditure of the funds were due to late disbursement of funds by the NG- CDF Board and the National Treasury hence rollover of Funds from subsequent years due to late receipts.

Committee Recommendations

965. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

5.2.2.4 Project implementation

966. The management had not explained why a school van had not been procured even though funds were set aside for the purpose. Public funds lying idle in the project managements committee bank account denied the school timely delivery and enjoyment of service and may have had cost implications as the funds continued to lie idle in the bank and lose value due to inflationary pressures.

Submission by the Fund Account Manager

967. Mr. Hussein Abullahi, the Fund Account Manager submitted that the amount allocated for the purchase of the school van was not enough and the committee resolved to reallocate the money to other ongoing projects, which was approved by the board.

Committee Observations

968. The Committee observed that the allocation to the School Van was reallocated with the approval of the Board to other ongoing projects because the allocation was not enough.

Committee Recommendations

969. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers and CDFCs set aside adequate funding for approved projects in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.**

5.2.2.5 Pending bills

970. According to Annex 1 to the financial statements, analysis of pending accounts payables, Galole constituency development fund during the financial year, 2014/2015 had accumulated pending bills of Kshs. 26,916,328.20 (2013/2014 Kshs. 17,713,654). Compared to the previous year, the pending bills had increased by Kshs. 5,281,184.85 or 34%. Had the pending bills been paid, the fund surplus of Kshs. 5,281,184.85 for the year under review would have resulted to a deficit of Kshs. 21,635,143.35. This was an indication that the Fund may have been committing more funds than the allocated budget. Non-payments of bills had delayed completion of projects and

activities of the funds and may have hampered efficient delivery of services to the Constituents of Galole.

Submission by the Fund Account Manager

971. Mr. Hussein Abullahi, the Fund Account Manager submitted that the amount was erroneously placed in the financial statement. The amount stated was the closing balance for that financial year 2014/15.

Committee Observations

(i) The Committee observed that the amount captured as pending bills were erroneous as the amount was for balances carried forward from the FY 2014/15. The Fund Account Manager had not reconciled the figures in the financial statements.

Committee Recommendations

972. **The Committee recommends that the accounting Officer ensures that the Fund Account Manager takes the appropriate measures to resolve the audit issue as required by Section 68(2) (l) PFM Act, No. 18 of 2012 and reporting by the Auditor General in the subsequent audit cycle.**

5.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

973. The Auditor General raised seven audit Matters during the examination of the financial statements for the year ended 2015/2016.

5.2.3.1 Bank Balance

974. The statement of financial assets as at 30th June 2016 reflected a bank balance of Kshs. 43,480,985.05. However, the bank reconciliation statement as at 30th June 2016 and bank confirmation certificates were not availed for audit review.

Submission by the Fund Account Manager

975. Mr. Hussein Abullahi, the Fund Account Manager submitted that the audit observation was noted and during the year the bank reconciliations were not prepared. The fund subsequently prepared the bank reconciliation statements and availed the bank confirmation certificates to support the bank balances.

Committee Observations

976. The Committee observed that the Fund Account Manager subsequently prepared the bank reconciliation statements but did not provide supporting documents for audit verification.

Committee Recommendations

977. The Committee recommends that:

1) **The Accounting Officer ensures that the Fund Account Manager complies with the provisions of PFM Regulation 2015, Regulation 90(1) on the preparation of bank reconciliation statement; and**
2) **The Accounting Officer ensures that Fund Account Manager keeps up-to-date, accurate, reliable, and complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided under Section 81(3) of the PFM Act, No. 18 of 2012 and) Regulation 101(4) of the PFM (National Government) Regulations 2015.**

5.2.3.2 Cash Balance

978. The statement of financial assets as at 30th June 2016 reflected a nil Cash balance. However, Board of survey certificates on Cash was not provided to support the cash in hand.

Submission by the Fund Account Manager

979. Mr. Hussein Abullahi, the Fund Account Manager submitted that the audit observation was noted and availed the reports of the board of survey to support the cash in hand.

Committee Observations

980. The Committee observed that; the Fund Account Manager had not, at the time of audit provided, the Board of survey reports to support the cash balance. The survey report certificates were however later submitted to the auditor for review.

Committee Recommendations

981. **The Committee recommends that the Accounting Officer ensures that All Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

5.2.3.3 Transfers to other Government entities

982. Note 4 to the financial statements reflected transfer to other government entities of Kshs. 61,777,769.17 for the year ended 30 June 2016. However, schedules supporting the amount had variances aggregating to Kshs. 5,060,000. In addition, the fund management reallocated funds amounting to Kshs. 900,000 meant for tree planting to construct a security house without Board approval. Further, amounts totalling Kshs. 2,103,582 in respect of three projects were spent but the projects were not among the ones listed in the project code list for the year. In the circumstances the regularity and completeness of transfer to other government entities amount of Kshs. 61,777,769.17 could not be confirmed.

Submission by the Fund Account Manager

983. Mr. Hussein Abullahi, the Fund Account Manager submitted that there was no variance as stated in the report to support the transfers but bank statements for the transactions, schedules supporting the amount and the financial statements had been availed. Further, the Fund Account Manager submitted that the security house was necessary because of the imminent threats by terror groups and the expense had been funded from the administration and not the environment budget as stated. The approved projects were as follows: -

i). Environmental project- Kshs. 494,000. This was approved as per the code list of FY 2014/15. This balance was not spent during that financial year it was carried forward to the next financial year 2015/2016.

ii). Agriculture- Kshs. 109,582. This was an approved project as per the code list of FY 2013/2014. The amount from the mango collection center was unspent and was not utilized during that financial year resulting in it being carried forward in the next financial year.

iii). Guriri Primary School-Administration block Kshs. 1,500,000. This project was approved for re-allocation of funds.

Committee Observations

984. The Committee observed that the environmental project and mango collection center were approved as per the code list of FY 2014/15 and the Board approved the reallocation to Guriri Primary School.

Committee Recommendations

985. **The Committee recommends that the Accounting Officer ensures that the Fund Account Managers do not undertake any reallocation of funds without the Board's approval in compliance with NG-CDF Act, 2015.**

5.2.3.4 Other Grants and Transfers

986. The statement of receipts and payments for the year ended 30 June 2016 under note 5 reflected other grants and transfers of Kshs. 18, 454, 479.70. Included was expenditure on emergency projects totalling Kshs. 3,784,230. Examination of records revealed that the expenditure was in respect of renovation of three primary schools namely Dayate, Wayu, and Kiesi primary, which did not qualify as emergency projects as defined under Section 8(3) of the National Government Constituency Development Fund Act 2015. Consequently, the regularity of emergency project expenditure totalling Kshs. 3,784,230 for the year ended 30 June 2016 could not be ascertained.

Submission by the Fund Account Manager

987. Mr. Hussein Abullahi, the Fund Account Manager submitted that the Projects funded through emergency were discussed by the constituency Development Fund Committee for approval, and had availed the minutes of the meeting. The schools were in deplorable conditions and there was the need to renovate them to encourage the learners to feel safe and attend school.

Committee Observations

988. The Committee observed that:

(i) The Fund Account Manager reallocated emergency funds without board approval of the NG-CDF Board; and

(ii) The money was used to renovate three primary schools namely Dayate, Wayu, and Kiesi primary which did not qualify as emergency projects.

Committee Recommendations

989. **The Committee recommends that:**

1) **The Accounting Officer should ensure that the Fund Account Managers do not undertake any reallocation of funds without the Board's approval in compliance with NG-CDF Act, 2015;**
2) **The accounting officer ensures that the Fund Account Managers use the emergency fund in line with the provision of the NG-CDF Act 2015; and**

3) **Within three months of the adoption of this report, the NG-CDF Board should re-issue guidelines on the use of emergency funds to all the fund account managers to guide the CDFCs.**

5.2.3.5 Budgetary controls and performance

990. During the year under review, the Fund was allocated Kshs. 108,740,065 and had an opening balance of Kshs. 25,712,935 as per the audited financial statements for 2014/2015. The total available balance was Kshs. 134,453,000 against an expenditure of Kshs. 90,972,015.25 resulting in an under absorption of Kshs. 43,480,985 or 32%.

Submission by the Fund Account Manager

991. Mr. Hussein Abullahi, the Fund Account Manager submitted that CDF Fund did not implement the budget as envisaged under the PFM Act and the Constitution. The under absorption of funds was due to the late disbursement of funds from the NG-CDFB. However, the projects had since been implemented to completion. He further submitted that the Fund was not operating from 19th February 2016 to 18th May 2016 and availed as evidence a circular reference NG-CDFB/CIRCULAR/VOK 11-113, Ref: CDFB-CEO/GENERAL/13/005 and judgment delivered on 20th February 2015 Nairobi petition 71 of 2013.

Committee Observations

992. The Committee observed that underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury

Committee Recommendations

993. **The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board to ensure timely disbursements of money to the Constituencies**

5.2.3.6 Projects Implementation

994. During the year under review, ninety-two (92) projects were allocated and funded Kshs. 92,540,892, out of which Kshs. 20,350,000 that was disbursed to ten (10) projects was not utilized for the designated projects.

Submission by the Fund Account Manager

995. Mr. Hussein Abullahi, the Fund Account Manager submitted that the under-utilization of funds was caused by slow absorption of funds at the project level and delays in releasing funds to PMC's. Consequently, some of the projects received AIE funds in respect of the previous financial year 2014/2015.

996. Further, the ten (10) projects that received disbursements totalling to Kshs. 20,350,000 had not been implemented by the end of the year due to: Late disbursement

of funds from NG-CDF Board; either due to late requisition or other logistical challenges that the Fund had no control over; and there was the change of policy where certain functions like the Dams and Early Childhood Development (ECD) were to be undertaken by the County Government. The Fund was awaiting re-allocation of funds from the ten (10) projects or direction from the CDF Board which delayed the utilization of the funds.

Committee Observations

997. The Committee observed that delays in the implementation of the projects were due to late disbursement of funds by the NG- CDF Board and the National Treasury. The projects were complete and in use.

Committee Recommendations

998. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

5.2.3.7 Project Verification

999. During May 2017 twenty-three (23) projects costing Kshs. 28,300,000.00 were inspected and the following observation was made: that twenty (20) projects were complete; two projects were still undergoing while one for Ndura secondary school full use of provided facility had not been achieved.

Submission by the Fund Account Manager

1000. Mr. Hussein Abullahi, the Fund Account Manager submitted that it was upon the CDFC to ensure that all projects are completed in time and facilities were fully utilized for the benefit of residents.

1001. With regard to the commander's office and construction of the administration block at Koticha primary school, these were not complete during verification because funds allocated were not adequate to complete thus additional funding was required in the subsequent financial year. The two projects were later completed and were in use.

1002. He also submitted that Ndura Secondary was delivered in full and an invoice and acknowledgment letter from the principal was availed as evidence. The Fund also did a follow-up to confirm the status of the beds that were not available during the audit verification.

Committee Observations

1003. The Committee observed that delays in the implementation of the projects were due to late disbursement of funds by the NG- CDF Board and the National Treasury. The projects were complete.

Committee Recommendations

1004. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

5.3 BURA CONSTITUENCY

1005. Mr. Ronald Jembe, the current Fund Account Manager since 2018 appeared before the Committee on 30th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Bura Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Ms. Beatrice Otieno, Accountant NGCDF Board
iv) Mr. Peter Katani, Former Fund Account Manager (June 2014 to 2017)

5.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/3014

1006. The Auditor General raised four audit Matters during the examination of financial statements for Bura Constituency in the year 2013/2014.

Transfers to Other Government Entities

1007. Included in the statement of receipts and payments for the year ended 30th June 2014 were amounts of Kshs. 21,717,904, Kshs. 14,497,125 and Kshs. 11,459,800 in respect of transfers to Primary Schools, Secondary Schools and Health institutions respectively as reported in Note 6 to the financial statements. Although support schedules and payment vouchers were availed to support the expenditure, project files were incomplete since they lacked documents including the management committee's minutes on initiation and execution, completion certificates and procurement plan. Consequently, it was not possible to ascertain whether the Public Procurement and Disposal Act, 2005 was compiled during the procurement process.

Submission by the Fund Account Manager

1008. Mr. Ronald Jembe, the Fund Account Manager informed the meeting that the project files had been incomplete because the projects were still being implemented but proper and adequate documentation had since been availed for verification including copies of PMC's Minutes, Tender Evaluation records, and a Certificate of completion.

1009. He also submitted that NG-CDF in Bura had since put in place an effective filing system which included re-organizing the old filing system, indexing and labelling afresh of files and further assigning a member of staff to be responsible.

Committee Observations

1010. The Committee observed that at the time of the audit, minutes on initiation and execution, completion certificates and procurement plan had not been availed for audit review. The documents had since been provided to the auditor for verification.

Committee Recommendations

1011. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

Other Grants and Payments.

1012. Included in the statement of receipts and payments for the year ended 30th June 2014 was Kshs. 72,350,030 for other grants and payments, Kshs. 48,863,708 in respect to Water projects and Kshs. 4,981,322 for Security projects as reported in Note 7 to the financial statements. Although support schedules and payment vouchers were availed to support the expenditure, project files were incomplete in that they lacked details including the Project Management Committee's minutes on initiation and execution of the project, procurement plan and completion certificates. Consequently, it was not possible to ascertain whether the Public Procurement and Disposal Act, 2005 was duly followed on the expenditure for the projects.

Submission by the Fund Account Manager

1013. Mr. Ronald Jembe, the Fund Account Manager submitted that the project files were incomplete because the projects were still being implemented at the time of the audit but proper and adequate documentation had since been availed for review including Copies of PMC's Minutes, Tender Evaluation records, Certificate of completion.

Committee Observations

1014. The Committee observed that;

(i) At the time of the audit, minutes on initiation and execution, completion certificates and procurement plan had not been availed for audit review; and

(ii) The documents had since been provided to the auditor for verification.

Committee Recommendations

1015. **The Committee recommends that the Accounting Officer ensures that all Fund Account Manager avail supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.**

Cash and Cash Equivalents

1016. Statements of financial assets and liabilities reflected a balance of Kshs. 16,396,521 as at 30th June 2014. However, a review of the bank reconciliation for June 2014 revealed that stale cheques amounting to Kshs. 3,731,660 had not been written back to the cashbook. Further, funds were deposited directly into the fund bank account on various dates from 11th August 2004 to 6th December 2010 amounting to Kshs. 806,000 had not been included in the cash and bank balance of Kshs. 16,396,521. In addition, bank charges amounting to Kshs. 172,453.35 had been excluded from these

financial statements. Consequently, the completeness, accuracy and validity of the bank balance of Kshs. 16,396,521 as at June 2014 could not be confirmed.

Submission by the Fund Account Manager

1017. Mr. Ronald Jembe, the Fund Account Manager submitted that the stale cheques amounting to Kshs. 3,731,660 were reversed and recorded in the cashbook and the NG-CDF resolution to reverse (Minutes) & Bank Reconciliation Statements were availed for audit review. Further, deposits amounting to Kshs. 104,000 and Kshs. 700,000 had since been captured in the Cashbook in the 2016/2017 FY period. Additionally, the Bank Charges amounting to Kshs. 172,453.35 had since been captured in the cashbook.

Committee Observations

1018. The Committee observed that the stale and unpresented cheques were reversed and replaced and omitted deposits recorded in the cash book.

Committee Recommendations

1019. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

5.3.1.4 **Outstanding Imprest**

1020. Note 10 of the financial statements reflected outstanding imprests of Kshs. 937,832. However, the fund had not maintained an imprest register and therefore it had not been possible to confirm imprest issued and surrendered during the period under review. Consequently, the accuracy and completeness of the outstanding imprest of Kshs. 937,832 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1021. Mr. Ronald Jembe, the Fund Account Manager submitted that the outstanding Imprest at that time amounted to Kshs. 937,832. The outstanding imprests in question were subsequently surrendered in the following financial year (2014-2015). In addition to putting in place an Imprest register, NG-CDF Bura had since instituted stronger internal controls to ensure necessary records and other control measures were in place.

Committee Observations

1022. The Committee observed that-

(i) The Fund Account Manager did not to maintain an imprest register in violation of the PFM Act 2012; and

(ii) The surrender of imprest was done in the following financial year against the provisions of Section 71 (2) of the PFM Act, 2012.

Committee Recommendations

1023. **The Committee recommends that the accounting Officer ensures that the Fund Account Manager adheres to the provisions of Section71 (2) of the PFM Act, No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015,**

5.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1024. The Auditor General flagged out seven audit Matters during the examination of the financial statements for the year 2014/2015.

Inaccuracies in the Financial Statements

1025. The financial statements presented for audit review contained the following anomalies: -

i) Note 11 to the financial statements indicated a balance brought forward of Kshs. 16, 396, 521, while the calculated balance brought forward was Kshs. 17,334,353 resulting in an unexplained variance of Kshs. 937,832;

ii) Notes 10, 11 and 12 referred to in the statement of assets did not match the actual notes in the financial statements. Note 10 to the statement of assets reflected a bank balance of Kshs. 3,219,404.30 while notes to the financial statements reflected Note 10 as outstanding imprests of Kshs. 403,752;

iii) Note 11 of the statement of assets indicated outstanding imprests of Kshs. 403,752, while notes to the financial statements reflected Note 11 as bank accounts and imprest of Kshs. 16,396,521.10.

iv) Note 12 to the statement of assets reflected a fund balance brought forward of Kshs. 17,334,351.10 while the notes to the financial statements reflected Note 12 as other important disclosures with no additional information.

v) Summary of fixed assets register in Annex 1 on page 16 of the financial statements did not contain a total amount, header of the entity was missing and also referred to the year ended 30 June 2014 instead of 30 June 2015.

vi) Statement of receipts and payments reflected the use of goods and services amount of Kshs. 3,515,409 whereas the corresponding note 4 to the financial statements reflected an amount of Kshs. 2,577,577 resulting in an unexplained or reconciled variance of Kshs. 937,832.

1026. As a result of the above inaccuracies, the accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1027. Mr. Ronald Jembe, the Fund Account Manager submitted that the outstanding imprest of Kshs. 403,752/= was surrendered in the following financial year. The difference in figures in the statement and footnotes to the financial statement amounting to Kshs. 937,832 was an erroneous posting. The variance had since been corrected and accounted accordingly.

Committee Observations

1028. The Committee observed that the errors were because of mispostings of figures in the financial statements. The errors were corrected and supporting documents were later submitted for audit verification.

Committee Recommendations

1029. **The Committee recommends that the Accounting Officer ensure that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

5.3.2.2 Summary Statement of Appropriation

1030. The statement of receipts and payments for the year ended at 30th June, 2015 reflected total receipts of Kshs. 101,606.896.60 whereas the summary Statement of Appropriation reflected actual total receipts of Kshs. 118,003,417.70 resulting in an unexplained variance of Kshs. 16,396,521.10. Consequently, the accuracy and completeness of the receipts for the year ended 30th June, 2015 could not be confirmed.

Submission by the Fund Account Manager

1031. Mr. Ronald Jembe, the Fund Account Manager submitted that the error was noted and necessary adjustments had been done.

Committee Observations

1032. The Committee observed that the variation of Kshs. 16,396,521 had since been corrected and supporting documents submitted to the auditor for review and verification.

Committee Recommendations

1033. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board as provided by Section 81(3) of the Public Finance Management Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

5.3.2.3. **Transfers to Secondary Schools**

1034. Included in the transfers to other government units under Note 6 to the financial statements was a transfer to secondary schools amounting to Kshs. 29,393,222. However, documents availed for audit revealed that Kshs. 12,000,000 was spent for the purchase of a school bus for Madogo secondary school and which had not been budgeted for. Further, included in the amount of Kshs. 29,393,222 were payments of

Kshs. 850,000 for classrooms construction at Mororo secondary school and Kshs. 950,000 at Huruma secondary school and whose completion certificates were not availed for audit verification. Consequently, the propriety and validity of the payments amounting to Kshs. 13,800,000 for the year ended 30 June 2015 for purchase of school bus and construction of classrooms could not be confirmed.

Submission by the Fund Account Manager

1035. Mr. Ronald Jembe, the Fund Account Manager submitted that the purchase of the bus was budgeted for in the 2013/2014 Financial Year but disbursement of the funds was delayed hence the purchase of the bus in the subsequent Financial Year of 2014/2015. Further, the Mororo and Huruma secondary schools' classrooms were completed in the Financial Year 2014/2015 and the completion certificate, payment vouchers and Pictorials were availed for verification.

Committee Observations

1036. The Committee observed that;

(i) At the time of the audit, the Fund Account Manager had not provided completion certificates for classrooms construction at Mororo secondary school and Huruma secondary school for audit verification; and

(ii) The documents had since been submitted to the auditor for review and verification.

Committee Recommendations

1037. **The Committee recommends that the Accounting officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

5.3.2.4 Transfers to Health Institutions

a. Unapproved Projects

1038. Included in the transfers to other government units under Note 6 to the financial statements was Kshs. 2,821,877 are transfers to health institutions. Included in this was Kshs. 745,763 for construction of a dispensary residential block and Kshs. 621,746.30 for construction of twin latrines at Wolesesorea Dispensary.

1039. However, documents availed for audit indicated that the two projects were not among the approved projects by the Board. In addition, records availed for audit also indicated that although the contract was awarded to Arawello Construction Company Ltd, the payments were made to Sangole Construction Ltd, and who had not been awarded the contract. The management did not explain this anomaly.

1049. As a result, the propriety and validity of the expenditure of Kshs. 1,367,509.30 for the dispensaries for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

1050. Mr. Ronald Jembe, the Fund Account Manager submitted that the Walesorea Dispensary was included in the budget for 2013/2014 FY. However, NG-CDF Board delayed in disbursing the funds till 2014/2015 when the project was done.

1051. He further submitted that there were three other projects which were being undertaken in Wolesorea dispensary namely; Fencing, Pit Latrine and Residential block. Contrary to what was raised in the query, NG-CDF Bura submitted that out of the three projects, two namely Pit latrine and a staff house were awarded to Sangole Construction Company while one project for erecting a fence was awarded to Arawello construction. However, while the documents availed to the Auditors may have contained errors in naming M/S Arawello as the bonafide winner, the actual winner was M/S Sangole Construction who had won and eventually been paid for works done. Documents showing that due process was followed in awarding the contract were availed for verification.

Committee Observations

1052. The Committee observed that-

i) The projects had been budgeted and approved in the FY 2013/14 but because of late disbursements it was implemented in 2014/15;
ii) The contract had been awarded to Sangole Construction Ltd and not Arawello Construction Company Ltd as raised; and
iii) The supporting documents were availed for audit verification.

Committee Recommendations

1053. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

b. Unauthorized Withdrawals

1054. Included in the transfers to other Government units in note 6 to the financial statements were payments totalling Kshs. 2,821,877.30 which were paid without the evidence of the Project Management Committee's (PMC's) minutes. The cheque confirmation schedules were not signed by the Fund's Account Manager. Consequently, the propriety and validity of payment of Kshs. 2,821,877.30 for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1055. Mr. Ronald Jembe, the Fund Account Manager submitted that this was a regrettable oversight and, in an effort, to address the issue NG-CDF Bura had instituted the following measures: - Inducted all-new PMCs on PFM before assumption of their roles; ensured PMCs maintained proper records; intensified monitoring and evaluation of field projects; and ensured all schedules were signed.

Committee Observations

1056. The Committee observed that the Ksh. 2,821,877.30 had been paid out without the evidence of the Project Management Committee's (PMC's) minutes and cheque confirmation schedules had not been signed by the Fund's Account Manager hence the audit issue is unresolved.

Committee Recommendations

1057. The Committee recommends that;

1) **The NG-CDF Board , should within three months upon adoption of this report, investigates the unauthorized expenditure and report to the relevant authorities for prosecution if found culpable; and**
2) **The Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

c. Unsupported Contracts

1058. Included in the transfers to other Government units in the statements of receipts and payments and as disclosed in note 6 to the financial statements were various contracts amounting to Kshs. 8,615,380. 50 whose tender minutes had not been availed for audit verification. Consequently, the propriety and validity of the expenditure of Kshs. 8,615,380.50 for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

1059. Mr. Ronald Jembe, the Fund Account Manager acknowledged the oversight and submitted that the Evaluation report had since been availed for verification.

Committee Observations

1060. The Committee observed that at the time of the audit, the Fund did not provide tender minutes in support of expenditure amounting to Kshs. 8,615,380. However, the documents were subsequently submitted to the auditor for audit review.

Committee Recommendations

1061. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015 and PFM, Act.**

5.3.2.5 Other Grants and Transfers

1062. Included in the statement of receipts and payments for the year ended 30th June 2015 were other grants and transfers amounting to Kshs. 57,813,546.30. Included in this amount was Kshs. 7,572,261.80 for security projects out of which an amount of Kshs. 4,332,757 was spent on the construction of Bura Police station.

1063. However, the management did not avail for audit verification of the PMC's resolution in respect of the implementation of the project as required under section 17(2) of the CDF Act 2013. Further, no pre-qualification documents, tender minutes, contract agreements were availed for audit review to show how the process of identifying, evaluating and awarding the contract was done. In addition, no project file was availed for audit verification to confirm whether the project design and construction met the specifications.

1064. Physical inspection of the project revealed that although the project was in use, there were major cracks on the walls and the floor of the building, an indication of poor workmanship. Consequently, the propriety and value for money of the expenditure of Kshs. 4,332,757 for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1065. Mr. Ronald Jembe, the Fund Account Manager submitted that copies of PMC's minutes for the Bura Police Station project, tender minutes, contract agreement, evaluation and awarding of the contracts had been availed for verification after the audit period.

Committee Observations

1066. The Committee observed that;

(i) The Fund Account Manager had not provided the supporting documents for audit verification, including the PMC's resolution in respect of the implementation of the project,

(ii) The Fund Account Manager had not provided supporting documents on how the projects were initiated, contractors identified, selected and awarded.

Committee Recommendations

1067. **The Committee recommends that:**

1) **The Accounting Officer ensures that all Fund Account Managers only make payments for works based on the completion certificate issued by the works officer.**
2) **Fund Account Managers ensure that all projects shall be implemented as per the specifications under the BQs and the funds are retained for the defect liability period.**
3) **The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

5.3.2.6 Cash and Cash Equivalents

1068. The statement of financial assets as at 30th June 2015 reflected a bank balance of Kshs. 3,219,404.3. However, the bank reconciliation statement availed for audit were only for three months, December 2014, March 2015 and June 2015 indicating that they were done quarterly contrary to the PFM Regulation 2015, regulation 90(1) which requires bank reconciliation to

be prepared on monthly basis. Further, a scrutiny of the bank reconciliation statement as at 30th June 2015, indicated that stale cheques amounting to Kshs. 1,930,800 were included and had not been written back to the cashbook. In addition, receipts in the bank that were not recorded in the cashbook totaled to Kshs. 821,000.

1069. It was not clear and the management had not explained the reason for not recording the receipts and reversing the stale cheques. Consequently, the accuracy and completeness of the bank balance of Kshs. 3,219,404.30 as at 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1070. Mr. Ronald Jembe, the Fund Account Manager submitted that the bank reconciliations relating to the period under review were being done quarterly and a review of the same had confirmed all the transactions were well captured. To address the issue, preparation of Bank Reconciliations had since been done on a monthly basis. All the stale cheques had since been reversed and re-issued to the needy students. The receipts in the bank had also been received in the cashbook. The CDFC Minutes dated 13th July, 2017 resolving to reverse the stale cheques and relevant Bank Reconciliations were availed for audit review.

Committee Observations

1071. The Committee observed that the Fund Account Manager prepared bank reconciliations on quarterly rather than on monthly basis as prescribed by law.

Committee Recommendations

1072. **The Committee recommends that:**

1) **The Accounting Officer ensures that all Fund Account Managers comply with the provisions of PFM Regulation 2015, regulation 90(1) on the preparation of bank reconciliation statements; and**
2) **The Accounting Officer to ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board as provided by Section 81(3) of the Public Finance Management Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

5.3.2.7 **Use of Goods and Services**

1073. The statement of receipts and payment reflected use of goods and services amounting to Kshs. 3,515,409 for the year ended 30th June 2015. However, supporting schedules availed for audit reflected an amount of Kshs. 2,577,577 thus resulting to an unexplained variance of Kshs. 937,832/=. Further, included in the use of goods and services was fuel and lubricants of Kshs. 230,000.00 of which the records of ordering and receiving and the details of the vehicles were not availed for audit review. In addition, Kshs. 1,003,750 was spent for other transport equipment for which no records were availed for audit review. Consequently, the

propriety and completeness of use of goods and services of Kshs. 3,515,409 for the year ended 30th June, 2015 could not be ascertained.

Submission by the Fund Account Manager

1074. Mr. Ronald Jembe, the Fund Account Manager submitted that the copies of LPO, Merchant Invoice & Fuel Consumption Register had since been availed for verification.

Committee Observations

1075. The Committee observed that the Fund Account Manager had not provided documentary evidence in support of the expenditure amounting to Kshs. 937,832 The documents were later availed to the auditors for review.

Committee Recommendations

1076. The **Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during audit as required under section 9(1)(e) Public Audit Act, 2015.**

5.3.2.8 Budgetary control and Performance

1077. During the year under review, the Fund, according to CDF Board secretariat's Circular on Approved Budget Ceiling for 2014/2015 FY was allocated Kshs. 110,615,476. However, there was a balance brought forward of Kshs. 62,695,679.70 from the FY 2013/2014 resulting in a final budget amounting to Kshs. 173,311,155.70.

1078. The Fund had an actual expenditure of Kshs. 115,318,093.50 resulting in an overall under absorption of Kshs. 57,993,061.50 or 33%. The above statistics revealed that there was an under-absorption of Kshs. 59,524,193.7/= on eight items and over absorption of Kshs. 1,531,132/= on two items. The over absorption of funds portrayed non-adherence to a budget ceiling and lack of supervision and control from the CDF committee. Funds not utilized of Kshs. 59,524,193.7/= was an indication of services and approved programs not implemented, hence the budget not fully meeting the intended objectives of improving service delivery to the residents of Bura Constituency or there was a need to refocus on the budget-making process with a view to paying attention to priority areas.

Submission by the Fund Account Manager

1079. Mr. Ronald Jembe, the Fund Account Manager submitted that there was an under-absorption on eight (8) projects and an over-expenditure on two (2) in the year under review. On under-absorption, this was largely due to late disbursement of funds leading to late commencing of projects; activities/projects for two FYs being undertaken within one financial year; climatic conditions; flash floods which rendered road infrastructure impassable and insecurity associated with tribal clashes, hence low absorption. On Over-absorption, this was a result of effect caused by balances brought forward from FY 2013/14.

Committee Observations

1080. The Committee observed that underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received towards the end of the financial year and therefore the projects could not utilize all the funds within a few days.

Committee Recommendations

1081. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

5.3.2.9 Project Implementation

1082. The project's status report availed for audit review indicated that Kshs. 89,962,692 was allocated and disbursed to 29 projects, out of which 8 projects were complete and in use and 15 projects were near completion. 1 project had not started and 5 others were still on implementation. No reason was given for not starting the Hirimani- West dam and for non-completion of some of the projects. The non-completion of some of the projects may have impacted negatively on the provision of goods and services to the residents of Bura Constituency.

Submission by the Fund Account Manager

1089. Mr. Ronald Jembe, the Fund Account Manager submitted that the project's status report availed for audit review indicated that Kshs. 89,962,692 was allocated and disbursed to 29 projects, out of which 8 projects were complete and in use and 15 projects were nearing completion. 1 project had not started and 5 others were still on implementation. The listed projects that were undertaken in the year under review included-

i. Bura TTI: Five Classrooms
ii. Boji Primary: Fencing* Toilet
iii. Elrar Primary: Two Classrooms
iv. Bawama Primary: Office, Classroom
v. Bara Primary: Staff Room
vi. Balenegha Primary: Fencing/Staffroom
vii. Tulla Primary: Two Classrooms
viii. Ziwani Primary: Two Classrooms
ix. Roka Primary: Two Classroom/Pit Latrine
x. Titilla Primary: Two Classroom/Pit Latrine
xi. Abakik Primary: Two Classrooms
xii. Roti Primary: Fencing of the School*(Koti)
xiii. Boji Primary: Pit Latrine
xiv. Bura DEO's: Office
xv. Huruma Sec. Sch: Two Classrooms
xvi. Mororo Sec Sch: Two Classrooms

xvii. Hirimani Sec. 5 Classrooms/2 lABS
xviii. Boka Police Post: Police Post /Two Offices
xix. Bura Police Station: Police Post/Two Offices
xx. Wolesorea Dispensary: Two Rooms & Waiting Bay
xxi. Kaniki Dam: Construction of Dam
xxii. Farburo Dam: Construction of a dam
xxiii. Gale Dam: Construction of a dam
xxiv. Hirimani West Dam: Construction of a Dam
xxv. Burji Sec Sch: Two Classrooms & Lab (No such project in Bura) *
xxvi. Miti Boma Dam: Dam Construction
xxvii. Bura CDF: Office Chairs
xxviii. Bura Environmental Activities: Clearing of Bushes, Trenches and Tree Planting
xxix. Bangale Pry. Sch: Pit Latrine

1090. The Fund Account Manager also submitted that the Contractors for the 15 projects had been on-site at the time of the audit review and work had been ongoing; the Hirimani dam was late to start due to a contractor's handicap in the mobilization of resources hence late commencement; the Projects in question had since been completed and were in use; all projects were later completed and put into use; and certificates of Practical Completion had been availed for review.

Committee Observations

1091. The Committee observed that the slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1092. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

5.3.2.10. Project Verification

1093. The following observations were made regarding four projects costing Kshs. 25,816,935 verified during the audit for the year ended 30th June 2015. From the above, 2 projects had defects and Bills of Quantities for 1 project had not been adhered to costing Kshs. 22,316,935. The anomalies observed were likely caused by poor workmanship and the use of inferior quality materials which meant that the constituency of Bura may not have obtained value for money on the three projects.

Submission by the Fund Account Manager

1094. Mr. Ronald Jembe, the Fund Account Manager submitted that out of the four (4) projects listed and queried only two namely- Bura DEO's office and Farburo Dam related to

NG-CDF Bura. It is however worth noting that Bura NC-GDF did not have a project in the name of Farburo Shallow Well.

Committee Observations

1095. The Committee observed that-

i) Only two queried projects, Bura DEO's office and Farburo Dam related to Bura NG-CDF; and

ii) The Fund Account Manager had not provided the necessary documentation to explain the anomalies with the projects related to Bura NG- CDF as noted by the auditors.

Committee Recommendations

1096. The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides documentation of the projects related to Bura NG- CDF to the Auditors for review and reporting in the subsequent audit cycle.

5.3.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1096. The Auditor General flagged out four audit Matters during the examination of financial statements for the year 2015/16.

5.3.3.1 Acquisition of Assets

1097. The statement of receipts and payments for the year ended 30th June 2016 reflected the Acquisition of Assets figure of Kshs. 8,011,000. However, Annex 4 reflected a total assets cost of Kshs. 21,946,550 which was an increase of Kshs. 16,694,940 from the previous years' balance of Kshs. 5,251,610. This had resulted in an unexplained variance of Kshs. 8,683,940. In the circumstance, the accuracy and completeness of the acquisition of Assets figure of Kshs. 8,011,000 could not be confirmed.

Submission by the Fund Account Manager

1098. Mr. Ronald Jembe, the Fund Account Manager submitted that the statement of Receipts and Payments for the Year ended 30th June, 2016 reflected the acquisition of Assets figure of Kshs. 8,011,000 which had been corrected as follows:

i) Land, buildings and Structures were valued at Kshs. 3,770,550 and Kshs. 5,125,000 respectively;
ii) An increment in Value after the acquisition of a second Vehicle valued at Kshs. 7,000,000;
iii) Increase in the acquisition of Office Equipment, Furniture & Fittings Valued at Kshs. 708,390; and acquisition of ICT equipment, software and other ICT Assets amounting to Kshs. 91,000.

1099. Therefore, the historical cost for the FY 2015/2016 for all the Fixed Assets was Kshs. 21,946,550. The other Assets were acquired in previous Financial Years.

Committee Observations

1100. The Committee observed that;

i. The Fund Account Manager had used a wrong historical cost figure in the financial statements. The historical cost for the FY 2015/2016 for all the Fixed Assets was Kshs. 21,946,550;
ii. The use of wrong historical cost for the fixed assets is attributable to lack of adequate capacity; and
iii. Accounting records of the fund at the Constituencies maintained at the Sub-County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County

Committee Recommendations

1101. The Committee recommends that:

1) **The Accounting Officer shall within three months upon adoption of this report, ensure that the Fund Account Manager provides a comprehensive report of Fixed assets to the Auditors for review; and**
2) **The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

5.3.3.2 Cash and Cash Equivalent

a) Bank Balance

1102. The statement of assets as at 30th June, 2016 reflected bank balances amounting to Kshs. 30,599,051.95. However, an examination of the Bank Reconciliation statements for June, 2016 revealed stale cheques amounting to Kshs. 3,506,525. No explanation was provided by the management on why the cheques were not reversed. Further, included in the Bank Reconciliation statement were payments in the Bank that had not yet been recorded in the Cashbook of Kshs. 823,000 which had been long outstanding. Management had not explained their failure to record these transactions in the cashbook. In addition, bank charges of Kshs. 176,109.45 were reflected in the bank reconciliation statement instead of being expensed and were therefore excluded in these financial statements. Consequently, the accuracy and completeness of Bank Balance of Kshs. 30,599,051.95 as at 30th June, 2016 could not be ascertained.

Submission by the Fund Account Manager

1103. Mr. Ronald Jembe, the Fund Account Manager submitted that during the NG-CDFC meeting held on 31st May, 2017 the Committee passed a resolution to have the stale Cheques amounting to Kshs. 3,506,525 written back to Cashbook. During the same meeting the committee also resolved to have the receipts in Bank Statement not yet recorded in Cashbook amounting to Kshs. 823,000 as per the Bank Reconciliation statement for the month of June, 2016 be written back in the Cashbook and appropriated accordingly. The Cheques had since been reversed back to the Cashbook and re-issued to the needy students. Copies of the minutes of the NGCDFC meeting and copies of the Bank Reconciliation statements were availed for review.

Committee Observations

1104. The Committee observed that the Fund Account Manager had stale cheques which had not been reversed to the cashbook, unrecorded payments and receipts that had been outstanding for long.

Committee Recommendations

1105. The Committee recommends that:

1) **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**
2) **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques**

b) Cash and Cash Balance

1106. The statement of Assets as at 30th June, 2016 reflected a nil cash balance. However, the board of survey certificate on cash was not availed for audit review. As a result, the accuracy of the nil cash balance as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1107. Mr. Ronald Jembe, the Fund Account Manager confirmed that the statement of Assets as at 30th June, 2016 reflected a Nil Cash Balance.

Committee Observations

1108. The Committee observed that the Fund did not prepare a Board of Survey certificate on cash was not prepared at the end of the financial year in contravention to PSABS standards.

Committee Recommendations

1109. The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

5.3.3.3 **Budgetary control and Performance**

1110. During the year under review, the fund's final approved budget amounted to Kshs. 175,741,774.20. However actual expenditure amounted to Kshs. 85,716,929.35 or 49% of total budgeted funds resulting in under-absorption of Kshs. 90,024,844.85 or 51% of the budget. The under-expenditure of Kshs. 90,024,845 or 49% of the budget and failure to disburse funds to projects indicates that the budget had not been implemented in accordance with the provisions of Article 220(1) of the Constitution of Kenya which requires budgets of the National Government to contain estimates of Revenue and Expenditure, differentiate between Recurrent and Development Votes and propose financing for any budget deficit for the period to which they apply.

1111. Further, Sec 35(1) of PFM Act, 2012 requires that the Budget process for the National Government to comprise among other things integrated long-term and Mid-term plan and determination of financial and economic policies and priorities to the National level over the medium-term and define means for implementing the budget. As such, delivery of goods and services to residents of Bura Constituency may have been curtailed by the Under-absorption of Funds.

Submission by the Fund Account Manager

1112. Mr. Ronald Jembe, the Fund Account Manager confirmed that the approved budget for the period under review amounted to Kshs. 175,741,774.20. Further, there was under-absorption of Kshs. 90,024,844.85 which was 51% of the approved budget. The under-absorption was a result of delay associated with the transition from the old CDF Act to the current NG- CDF Act 2015 and delay in the Gazettement of CDF Committee members which hampered the discharge of their mandate. NG-CDF Bura Constituency is committed to service delivery other factors are held constant.

Committee Observations

1113. The Committee observed that underutilization of the funds was due to issues related to the transition from the CDF Act 2013 to the NG- CDF Act 2015 and late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1114. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

5.3.3.4 **The Project Status Report**

1115. The project status report availed for audit review indicated that a total of Kshs. 86,193,750.80 was allocated to forty-six (46) projects while disbursements to these projects amounted to Kshs. 66,467,647 resulting in an absorption rate of 77%. Out of the 46 projects, thirteen (13) were found not to have been completed during the year under review and one project worth Kshs. 4,500,000 had not started. The under-expenditure was an indication that the budget had not been fully implemented as envisaged. This resulted in slow execution and failure to complete projects to the detriment of service provision to the residents of Bura Constituency.

Submission by the Fund Account Manager

1116. Mr. Ronald Jembe, the Fund Account Manager confirmed that the project status report availed for audit review indicated that a total of Kshs. 86,193,750.80 had been allocated to forty-six (46) projects while disbursements to these projects amounted to Kshs. 66,467,647

resulting in an absorption rate of 77%. Out of the 46 projects, thirteen (13) were found not to have been completed during the year under review and one project worth Kshs. 4,500,000 had not started. All the fourteen (14) projects that were executed to completion, were now in use and available for verification. Pictorials and documentary evidence had been availed for verification.

Committee Observations

1117. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and were in use.

Committee Recommendations

1118. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

5.3.3.5 Project Inspection

1119. Eight projects with a budget of Kshs. 32,441,380 were inspected in March, 2017. Failure to complete projects in time was an indication of a lack of proper planning and implementation of projects by the Constituency Development Fund Committee.

Submission by the Fund Account Manager

Mr. Ronald Jembe, the Fund Account Manager acknowledged that eight (8) projects were reviewed during the Audit period and status was noted as follows:

i) On eight (8) incomplete projects only two (2) had not attained a 100% completion status. The two (2) projects namely; Construction of two (2) classrooms at Godia Primary School and Digging works at Balenegha Reservoir had since been completed and were in use.
ii) On where the signage had not been in place for two projects namely; construction of a classroom and toilet at Titila Primary School, and construction of another two (2) toilets in Wolesorea Primary School the signage had been put in place.
iii) On construction of two classrooms in Wolestokocha Primary School, without a visible village nearby, the review had been done at a time when the nomadic community had moved out in search of pasture. The community had since moved back to the area and the classrooms were in use. Additionally, the project had attracted other investments in the area including the construction of a sub-chiefs office and a water pan.
iv) On Staff not being posted in Wolesorea Dispensary- the Projects had since been handed over to the County Government of Tana River, where the deployment of Personnel in Health Functions is their constitutional mandate.

v) On Water Pans not holding water-The Tana River County is an Arid & Semi-Arid Land (ASAL) were filling up of Water Pans /Assets solely depends on rainfall. Excavations of these water pans are normally done during dry spells.

vi) However, delay in disbursements of Funds had been recurrent and at the same time inconsistent with requirements provided for in the PFM Act, 2012 which requires that funds be disbursed not later than the 15th of the start of every financial quarter. This delay affected the commencement of projects and eventual completion hence delay in finishing the projects.

Committee Observations

1120. The Committee observed that the slow implementation of projects had been occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and were in use.

Committee Recommendations

1121. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

CHAPTER SIX: LAMU COUNTY

6 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR CONSTITUENCIES IN LAMU COUNTY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEARS

6.1 LAMU EAST CONSTITUENCY

1122. Mr. Yusuf Mbuno, the CEO of NG-CDF Board appeared before the Committee on 28th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Lamu East Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i. Mr. Joseph Kumbatha-Fund Account Manager since 2019.
ii. Mr. James Chebii, Ag. Manager Field Financial Services
iii. Ms. Christine Mwangolo, Ag. Manager Field Operations
iv. Mr. Stephen Charo, Former Fund Account Manager (Sept. 2016 to Oct. 2019)
v. Mr. Ronald Jembe, Former, Fund Account Manager (2015 to 2016)

6.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1123. The Auditor General flagged out one audit query during the examination of financial statements of Lamu East Constituency in the year 2013/14.

6.1.1.1 Transfers to Other Government Units and Other Grants and Transfers

1124. The transfers to other government units' figure of Kshs. 23,510,000 and other grants and transfers figure of Kshs. 29,292,580 as shown in the financial statements were transferred to various projects during the period ended 30 June 2014. However, the various project bank statements and certificates of completion were not availed for audit review. Further, included in the other grants and transfers figure of Kshs. 29,292,580 and as disclosed in Note 8 to the Financial Statements is Kshs. 11,708,580 in respect of scholarships and other educational benefits, out of which Kshs. 928,520 was for textbooks.

1125. However, delivery notes and reports of the inspection and acceptance committee were not availed for audit verification. Consequently, the propriety of the transfers to other government units and other grants and transfers totaling Kshs. 52,802,580 could not be confirmed for the year ended 30 June 2014.

Submission by the Fund Account Manager

1126. Mr. Joseph Kumbatha, the Fund Account Manager submitted that documents were held by the Project Management Committees and due to insecurity challenges and the limited hours of the audit, they could not be obtained at the time of the audit. Delivery documents and Inspection and Acceptance Report of the procured books had since been located and availed for verification.

Committee Observations

1127. The Committee observed that the supporting documents were submitted to the auditor for verification after the audit period.

Committee Recommendations

1128. The Committee recommends that:

1) **The Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.2**

6.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1129. The Auditor General raised five audit Matters during the examination of the financial statements of the year ended 2014/2015.

6.1.2.1 Bank Balance

1130. The statements of assets reflected the bank balance of Kshs. 23,571,273 as at 30 June 2015. According to the bank reconciliation statement availed for audit as at 30 June 2015, cheques amounting to Kshs. 611,800 were stale and had not been reversed as at 30 June 2015. Consequently, the accuracy and completeness of bank balance of Kshs. 23,571,273 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1131. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the stale cheques had since been canceled and reversed in the Cashbook and a copy of the cashbook and bank reconciliation were availed for verification.

Committee Observations

1132. The Committee observed that the stale cheques were later reversed and replaced and documentation provided for audit verification.

Committee Recommendations

1133. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keep financial and other records that are accurate, reliable, and complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

6.1.2.2 Other Payments

1134. The statement of receipts and payments disclosed a balance of Kshs. 7,150,000 for the year ended 30 June 2015 in respect of other payments. According to Note 11 to the financial statements, the balance of Kshs. 7,150,000 included Kshs. 800,000 and Kshs. 500,000 for National Lands Commission and Mkokoni land adjudication respectively. However, the audit revealed that the total payment of Kshs. 1,300,000 was not related to any of the approved projects for the financial year 2014/2015.

1135. In addition, information availed for audit indicated that the Constituencies Development Fund Board declined to approve the expenditures. Further, included in other payments of Kshs. 7,150,000 was expenditure on a social hall of Kshs. 5,800,000 which was wrongly classified as it relates to other grants and transfers. Consequently, the propriety and regularity

of other payments balance of Kshs. 7,150,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1136. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the payments were voted from the Emergency vote because of the urgency caused by the tribal clashes that were ongoing and were threatening to get out of control. To safeguard life and restore peace, the leadership had to step in to arrest the situation. The unapproved monies were still being held by the NG-CDF Board and the PMC had proposed to apply for re-submission.

Committee Observations

1137. The Committee observed that-

(i) The expenditure on the social hall of Kshs.5, 800,000 were wrongly classified as it relates to other grants and transfers; and

(ii) The expenditure of Kshs. 1,300,000 categorized as emergency expenditure was utilized without the authority from the NG-CDF Board contrary to NG-CDF Act, 2015 on the use of emergency funds.

Committee Recommendations

1138. **The Committee recommends that the Accounting Officer ensures that the Fund Account Managers comply with provisions of Section 6 and Section 8 of the NG-CDF Act, 2015 on the reallocation of funds and the use of emergency funds.**

6.1.2.3 Over Expenditure

1139. Documents availed for audit for the year under review indicated that the fund overspent by a total of Kshs. 13,035,220 on five (5) budget lines while three (3) budget lines were underspent by a total of Kshs. 1,024,522. It was not clear and the management did not explain how the over-expenditure was funded. Consequently, the propriety of the over-expenditure of Kshs. 13,035,220 for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

1140. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the difference in the line budget expenditures arose from balances brought forward from previous financial years.

Committee Observations

1141. The Committee observed that underutilization and over expenditure of the funds were due to late disbursement of funds by the CDF Board and the National Treasury hence rollover of Funds from subsequent years due to late receipts.

Committee Recommendations

1142. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

6.1.2.4 Non – Compliance with Statutory Deductions

1143. According to Note 8 of the Financial Statements, a total of Kshs. 29,659,252 was disbursed for the implementation of various projects during the financial year under audit. However, there was no evidence of deduction and remittance of withholding tax on contractors' Labour fees and withholding of 16% VAT as required by Kenyan tax laws. The effect of the non-compliance had not been quantified and disclosed in these financial statements.

1144. Further, the statement of receipts and payments reflected a nil balance for the year ended 30 June 2015 in respect of social security benefits. However, according to the bank reconciliation statements as at 30 June 2015, deductions for National Hospital Insurance Fund (NHIF) and National Social Security Fund (NSSF) amounting to Kshs. 5,440 and Kshs. 13,884 respectively had not been remitted to the respective government agencies. The fines and penalties accruing from the non-compliance had not been quantified and disclosed in these financial statements. The fund was therefore in breach of the law.

Submission by the Fund Account Manager

1145. Mr. Joseph Kumbatha, the Fund Account Manager submitted that during the period under review, CDF Constituency offices had not been appointed as tax agents to withhold taxes for the government. Penalties and fines resulting from late submission of statutory deductions captured were negotiated with the relevant office and eventually dropped with a promise to improve in future transactions.

Committee Observations

1146. The Committee observed that;

(i) The Fund Account Manager had not filed statutory deductions on time-NHIF & NSSF in contravention to the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No 9 of 1998; and

(ii) The delay in remittances of statutory deductions (NHIF and NSSF) results in penalties and fines.

Committee Recommendations

1147. The Committee recommends that;

1) **The Accounting Officer ensures that Fund Account Managers and PMCs comply with Tax laws and statutory deduction requirements. Further, Taxes/Deductions withheld by the Fund Account Managers should be remitted in time to avoid fines and penalties accruing due to non-compliance; and**

2) **The Accounting Officer ensures that the NG-CDF Board prioritizes disbursements for salaries to the constituencies to avoid incurring fines and penalties on statutory deductions.**

6.1.2.5 Budget Control and Performance

1148. During the audit, it was noted that the Constituency Development Fund had a total budget of Kshs. 78,230,425. However, the summary statement of appropriation reflected a total budget of Kshs. 121,580,583.20 resulting in an un-reconciled or explained variance of Kshs. 43,350,158.20. It was not clear how the additional amount of Kshs. 43,350,158.20 was approved.

Submission by the Fund Account Manager

1149. Mr. Joseph Kumbath, the Fund Account Manager submitted that the additional amount of Kshs. 43,350,158.20 represented balances received in the period under review that was for the previous financial year as supported by AIEs and Bank statements.

Committee Observations

1150. The Committee observed an additional amount of Kshs. 43,350,158.20 represented balances received in the period under review that was for the previous financial year and the audit query is resolved.

Committee Recommendations

1151. The Committee rrecommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.1.2.6 Project Implementation

1152. According to the Project Implementation Status Report for the year ended 30 June 2015, out of the 18 development projects funded by CDF, 6 with a total disbursement of Kshs. 7,437,931 had not been implemented. The funds disbursed to these projects had not been spent as at 30 June 2015. It is not clear and the management had not explained why public funds remained idle in the project management committees' bank accounts.

1153. Further, out of Kshs. 45,038,031 disbursed to various development projects during the financial year, only Kshs. 30,640,863 (68% of the disbursements) had been spent as at 30 June 2015. Slow implementation of development projects affects goods and services delivery to the public and the intended purpose of the project may take longer to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC). Due to insecurity, the audit did not verify the implementation of projects and therefore could not confirm the physical existence of the projects.

Submission by the Fund Account Manager

1154. Mr. Joseph Kumbatha the Fund Account Manager submitted that areas where projects were supposed to be implemented faced security threats brought by the Al-Shabaab militia thus project implementation had to be suspended for a while. Eventually, projects were implemented to completion after security improved. The low absorption was caused by the late receipt of funds from the NG-CDF board which came towards the end of the financial year but had since been utilized. The area is prone to insecurity as it borders Somalia and the militia – Al-Shabaab had affected peace and service delivery to the area.

Committee Observations

1155. The Committee observed that slow implementation of projects was occasioned by security threats in the region and late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and in use.

Committee Recommendations

1156. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1157. The Auditor General raised four audit Matters during the examination of the financial statements in the year ended 2015/2016.

6.1.3.1 Bank Balances

1158. The statement of Assets reflected bank balances of Kshs. 18,192,303 as at 30 June 2016. However, an audit review of the bank reconciliation statements as at 30 June 2016 revealed that included in the un-presented cheques amounting to Kshs. 1,141,842.20 were stale cheques totaling Kshs. 25,188 which had not been reversed in the cashbook as at 30 June 2016. In addition, a review of bank reconciliation statements as at 30 2016 revealed that bank charges were excluded from these financial statements. Consequently, the bank balance of Kshs. 18,192,303 was overstated because of the unaccounted-for bank charges while the deficit of
the year was also understated by the same amount. Consequently, the accuracy and completeness of bank balance of Kshs. 18,192,303 could not be confirmed.

Submission by the Fund Account Manager

1159. Mr. Joseph Kumbatha, the Fund Account Manager stated that stale cheques had since been canceled and reversed into the cashbook as evidenced by the bank reconciliation and cashbook. Bank charges had since been taken into consideration and financial statements adjusted.

Committee Observations

1160. The Committee observed that the stale and unpresented cheques were later reversed and replaced and bank charges recorded in the cashbook.

Committee Recommendations

1161. The Committee recommends that:

1) **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques; and**
2) **The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government), 2015**

6.1.3.2 Transfers to Other Government Units

1162. The statement of receipts and payments for the year ended 30 June 2016 reflected transfer to other government units of Kshs. 39,745,000 as detailed in Note 4 to the financial statements. This included transfers to primary schools' balances of Kshs. 16,375,000. The transfers to primary school's balance of Kshs. 16,375,000 included a payment of Kshs. 6,200,000 in respect of the supply of teachers' furniture and a total of Kshs. 4,536,000 spent on water trucking. However, audit verification revealed that these suppliers were selected through a request for quotations above the maximum of Kshs. 500,000 as per section 105 of the Public Procurement and Asset Disposal Act, 2015 and the National Treasury Legal Notice No.106 of 2013 threshold matrix for class C entities. In the circumstances, the propriety and regularity of transfer to other government units of Kshs. 10,736,000 could not be ascertained.

Submission by the Fund Account Manager

1163. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the request for quotation was availed with the detailed price schedules by the engineer and contractors/ suppliers were vouched from the Annual Pre-Qualified Tenders.

Committee Observations

1164. The Committee observed that the Fund Account Manager acted in breach of Section 105 of the Public Procurement and Asset Disposal Act, 2015 by selecting suppliers through a request for quotations above the maximum of Kshs. 500,000.

Committee Recommendations

1165. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with provisions of Public Procurement and Asset Disposal Act, 2015 and Regulations.**

6.1.3.3 Other Grants and Transfers

1166. Note 5 to the financial statements reflected other grants and transfers of Kshs. 50,390,000 for the year ended 30 June 2016. Included in this balance were bursaries to secondary schools of Kshs. 10,436,000 and bursary to tertiary of Kshs. 7,855,000 to a total of Kshs. 18,291,000. However, audit verifications revealed that the bursary disbursements were not supported with bursary committee minutes in line with CDF Board Circular/VOL1/111 of 13 September, 2010 which requires the Constituency Development Fund Committee (CDFC) to establish a bursary sub-committee to vet, categorize and identify needy and bright students for the award of bursaries.

1167. It was therefore not clear if the beneficiaries were vetted and what criteria was used to award the bursaries. In the circumstances, the validity and regularity of bursaries to secondary schools and tertiary institutions totaling Kshs. 18,291,000 could not be confirmed.

Submission by the Fund Account Manager

1168. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the Minutes of Committee approving bursary disbursements had been misplaced but had since been located and availed for verification.

Committee Observations

1169. The Committee observed that-

(i) At the time of the audit the Fund Account Manager had not provided bursary committee minutes to support bursary disbursements; and

(ii) The supporting documents were however submitted to the auditor for review and verification.

Committee Recommendations

1170. The Committee recommends that:

(i) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act 2012 on the timely submission of documents; and

(ii) The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.

6.1.3.4 Budget Control and Performance

1175. Records availed for audit indicate that Lamu East Constituency had a final budget of Kshs. 118,205,119 but received a disbursement of Kshs. 94,633,846 is 80% of the budget for the year. In the year under review, the CDF incurred an actual expenditure of Kshs. 100,012,817 resulting to overall under absorption of Kshs. 18,192,302 or 15%. The following observations were made from the above analysis:

i). The Fund had total under-expenditure of Kshs. 23,151,502 represented by 20% of the budget. This implies that public funds lay idle at the expense of deserving areas. The underutilization of the funds impacted negatively on the delivery of goods and services to the citizens of Lamu East.

ii). In addition, the NG-CDF underspent by 34% on transfers to other government units, which represents project funds not disbursed for implementation. This may have affected public service delivery to the residents of Lamu East constituency which is contrary to values and principles of public service as provided for under Article 232 (1) (c) of the Constitution which requires the responsive, prompt, effective, impartial and equitable provision of services.

iii). It was further noted that Kshs. 4,959,200 or 11% was overspent on other grants and transfers without evidence of authority to reallocate funds. This is an indication of unauthorized reallocation of funds contrary to section 6 (2) of the NG-CDF Act, 2015 which states that "once funds are allocated for a particular project, they shall remain allocated for that project and may only be

re-allocated for any other purpose during the financial year with the approval of the Board".

Submission by the Fund Account Manager

1176. Mr. Joseph Kumbatha, the Fund Account Manager submitted that implementation of projects was hampered by late receipts of funds from the NG-CDF Board, insecurity in some project areas, and the bureaucratic tendering processes. The over-expenditure resulted from balances brought forward from previous financial years as supported in the statement of appropriation.

Committee Observations

1177. The Committee observed that underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1178. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

6.1.3.5 Project Implementation

1179. According to the Implementation Status Report as at 30 June 2016, twenty-two (22) projects with a total budget of Kshs. 63,727,438 were not completed during the period under review. The management attributed non-implementation of the projects to among others, security challenges. Non-implementation of development projects affects the delivery of goods and services to the public and the intended purpose of the projects may take long to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the National Government Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

1180. The Fund Account Manager submitted that insecurity had been the major challenge in the area as the Constituency border's Somalia and area experiences sporadic attacks by the Al-Shabaab militia group that had greatly destabilized the area despite numerous efforts by the Kenyan government to secure the area.

Committee Observations

1181. The Committee observed that-

(i) The slow implementation of projects was occasioned by security threats in the region and late disbursement of funds by the NG- CDF Board and the National Treasury;

(ii) The projects had since been implemented and are in use.

Committee Recommendations

1182. **The Committee recommends that the Accounting officer ensures that the Fund Account Manager consults and liaises with government agencies in charge of security for the successful implementation of projects in the insecure areas in the constituency.**

6.1.3.6 Project Inspection

1183. Audit inspection in May 2017 of the projects implemented during the year under review revealed that projects were not branded as indicated by the management thus rendering it impossible to confirm whether the projects were undertaken by the County Government or any other government agency. In addition, poor workmanship had been exhibited on the fixing of windows and doors at Ndau Dispensary as the doors could not close properly. Further, there was no evidence that Lamu East NG-CDF had formally handed over the devolved projects including health facilities, water, roads and street lighting to the County Government of Lamu to ensure sustainable use and maintenance.

Submission by the Fund Account Manager

1184. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the projects had since been completed and branded and the doors at Ndau Dispensary that had been poorly installed were eventually replaced. Communications between the NG-CDF Office Lamu East and the Lamu County Government to hand over projects for onward management had been presented to the auditors for verification.

Committee Observations

1185. The Committee observed that-

(i) The Fund had since branded CDFC projects and rectified the defects on Ndau Dispensary; and

(ii) Communications between the NG-CDF Office Lamu East and the Lamu County Government to hand over projects for onward management had been presented to the auditors for verification.

Committee Recommendations

1186. The committee recommends that:

1) **The Accounting officer ensures that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning; and**
2) **The Auditor-General undertake physical verification of the projects and report in the next audit cycle.**

6.2 LAMU WEST CONSTITUENCY

1187. Mr. Javan Lewela, the current Fund Account Manager since 2018 appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Lamu West Constituency and was accompanied by:

i. Mr. James Chebii, Ag. Manager Field Financial Services
ii. Ms. Christine Mwangolo, Ag. Manager Field Operations
iii. Mr. John Chege, Former Fund Account Manager (2014 to 2016)

6.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1188. The Auditor General raised five audit Matters during the examination of the financial statements of Lamu West for the year 2013/2014.

6.2.1.1 Transfer of Funds from Constituencies Development Fund Board:

1189. The statement of receipts and payments reflected transfers from the Constituencies Development Fund Board with a balance of Kshs. 86,621,696. However, information availed indicated that the Board disbursed Kshs. 42,215,030 to the Fund during the year under review resulting in an unexplained or reconciled variance of Kshs. 44,406,666. In the Circumstance, the accuracy and completeness of transfers from Constituencies Development Fund Board for a figure of Kshs. 86,621,969 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1190. Mr. John Chege, the Fund Account Manager submitted that the transfers did not reflect the accuracy and completeness of the transactions. However, the NG-CDFB transferred an additional Kshs. 44,406,665.50, and annexed all the receipts supported by a copy of Bank Statements and AIEs received during the period under review as tabulated below:

DATE	AIE	AMOUNT
12/02/2014	A709854	10,904,506.00
29/02/2014	A735796	33,502,159.50
TOTAL		**44,406,665.50**

Committee Observations

1191. The Committee observed that the Fund Account Manager later provided bank statements to the auditors for review to support the unexplained difference.

Committee Recommendations

1192. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

6.2.1.2 Use of Goods and Services:

1193. The statement of receipts and payments reflected the use of goods and services balance of Kshs. 3,552,139 which includes Kshs. 695,377 in respect of diesel for motor vehicles and Kshs. 205,766.65 in respect of petrol for speed boats. However, there was no evidence availed for audit review to show that the fuel was recorded in detailed orders and daily work tickets. Further, the use of goods and services expenditure included Kshs. 698,755 paid to a bookshop and secondary schools in Lamu West Constituency. However, the list of schools and evidence of receipt of the books and examination papers by the respective schools were not availed for audit verification. Consequently, the propriety of expenditure totaling Kshs. 1,599,898.65 for the year ended 30 June 2014 on the use of goods and services could not be confirmed.

Submission by the Fund Account Manager

1194. The Fund Account Manager submitted that work ticket for motor vehicle GKA 673R to justify its movement use of fuel was availed. This is in addition to detailed orders, as well as minutes of the committee approving various activities requiring movements of the vehicle and boat. The Fund Account Manager stated that the committee expenditure was within the approved budget in the code list for FY 2013/2014.

1195. He also stated that the records were not availed to show acknowledgment of books and examination papers issued to various schools and offered that NG-CDFC Lamu West Constituency would enhance its internal controls to ensure future incidentes of handling stock were complied with and control measures to mitigate such transactions in future would be put in place.

Committee Observations

1196. The Committee observed that the Fund Account Manager did not have required documents to support expenditure under the audit query.

Committee Recommendations

1197. The Committee recommends that within three months upon adoption of this report, the Accounting Officer should ensure that Fund Account Manager submits the supporting documents on fuel, books and examination to the auditors and report in the subsequent audit cycle.

6.2.1.3 Committee Expenses

1198. Included in the committee expenses of Kshs. 2,962,706.65 was expenditure totaling Kshs. 1,074,000 on committee allowances. The meetings' attendance register was not

availed for audit review. In the circumstance, the propriety of payment of committee allowances totaling Kshs. 1,074,000 for the period ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1199. The Fund Account Manager submitted that the register to support committee meetings had not been submitted during the audit and that the same was later availed to the auditor.

Committee Observations

1200. The Committee observed that-

(i) The Fund Account Manager had not provided the meetings' attendance register to support the committee expenditure at the time of audit which is contrary to the provisions of Section 68 of the PFM Act, 2012 on submission of documents to the Office of the Auditor-General; and

(ii) The documents were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

1201. The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012 on the timely submission of documents.

6.2.1.4 Transfers to Other Government Units

1202. The Transfer to other Government units' balance of Kshs. 41,911,266 as reflected in the statement of receipts and payments, included Kshs. 4,007,660 spent on re-roofing of classrooms at Tewa Primary School and Lake Kenyatta Primary School, and disbursement of Kshs. 5,000,000 for construction of a laboratory at Sefu Secondary School where there was no evidence that the same was approved by the Constituencies Development Fund Board. Further, the project's file for the construction of a dining hall at Mkunumbi Secondary School was allocated Kshs. 6,000,000 and supporting documents for Kshs. 2,000,000 paid to a contractor for the renovation of Mpeketoni Hospital were also not availed for audit verification. In this circumstance, it was not possible to confirm the propriety of total expenditure on the above projects amounting to Kshs. 17,007,660 for the year ended 30 June, 2014.

Submission by the Fund Account Manager

1203. The Fund Account Manager acknowledged the anomalies realized with respect to transfer of funds to other Government units and missing documents for review during the process and provided an approved code list for:

i). Sefu Secondary School (Approved FY 2012/13)- Kshs. 5,000,000;

ii). Mkunumbi Secondary School (Approved FY 2012/13) - Kshs. 6,000,000. The Dining Hall project was completed and put in use;

iii). Mpeketoni Sub- District Hospital: Cashbook indicating VN 29035 of Kshs. 2,000,000 and a Bank Statement Showing payment to Janka Enterprises. The project was completed successfully and put to use;

iv). Tewa Primary School and Lake Kenyatta Primary School - A disbursement of Kshs. 2,997,660 to Tewa Secondary School and the Balance of Kshs. 1,010,100 to Lake Kenyatta Primary School through the emergency vote. The projects had since been completed and put in use.

Committee Observations

1204. The Committee observed that-

(i) The Fund Account Manager had not provided supporting documents on expenditure on Tewa Primary School, Sefu Secondary School, Mkunumbi Secondary, and Mpeketoni Sub- District Hospital;

(ii) Documents to support expenditure for Sefu Secondary School, Mkunumbi Secondary and Mpeketoni Sub- District Hospital were submitted after the audit period;

(iii) No documents were availed to support expenditure for Tewa primary school; and

Committee Recommendations

1205. The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides documents to support expenditure for Tewa primary school to the Auditors for review and reporting in the subsequent audit cycle.

6.2.1.5 Cash and Cash Equivalents

1206. The Cash and Cash equivalent balance of Kshs. 9,618,375 included outstanding imprest of Kshs. 2,810,920. However, no imprest register and warrant were availed for audit verification. Further, the Fund's bank reconciliation statement as at 30 June 2014 reflected the certificate of bank balance of Kshs. 9,849,742.45 while the bank statement shows a balance of Kshs. 9,774,742.45 as at the same date, resulting to an unexplained and unreconciled variance of Kshs. 75,000.

Submission by the Fund Account Manager

1207. The Fund Account Manager acknowledged the anomaly reported during the review because the Surrender vouchers, Imprest Register and Warrant could not be traced. However, the cashbook indicated the amounts were surrendered in full in the subsequent financial year. The corrected bank Reconciliation statement and a bank statement show a reconciled figure of Kshs. 9,849,742.45 were availed for verification.

Committee Observations

1208. The Committee observed that;

i. The Fund Account Manager failed to provide an imprest register and warrant books during the audit; and

ii. The Fund Account Manager reconciled the unexplained difference and provided the corrected bank Reconciliation statement and a bank statement showing a reconciled figure of Kshs. 9,849,742.45.

Committee Recommendations

1209. The Committee recommends that-

1) **The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and**

2) **The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

6.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1210. The Auditor General raised five audit Matters during the examination of the financial statements of Lamu West for the year 2014/2015.

6.2.2.1 Bank Balance

1211. The statement of financial assets reflected a balance of Kshs. 7,043,311 as at 30 June 2015 in respect of bank balances. Included in the balance of Kshs. 7,043,311 at Note 12A to the financial statements is Kshs. 65,846.37 in respect to KCB Bank Account. Audit review of the KCB Bank Account reconciliation statement as at 30 June 2015 revealed that included in un-presented cheques amounting to Kshs. 3,201,106 were four (4) stale cheques totaling Kshs. 40,000 which had not been reversed in the cashbook. In addition, the bank reconciliation statement reflected direct bank payments of Kshs. 1,615,562 and receipts in the cashbook amounting to Kshs. 399,500 which were not in the bank statement. Consequently, the accuracy and completeness of the bank balance of Kshs. 7,043,311 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1212. The Fund Account Manager submitted that the existence of stale cheques for the bursary was because some were uncollected from the office and other unpresented to the bank. These cheques were subsequently reversed in the cashbook. The direct payments were contract payments of cheques which were reversed and replaced in the cashbook and that materiality of the amount of Kshs. 40,000 could not affect the general opinion of the Auditor.

Committee Observations

1213. The Committee observed the stale and unpresented cheques were later reversed and replaced and omitted payments and receipts were later recorded in the cashbook.

Committee Recommendations

1214. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

6.2.2.2 Committee Expenses

1215. The statement of receipts and payments reflected an amount of Kshs. 4,441,000 for the year ended 30 June 2015 in respect of committee expenses. However, payment vouchers amounting to Kshs. 1,470,000 in support of the committee expense were not availed for audit verifications. In the circumstances, the propriety, accuracy and

completeness of committee expenses amounting to Kshs. 4,441,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1216. The Fund Account Manager acknowledged the shortcoming experienced during the preparation and presentation of the financial statements under review and stated that the missing vouchers were under the custody of the Treasury and most of them were still not traceable.

Committee Observations

1217. The Committee observed that the Fund Account Manager had not provided, at the time of the audit, the meetings' attendance registers to support the committee expenditure.

Committee Recommendations

1218. The Committee recommends that:

1) **The Accounting Officer ensures that Fund Account Manager complies with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during audit as required under section 9(1)(e) Public Audit Act, 2015.**

6.2.2.3 Transfer to other Government Units

1219. Note. 7 to the financial statements reflected an amount of Kshs. 65,265,204.35 in respect to transfers to other government units for the year ended 30 June 2015. This included transfers to primary schools of Kshs. 6,134,006 and transfers to secondary school schools of Kshs. 53,648,449. However, payment vouchers amounting to Kshs. 17,134,006 to various schools were not availed for audit as detailed below:

Project	Amount (Kshs)
Witu Secondary School	4,000,000.00
Mpeketoni Secondary School	4,000,000.00
Hindi Secondary School	3,000,000.00
Matondoni Secondary School	3,000,000.00
Sinambio Primary School	2,000,000.00
Sinambio Primary School	1,134,006.00
Total	**17,134,006.00**

1220. The management indicated that vouchers were taken by the Ethics and Anti-Corruption Commission (EACC) during the investigation of the Fund. In addition, according to the supporting schedules availed for audit review, disbursement to Mkunumbi Secondary School was indicated as Kshs. 3,518,689 while payment voucher No.9 of 21/09/2014

reflected an amount of Kshs. 3,681,689 leading to the unexplained not reconciled variance of Kshs. 163,000.00. Consequently, the propriety, accuracy and completeness of transfers to other government units amounting to Kshs. 17,296,006 could not be confirmed.

Submission by the Fund Account Manager

1221. The Fund Account Manager submitted that some vouchers were missing during the presentation of financial statements under review. These vouchers were requested through a letter Ref: EACC.MLD.6/25/1 (2), dated 10th April, 2015. The variance of Kshs. 163,000 could not be explained.

Committee Observations

1222. The Committee observed that-

(i) Payment vouchers amounting to Kshs. 17,134,006 to various schools were not availed for audit;

(ii) Payment vouchers were taken by the Ethics and Anti- Corruption Commission (EACC); and

(iii) The audit query is not resolved.

Committee Recommendations

1223. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provides a status report to the National Assembly within three months after the adoption of this report.

6.2.2.4 Other Grants and Transfers

a) Bursaries

1224. Included in other grants and transfers of Kshs. 27,790,501 for the year ended 30 June 2015 at Note 8 to the financial statements is the expenditure of Kshs. 10,800,120 on bursary to secondary schools. However, the minutes of the bursary committee on the vetting of applicants were not availed for audit verification. It was also not possible to determine the criteria and basis used for awarding the bursaries.

Submission by the Fund Account Manager

1225. The Fund Account Manager submitted that the bursary was a personal and emotive vote that was monitored by all the Lamu West constituents and availed the Bursary criteria and Bursary minutes.

Committee Observations

1226. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the bursary minutes and the criteria used in selecting the beneficiaries.

(ii) The documents were however submitted to the auditor for audit review and verification.

Committee Recommendations

1227. The NG-CDF Board should develop an overarching policy framework to guide constituency bursary committees in line with the needs of the constituency. Each NG-CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.

b) Water

1228. Included in other grants and transfers of Kshs. 27,790,501 for the year ended 30 June 2015 at Note 8 to the financial statements is the expenditure of Kshs. 4,500,000 in respect to water projects. The expenditure of Kshs. 4,500,000 was a disbursement to M/s Myself Cluster SH Group for rehabilitation of Lake Kenyatta Water Dam. However, it was not clear how the group was identified and whether the project was proposed by the community.

1229. In addition, there was no contract agreement, project file with returns on how the disbursement was spent and how the project was implemented. In the circumstance, the propriety, accuracy, and regularity for the bursaries and water projects amounting to Kshs. 15,300,120 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1230. The Fund Account Manager acknowledged that the documents required by the auditors for review could not be traced from their archives.

Committee Observations

1231. The Committee observed that-

(i) The Fund Account Manager did not provide at the time of the audit the documentary evidence on the water projects.

(ii) The documents required by the auditors for review could not be traced.

(iii) The audit query is not resolved.

Committee Recommendations

1232. The Committee recommends that-

1) **Within three months upon adoption of this report, the EACC investigates the procurement and implementation of the contract , awarded to M/S Myself Cluster SH Group, for the rehabilitation of Lake Kenyatta Water Dam Project; and**
2) **The Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

6.2.2.5 Budgetary Performance Analysis

1233. According to the summary statement of appropriation, the CDF had a final budget of Kshs. 139,680,268.50 compared to the 2013/14 budget of Kshs. 120,125,855.50 representing

a 14% increase. However, according to CDF Board Secretariat's circular on the approved budget ceilings for the financial year 2014/2015, Lamu West CDF was allocated Kshs. 95,559,733. It's not clear how the budget adjustment of Kshs. 44,120,535.50 was approved. From the analysis, a total of Kshs. 31,065,246 (22% of the budget) was unutilized at the end of the financial year which the management had attributed to late disbursement of funds by the CDF Board. This implies that development projects earmarked for implementation were not undertaken which affects service delivery. Further, the Constituencies Development Fund Committee was overspent by Kshs. 1,538,562 on Committee expenses or 58% and the approval for this was not availed for audit review. This could imply irregular reallocation of funds from other votes.

Submission by the Fund Account Manager

1234. The Fund Account Manager submitted that the undisclosed balance of Kshs. 44,120,535.45 from the final budget of Kshs. 139,680,268.50 included a balance brought forward (Kshs. 9,618,36.45) and an undisbursed balance due from the Board (Kshs. 34,502,159.05). The underutilization noted during the review of 22% was because the financial statements were on a cash basis thus balances due from the Board reflected the underutilization of funds.

1235. He further submitted that over-expenditure noted in the financial statements for the period under review was because of the administration vote which included Compensation to Employees, use of goods and services and committee expenses. These were under one vote, Administration and Recurrent.

Committee Observations

1236. The Committee observed that-

(i) The underutilization of funds as at the end of the financial year was occasioned by late disbursement of funds by the CDF Board; and

(ii) Committee expenses were not overspent but included balance brought forward from previous years which had already been approved.

Committee Recommendations

1237. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.2.2.6 Project Implementation

1238. According to the project implementation status report, funds for the two projects with a total budget allocation of Kshs. 4,160,312 were reallocated as detailed. The management indicated that the same projects had been planned to be undertaken by the county government. This an indication of poor planning and coordination of development projects to be implemented in the constituency.

Submission by the Fund Account Manager

1239. The Fund Account Manager submitted that poor planning and allocation of resources was as a result of duplication of projects by the two sectors of Government. The projects were: -

i. Mpeketoni Town Road Rehabilitation: Grading, graveling, digging trenches- Kshs. 2,160,312; and
ii. Hindi Open Market: Bush clearing, fencing and levelling- Kshs. 2,000,000.

Committee Observations

1240. The Committee observed that the Fund Account Manager reallocated the funds allocated to the two projects because the same projects had been planned to be undertaken by the county government and the audit query is resolved.

Committee Recommendations

1241. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

6.2.2.7 Project Inspection

1242. The project inspection done in May 2016 on sampled projects revealed the following:

Project	Observations
Hindi Secondary School	• There were cracks on the walls of the laboratory; • The internal tank had not been installed in the laboratory; • The laboratory had not been officially handed over though it was in use.
Matondoni Primary School	Windows were not fixed
Mkunguni Primary School	Skating work and painting had not been done; Construction materials were still lying around yet it was already occupied by pupils for learning which is hazardous to the pupils.
Shella Bright Girls Secondary School	Electrical works were incomplete; Locks were not fixed on doors.
Wiyoni Secondary School	Project was not yet complete; The fumes chamber was not yet complete and tiles were removed on the fittings/worktops.

1243. Although the management had indicated that some of the incomplete sections were eventually done, it casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC). Thus, it was not possible to confirm if the constituents obtained value for money on the above five (5) projects worth a total of Kshs. 16,500,000.

Submission by the Fund Account Manager

1244. The Fund Account Manager submitted that the inspections concerns were acknowledged and had been addressed by the Project Manager and corrective action taken through the six months' window period through retention of contractors.

Committee Observations

1245. The Committee observed that the projects are complete and in use. The defects were corrected within the defect's liability period.

Committee Recommendations

1256. **The Committee recommends that:**

1) **The Accounting Officer ensures that the Fund Account Manager only makes payments for works done based on completion certificates issued by the works officer; and**
2) **The Fund Account Manager ensures that projects are implemented as per the specifications under the BQs and the funds are retained for defect liability period.**

6.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1257. The Auditor General raised ten audit Matters during the examination of the financial statements of Lamu West for the year 2015/2016.

6.2.3.1 Inaccuracy in the Financial Statements

1258. Summary statement of appropriations: recurrent and development reflected total budget utilization difference of Kshs. 10,962,554 for the year ended 30 June 2016 which was however under-cast by Kshs. 33,341,182. In addition, according to annex 4 of the financial statements, assets increased by Kshs. 8,494,170 from a balance of Kshs. 9,875,000 as at 30 June 2015 to Kshs. 18,369,170 as at 30 June 2016. However, according to Note 8 to the financial statements, assets totaling Kshs. 10,494,170 were purchased during the year under review resulting in an unexplained or reconciled variance Kshs. 2,000,000. Under the circumstances, the accuracy of the financial statements presented for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1259. The Fund Account Manager submitted that the figure noted in the Summary statement of appropriation indicating an underutilization of the total budget of Kshs. 132,231,116.8 against Actual Budget of Kshs. 98,889,934 resulting in an unexplained variance of Kshs. 2,000,000.00 was a comparative difference in the asset register under land and buildings which was in 2014-2015 Financial Statements but not reflected in 2015-2016 financial statements under review. The error had since been corrected.

Committee Observations

1260. The Committee observed that the omissions and inconsistencies in the financial statement are attributable to lack of adequate capacity in preparation of financial statements at constituencies offices during

Committee Recommendations

1261. **The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

6.2.3.2 Unsupported Expenditure

1262. The statement of receipts and payments for the year ended 30 June 2016 reflected various payments totaling Kshs. 10,335,549 but whose supporting documents were not availed for audit review. In the circumstance, the accuracy and completeness of

payments totaling Kshs. 10,399,549 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1263. The Fund Account Manager acknowledged that the documents tabulated by the Auditor could not be traced from the archives. However, in place of these supporting documents the management provided minutes discussing the procurement of the items mentioned.

Committee Observations

1264. The Committee observed that supporting schedules for expenditure payments totaling Kshs. 10,335,549 were not availed for audit review hence the audit query is not resolved.

Committee Recommendations

1265. **The Committee recommends that –**

1) **The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures that the Fund Account Manager submits the supporting schedules for expenditure payments to the Auditor General for audit review and reporting in the next audit cycle.**

6.2.3.3 Bank Balances

1266. The statement of assets reflected a balance of Kshs. 16,931,365 as at June 2016. However, an audit review of the bank reconciliation statement as at 30 June 2016 revealed that, included in the unpresented cheques of Kshs. 5,543,964 were stale cheques totaling Kshs. 420,719 which had not been reversed in the cashbook as at 30 June 2016. In addition, the bank reconciliation statement as at 30 June 2016 reflected bank charges amounting to Kshs. 13,529 as a reconciling figure. As a result, the bank charges were excluded from these financial statements although the management had provided evidence on why this was done after the year-end. Consequently, the accuracy and completeness of bank balance of Kshs. 16,931 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1267. The Fund Account Manager submitted that the existence of stale cheques for the bursary was because some were uncollected from the office or unpresented to the bank. These cheques were subsequently reversed in the cashbook. The financial statements are presented on a cash basis and thus the amount of Kshs. 420,719 could not affect the opinion of the auditor.

1268. In respect to bank charges, the Fund Account Manager acknowledged the incompleteness and inaccuracy noted in the financial statements during the review. However, as per the management's statement on the bank charges, the amounts were cleared in the subsequent financial period.

Committee Observations

1269. The Committee observed that the stale and unpresented cheques were later reversed and replaced and bank charges recorded in the cashbook.

Committee recommendations

1270. The **Committee recommends that:**

1) **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries; and**
2) **The NG-CDF Board considers allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

6.2.3.4 Cash Balances

1271. The statement of assets reflected a nil cash balance as at 30 June 2016. However, the Board of Survey certificate was not availed for audit verification. In this circumstance, the accuracy and completeness of nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1272. The Fund Account Manager submitted that it was true that the Board of Survey Certificate was not availed during the period under review. However, the same had been availed to support the closing cashbook balance.

Committee Observations

1273. The Committee observed that-

(i) Fund Account Manager had not provided at the time of the audit the Board of survey reports to support the cash balance; and

(ii) The survey reports were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

1274. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

6.2.3.5 Outstanding Imprest

1275. Note 11 to the financial statements reflected outstanding imprests of Kshs. 1,206,500 as at June 2016 due from three officers. However, audit verification of the imprests ledger of Kshs. 480,000 issued in December 2015 did not explain why the imprest had not been surrendered or recovered from the Officer's salary. This was contrary to Regulation 93 (5) of the Public Financial Management (National Government) Regulations 2015 which requires a holder of a temporary imprest to account or surrender imprest within seven days after returning to the duty station. In the circumstance, the regularity and recoverability of outstanding imprest of Kshs. 1,206,500 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1276. The Fund Account Manager submitted that the various outstanding imprests were eventually surrendered as per documents submitted to the Committee.

Committee Observations

1277. The Committee observed that the imprest was surrendered not within the time framework provided for under Section 71 (2) of the PFM Act, 2012 and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.

Committee Recommendations

1278. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager adheres to the provisions of Section71 (2) of the PFM Act, 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.**

6.2.3.6 Transfers to Other Government Units

1279. The statement of receipts and payments reflected a figure of Kshs. 34,195,298 for the year ended 30 June 2016 in respect to other government units as detailed in Note 6 to the financial statement. Included in the transfer to other government units of Kshs. 34,195,298 were eight (8) projects totaling Kshs. 29,959,257.95. However, the project files availed lacked the following key documents; project expenditure returns, projects, bank account statements, tender documents and tender minutes and bills of quantities. This was contrary to Section 38 of the NGCDF Act, 2015 which provides that the officer of the Board in every constituency shall compile and maintain a record showing all receipts, disbursements and actual expenditure monthly in respect of every project and sub-project. In the circumstance, the propriety, completeness and validity of transfer to other government units' balance of Kshs. 34,195,298 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1280. The Fund Account Manager submitted that at the time of the audit, most PMCs had not made their returns. Additionally, the PMC has since not submitted their returns to the NGCDF for reporting to the auditor. Our next action is to write to the school to make their returns and going forward we shall ensure we comply with the NGCDF Act 2015 by complying and acting within the provisions of the Act.

Committee Observations

1281. The Committee observed that the Fund Account Manager did not provide at the time of the audit the project expenditure returns, the project's bank account statements, tender documents and tender minutes and bills of quantities.

Committee Recommendations

1282. **The Committee recommends that;**

1) **The Accounting Officer ensures that Fund Account Manager comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **The Fund Account manager ensures that documents are availed to the Auditor-General for review in the next audit cycle.**

6.2.3.7 Use of Goods and Services-Domestic Travels and Subsistence

1283. Included in use of goods and services balance of Kshs. 9,019,709 for the year ended 30 June 2016 were domestic travel and subsistence balance of Kshs. 1,010,000. However, audit verification of the supporting documents revealed no evidence of travel such as payment of fare and motor vehicle work tickets. This was contrary to regulation 104 of the PFM (National Government) Regulations, 2015 which provides that all receipts and payments vouchers of public money shall be properly supported by pre-numbered receipts and payment vouchers and shall be supported by appropriate authority and documentation.

Submission by the Fund Account Manager

1284. The Fund Account Manager submitted that there was a misstatement in the presentation of payment of Kshs. 1,010,000 for domestic travel and subsistence. That was in error as presented during the period under review. However, in the evidence attached the payment of Kshs. 1,010,000 was transfer to Lake Kenyatta Primary School for rehabilitation of the school roof.

Committee Observations

1285. The Committee observed that the Fund Account Manager did not provide documents to support the expenditure.

Committee Recommendations

1286. **The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides evidence of travel to the Auditors for review and reporting in the subsequent audit cycle.**

6.2.3.8 Other Committee Expenses

1287. Included in use of goods and services balance of Kshs. 9,019,709 for the year ended 30 June 2016 was other committee expenses of Kshs. 3,339,000. The amount included expenditure of Kshs. 1,985,000 incurred on benchmarking trip to Mombasa and Nairobi. However, audit verification revealed that the expenditure was not supported by work plans of the places to be visited and back-to-office reports on the lessons learnt were not availed for audit. In addition, expenditure of Kshs. 113,000 on transport was not supported as no evidence was provided on how the firm was identified and selected in line with Section 103 (1) of the Public Procurement and Assets Disposal Act 2015 which has set the maximum amount of Kshs. 30,000 for use of cash. Consequently, the propriety and regularity of use of goods and services balance of Kshs. 2,098,000 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1288. The Fund Account Manager submitted that the expenditure of Kshs. 1,985,000 was surrendered in good time for benchmarking trip to Mombasa and Nairobi. At the time of the audit, the work plan and trip report were available but not attached. These have since been attached to the auditor for review. Evaluation of service providers for the transport service provided was not possible as there was only one available and capable service provider at the time.

Committee Observations

1289. The Committee observed that the Fund Account Manager did not provide expenditure supporting documents hence the audit query is not resolved.

Committee Recommendations

1290. **The Committee recommends that;**

1) **The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act 2012 on the timely submission of documents; and**
2) **The Fund Account Manager ensures that documents are availed to the Auditor-General for review in the next audit cycle.**

6.2.3.9 Other Grants and Transfers

A. Bursaries

1291. Included in other grants and transfers of Kshs. 30,563,500 for the year ended 30 June 2016 as detailed in Note 7 to the financial statement were bursaries to secondary schools of Kshs. 7,977,000 and bursaries to tertiary institutions of Kshs. 9,870,500 all totaling Kshs. 17,847,500. However, schedules provided for the review did not indicate the names of institutions and the amount paid to each institution.

Submission by the Fund Account Manager

1292. The Fund Account Manager submitted that schedules for the Bursaries paid to various beneficiaries in Secondary Schools and Tertiary Institutions were not availed during the audit review. Copies of vouchers, minutes and a list of beneficiaries had been availed for verification later.

Committee Observations

1293. The Committee observed that expenditure schedules provided for audit review did not indicate names of institutions and the amount paid to each institution. This had since been provided for audit verification and the audit query is resolved.

Committee Recommendations

1294. **The committee recommends that the NG-CDF Board develops an overarching policy framework to guide constituencies in line with their needs. Each NG-CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.**

B. Water

1295. Included in other grants and transfers of Kshs. 30,563,500 for the year ended 30 June 2016 as detailed in Note 7 to the financial statements is the expenditure of Kshs. 4,500,000 in respect of a water project. The expenditure was a disbursement to a contractor for rehabilitation of Lake Kenyatta Water Dam and raised cumulative CDF funding for accumulated disbursement by the CDF to the project of Kshs. 9,000,000. However, it was not clear how the contractor was identified and whether the project was proposed by the community. In addition, there was no contract agreement, project file with returns on how the disbursement was spent and how the project was implemented.

Submission by the Fund Account Manager

1296. The Fund Account Manager submitted that Project returns are done by the Project Management Committee and therefore at the time of the Audit, the PMC had not done their returns to the NGCDF Lamu West. However, these were later received and shared with the auditors for review and clearance. The following documents were shared:

(a) Payment voucher of Kshs. 4,500,000.00

(b) Recommendation letter of the group by National Environmental Management Authority (NEMA).
(c) Project contract of agreement with the group.
(d) Proposal by the group for the implementation of the project
(e) Committee minutes approving the voting and payment of the activity.

Committee Observations

1297. The Committee observed that supporting documents such as contract agreement, project file with returns on how the disbursement was spent and how the project was implemented were not availed for audit review and verification.

Committee Recommendations

1298. **The Committee recommends that;**

1) The Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015; and
2) The Fund Account Manager ensures that documents are availed to the Auditor-General for review in the next audit cycle.

C. Sports

1299. Included in other grants and transfers of Kshs. 30,563,500 for the year ended 30 June 2016 as detailed in Note 7 to the financial statement is the expenditure of Kshs. 1,000,000 in respect of sports. However, the projects file containing expenditure returns were not availed for audit verification in line with Section 10 of NGCDF Act 2015 which provides that funds disbursed to projects should be properly accounted for and proper books of accounts shall be kept and return made to the Constituency committee showing how the sums had been used.

Committee Observations

1300. The Committee observed that supporting documents on the sports project were not provided for audit review and the Fund Account Manager did not present any response to the audit query.

Committee Recommendations

1301. **The Committee recommends that-**

1) **That the Fund Account manager ensures that documents are availed to the Auditor- General for review in the next audit cycle; and**
2) **The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

D. Emergency Projects

1302. According to Note 7 to the financial statements, other grants and transfer balance of Kshs. 30,563,500 included Kshs. 6,716,000 for emergency projects. The emergency projects figure of Kshs. 6,716,000 included an expenditure of Kshs. 1,200,000 for construction of a two-door toilet at Moa Secondary School. However, audit verifications revealed that there was no evidence of an official request from the school for assistance. It was therefore not clear how the expenditure qualified as an emergency in line with Section 8 (3) of the NGCDF Act 2015 which states that an emergency shall be construed to mean an urgent, unforeseen need for expenditure which, in the opinion of the committee, could not be delayed until the following financial year without harming the public interest of the constituents. In addition, project expenditure returns were not availed for audit verifications.

1303. Further, audit verification revealed that the total of Kshs. 4,536,000 was spent on water trucking whose supplier was selected through a request for quotations although the contract sum was above the maximum of Kshs. 4 million specified under Section 105 of the Public Procurement and Assets Disposal Act, 2015. In the circumstance, the propriety, accuracy, and regularity of other grants and transfers of Kshs. 30,563,500 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1304. The Fund Account Manager submitted that water trucking of Kshs. 4,536,000 was necessitated by the following:

(a) The transition period of devolution and there had been no clarity on devolved functions;
(b) There was severe drought during the season due to lack of rains;
(c) The security situation at the time had deteriorated due to militant attacks;
(d) We have drawn lesson and such will not be repeated; and
(e) We targeted local suppliers in the process of getting one familiar with the locality required on the request for quotation process.

Committee Observations

1305. The Committee observed that-

(i) The Fund Account Manager spent Kshs. 1,200,000 from emergency funds for the construction of a two-door toilet at Moa Secondary School without seeking approval from the Board; and
(ii) The Fund Account Manager used request for quotations although the contract sum was above the maximum of Kshs. 4 million specified under Section 105 of the Public Procurement and Assets Disposal Act, 2015.

Committee Recommendations

1306. **The Committee recommends:**

1) **The Accounting Officer ensures Fund Accounts Manager complies with the provisions of Section 8 (3) of the NGCDF Act 2015 on the application of emergency funds; and**
2) **The Accounting Officer ensures that All Fund Account Manager complies with provisions of Public Procurement and Asset Disposal Act, 2015 and the Regulations thereunder.**

6.2.3.10 Acquisition of Assets

1307. The statement of receipts and payments reflected the acquisition of assets balance of Kshs. 10,494,170 for the year ended 30 June 2016. Included in this balance is the purchase of vehicles balance expenditure of Kshs. 8,979,170. However, the project file containing the project bank statement and procurement documents was not availed for audit verification. As a result, it was not possible to confirm how the supplier was identified and the actual amount paid for the vehicles.

1308. In addition, the logbooks for the motor vehicle and motorcycle were acquired during the financial year at a cost of Kshs. 250,000 were not availed for audit verifications. In the circumstance, the propriety, accuracy, completeness and ownership of acquisition of assets balance of Kshs. 9,229,170 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1309. The Fund Account Manager submitted that at the time of the audit, most PMCs had not made their returns. Additionally, the PMC has since submitted their returns to the NGCDF for reporting to the auditor.

Committee Observations

1310. The Committee observed that the supporting documents on acquisition and ownership of the vehicle were not provided for audit review, However, this had since been provided for audit review and verification.

Committee Recommendations

1311. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

6.2.3.11 Budgetary Control and Performance

1312. Records availed indicated that Lamu West Constituency was allocated Kshs. 101,165,872 during the financial year 2015-2016 compared to the 2014/2015 allocation

of Kshs. 95,559,733 representing 6% rise. The summary statement of Kshs. 132,231,116.80 where Kshs. 108,198,469 being 89% of the total budget was allocated to projects as transfers to other government units totaling Kshs. 64,149,312 and other grants and transfers amounting to Kshs. 44,049,157. Further, Lamu West Constituency received an allocation of Kshs. 98,889,934 is 75% of the final budget for the financial year under review. The CDF overall had an actual expenditure of Kshs. 87,927,380 resulting in under absorption of Kshs. 44,303,736 or 34%.

1313. The following observations were made from the tabulation:

i). The fund incurred under-expenditure totalling Kshs. 44,303,736 representing 34% of the budget. This implies that public funds lay idle at the expense of the provision of services. The underutilization of the funds impacted negatively the delivery of goods and services to the citizens of Lamu West.

ii). In addition, actual expenditure on the use of goods and services and acquisition of assets equaled the budgeted amount. It was not explained clearly how this had happened. This is an indication of unauthorized re-allocation of funds contrary to Section 6 (2) of the NG-CDF Act, 2015 which states that "once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board".

iii). The NG-CDF underspent by 47% and 31% on transfer to other government units and other grants and transfers respectively. This represents project funds that were not disbursed for the implementation of projects. Therefore, service delivery to the residents of Lamu West Constituency was adversely affected contrary to values and principles of public service provided for under Article 232 (1) (c) of the Constitution which prescribes responsive, prompt, effective, impartial and equitable provision of services.

Submission by the Fund Account Manager

1314. The Fund Account Manager submitted that failure to complete the projects was a result of late disbursement of funds by the NG-CDF Board.

Committee Observations

1315. The Committee observed that under-utilization and over expenditure of the funds were due to late disbursement of funds by the NG- CDF Board and the National Treasury hence rollover of Funds from subsequent years due to late receipts.

Committee Recommendations

1316. **The Committee recommends that;**

1) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and**

2) **The NG-CDF Board ensures that the respective constituencies have the absorption capacity to implement projects.**

6.2.3.12 Project Status

1317. According to the project implementation status report as at 30 June 2016, twenty-two (22) projects with a budget of Kshs. 33,873,000 were not implemented during the period under review. Although the management had attributed non-implementation to delayed funding from the NGCDF Secretariat, non-implementation of development projects affects the delivery of goods and services to the public and the intended purpose of the projects may not be realized. In addition, it also casts doubt on the effectiveness of project monitoring and evaluation carried out by the National Government Constituencies Development Fund Committee (CDFC).

Submission by the Fund Account Manager

1318. The Fund Account Manager acknowledged the poor implementation status of projects as noted during the review. However, the slow implementation of projects could be attributed to weather and insecurity conditions. Slow Implementation of the project had a further effect on the disbursement of funds from the Board thus the slow rate.

Committee Observations

874. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board, insecurity and bad weather. The projects were complete and in use.

Committee Recommendations

1319. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

6.2.3.13 Project Inspection

1320. Out of twelve (12) projects inspected in April 2017, six (6) projects with an aggregate cost of Kshs. 23,619,372 were found to have anomalies. The Bills of quantities (BQ) for these projects were not availed for audit review and it was therefore not possible to confirm the expected work to be done and whether value for money was obtained. It was not clearly explained why the BQs were not in the project files. In addition, three projects were not branded and it was, therefore, difficult to confirm whether the projects were undertaken by the NG-CDF, County Government, or any other government agency or donors. Further, poor workmanship had been exhibited in the construction of one classroom and completion of two others at Mkunguni Primary School and Kiongwe Secondary School respectively with cracks observed on the floors in both instances. Furthermore, there was no evidence that Lamu West NG-CDF officially handed over

the devolved projects including health facilities, water and roads to the County Government of Lamu for sustainable management, including maintenance.

Submission by the Fund Account Manager

1321. The Fund Account Manager submitted that the documents had been availed for audit review and that the projects had been branded as per the pictures presented to the Committee.

Committee Observations

1322. The Committee observed that-

(i) At the time of the audit, Quotations, BQs and Engineer's completion certificates for the projects had not been availed for audit review but the same had been presented to the auditor for review and verification.

(ii) The projects had been complete and branded; and

(iii) The defects were corrected within the defect's liability period.

Committee Recommendations

1323. The Committee recommends that:

1) **The Fund Account Manager ensures that payments for works done must be based on the completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds are retained for the defect liability period; and**

2) **The Accounting officer ensures that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning.**

CHAPTER SEVEN: TAITA TAVETA COUNTY

7 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR CONSTITUENCIES IN TAITA TAVETA COUNTY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEARS

7.1 WUNDANYI CONSTITUENCY

1324. Mr. Henry G. Wanjiku, the current Fund Account Manager since 2019 appeared before the Committee on 1st October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Wundanyi Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

1. Mr. James Chebii, Ag. Manager Field Financial Services
2. Ms. Christine Mwangolo, Ag. Manager Field Operations
3. Ms. Caroline Kiama, Former Fund Account Manager (Nov. 2013 to May 2019).

7.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1325. The Auditor General flagged out four audit Matters during the examination of the 2013/2014 financial statements of Wundanyi Constituency.

7.1.1.1 Inaccuracy in the Financial Statements

1326. The statement of financial assets and liabilities as at 30 June 2014 reflected a balance of Kshs. 941,003.48 in respect of financial assets against a balance of Kshs. 4,461,182.26 shown underfunds and liabilities, resulting in unexplained unreconciled difference of Kshs. 3,520,178.78. In the circumstances, the accuracy of the financial statements could not be confirmed.

Submission by the Fund Account Manager

1327. Mr. Henry Wanjiku the Fund Account Manager submitted that the financial statements had an error and were restated in the following year 2014/2015 to reflect the correct financial position.

Committee Observations

The Committee observed that-

(i) The Fund's financial statement had an error indicating non-adherence to the International Public Sector Accounting Standards (IPSAS) framework when preparing the financial statements; and

(ii) The financial statements had since been corrected and supporting documents verified by the auditor.

Committee Recommendations

1328. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.1.1.2 Acquisition of Assets

1329. Included in the acquisition of assets figure of Kshs. 6,500,000 is an Appropriation-in-Aid totaling Kshs. 3,500,000 spent contrary to Section 42(7) of the Constituency Development Fund Act, 2013 that requires all receipts, savings and accruals to be credited to the constituency account and the total balances at the end of each financial year to be surrendered to the Board Fund Account. The Fund was, therefore in breach of the law by utilizing this appropriation.

1330. Further, the acquisition of assets figures of Kshs. 6,500,000 also includes Kshs. 3,000,000 re-allocated to construction of Constituency Development Fund office from emergency fund without the approval of the Constituency Development Fund Board. This was contrary to Circular Number 109 of 24th August 2010 which requires the CDFCs to re-allocate funds to other projects only after the closure of a financial year and provided that approval is obtained from the CDF Board. In the Circumstances, the propriety of re-allocation of Kshs. 3,000,000 to the construction of office building could not be confirmed for the year ended 30 June 2014.

Submission by the Fund Account Manager

1331. The Fund Account Manager submitted that in the financial year 2013/14 revenue collected was nil. The Kshs. 3,500,000 spent on the acquisition of asset was a budget allocation of the 2013/14 financial year for construction of CDF office. The approved code list of the budgetary allocation was submitted for perusal by the Auditors.

1332. He further submitted that under acquisition of assets, Kshs. 3,000,000 was used for the construction of the CDF Office from the emergency vote. The committee sort for ratification of the expenditure from the NG-CDF Board. The approval had been availed for audit review.

Committee Observations

1333. The Committee observed that-

(i) The Kshs. 3,500,000 was not AIA but an allocation for the project in the year 2013/14; and

(ii) The Kshs. 3,000,000 reallocated from emergency to fund the project was approved by the Board.

Committee recommendations

1334. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor General during the audit period as required under section 9(1)(e) Public Audit Act, 2015.**

7.1.1.3 Number of Constituency Projects Approved

1335. During the year under review, Wundanyi Constituency Development Fund Committee approved fifty-nine (59) projects for implementation. However, the approval contravened the provisions of Section 23 of the Constituency Development Fund Act, 2013 which stipulates the number of projects to be included in the Constituency. Projects Submission Form specified in the First Schedule shall be a minimum of five (5) and a maximum of twenty-five (25) for every Constituency in each financial year. No reason had been given for non-compliance with the Act.

Submission by the Fund Account Manager

1336. The Fund Account Manager submitted that in the financial year 2013/14 Wundanyi CDF submitted 13 projects as is evidenced in the project submission form specified in the First schedule while 59 were sub-sectorial projects. The first schedule submitted had been availed for audit review.

Committee Observations

1337. The Committee observed that 13 projects had been approved for implementation in 2013/14 and not 59 as captured by the auditor. The 59 were sub-sectorial projects. The issue was resolved as confirmed by the Auditor.

7.1.1.4 Cash and Cash Equivalents

1338. The statement of financial assets and liabilities reflected cash and cash equivalents balance of Kshs. 941,003.48 as at 30 June 2014. A review of the Fund's bank reconciliation statement as at 30 June 2014 revealed payments in Cashbook not yet recorded in the bank statement of Kshs. 3,477,635.22, out of which Kshs. 6,420 had been outstanding for more than two years. Further, the reconciliation reflected receipts in the bank statements not yet recorded in the Cashbook of Kshs. 17,700, receipts in Cashbook not yet recorded in bank statement of Kshs. 25,000 and payments in bank statements not yet recorded in Cashbook of Kshs. 338,145.10. It was not clear and the management had not explained why the reconciliation amounts had not been cleared or when the reconciliation figures would be cleared. In addition, payments in bank statements are not yet recorded in the Cashbook of Kshs. 338,145.10 including bank charges amounting to Kshs. 281,115.10 which had been excluded from these financial statements and as a result the surplus of Kshs. 4,461,182.26 for the year had been overstated with the same. As a result, the validity and accuracy of the cash and cash

equivalents balance of Kshs. 941,003.48 as at 30 June 2014 shown in the financial statements could not be confirmed.

Submission by the Fund Account Manager

1339. The Fund Account Manager acknowledged that Kshs. 6,420 was received back in the cashbook. The receipt in the Bank is not recorded in the cashbook of Kshs. 17,700 were cash deposits for the sale of tender documents which had since been posted to the Cashbook as shown in the reconciliation statement cashbook extract.

1340. He further submitted that receipts in the cashbook were not recorded in the bank statement of Kshs. 25,000 were stale bursary cheques that had been reversed and had been re-allocated by CDFC to other beneficiaries. Cashbook extracts had been availed for audit review. Payments in the bank are not recorded in the cashbook of Kshs. 338,145.10 were paid in the cashbook in the financial year 2014/15. Cashbook extract had been availed for audit review.

Committee Observations

1341. The Committee observed that-

(i) The Fund Account Manager did not maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund.

(ii) At the time of the audit, the Auditor-General had not reviewed payment receipts submitted to the Committee.

Committee Recommendations

1342. The Committee recommends that:

1) **Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015;**
2) **The NG-CDF Board should consider employing Regional Accountants beginning FY 2022/23 within the maximum 5 percent administrative allocation to the Board. This is to enhance the capacity of the Fund Accounts Managers in managing the funds at the Constituency; and**
3) **Within three months upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager provides payments receipts to the Auditor General for audit review and reporting in the subsequent audit cycle.**

7.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1343. The Auditor General raised four audit Matters during the examination of the 2014/2015 financial statements of Wundanyi Constituency.

7.1.2.1 Bank Balance

1344. The statement of assets as at 30 June 2015 reflected a bank balance of Kshs. 29,338,669. However, the Fund's bank reconciliation statement as at 30 June 2015 availed for audit review did not have the name of bank account, bank account number, name of bank and branch. Further, the reconciliation reflected un-presented cheques of Kshs. 3,221,050 whose dates of subsequent clearance by the banks were not indicated and payments in bank statement not in cashbook of Kshs. 342,292.75, out of which Kshs. 338,292.75 was in respect of bank charges and which had been excluded from these financial statements. In addition, the reconciliation reflected receipts in the bank statement not in the cashbook of Kshs. 92,700, out of which Kshs. 48,700 had been outstanding for over two years. The management had not explained why these items had not been cleared, reversed, or properly accounted for in the financial statements.

Submission by the Fund Account Manager

1345. The Fund Account Manager submitted that the un-presented cheques of Kshs. 3,221,050 includes Kshs. 1,500,000 to Mwasenja water Project, Kshs. 103,790 June 2015 Salary, Kshs. 74,240 to Bunde Rabzu, Kshs. 39,750 to Kenya Forest Services, Kshs. 100,000 to Tambaru Suppliers and Kshs. 30,000 to Iyale Angamiza Jangwa which was cleared in the bank 2015/16. Bank Statements availed for audit review. Stale cheques of Kshs. 103,790 were received back in the cashbook and awarded to new beneficiaries. Cashbook extract availed for audit review.

1346. He further submitted that payments in the bank not in the Cashbook of Kshs. 338,292.75 were bank charges which had been paid in the cashbook of 2015/16. Cashbook extract had been availed for audit review. Receipts in the bank not in the cashbook of Kshs. 92,700 were cash deposits from the sale of tender documents were received in the cashbook of 2015/16. Cashbook extract availed for audit review.

Committee Observations

1347. The Committee observed that-

(i) The Fund Account Manager had stale cheques that had not been reversed to the cashbook, unrecorded bank charges that are contrary to International Public Sector Accounting Standards (IPSAS) framework on the preparation of financial statements;

(ii) The Fund Account Manager had failed to maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund; and

(iii) The cashbook and bank reconciliation statements had since been updated and the supporting documents had been provided to the auditor for audit verification.

Committee Recommendations

1348. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.1.2.2 Budget Controls and Performance

1349. During the year under review, the Fund had a budget of Kshs. 147,909,925 and spent Kshs. 93,860,200 or 63%, resulting in under expenditure of Kshs. 54,049,725 or 37% as shown below:

Expenditure.	Final Budget (Kshs)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Under Absorption (%)
Compensation of Employees	1,830,000	1,166,150	663,850	36
Use of Goods & services	5,200,000	4,600,278	599,722	12
Committee Expenses	5,798,008	5,756,999	41,009	1
Transfers to Other Government Units	62,891,173	30,891,846	31,999,327	51
Other Grants and Transfers	65,540,744	45,336,477	20,204,267	31
Social Security Benefits	50,000	9,800	40,200	80
Acquisition of Assets	4,000,000	4,000,000	0	0
Other Payments	2,600,000	2,098,650	501,350	19
Total	**147,909,925**	**93,860,200**	**54,049,725**	**37**

1350. Failure to adhere to approved budgetary provisions may curtail the implementation of critical activities and delivery of goods and services to residents of Wundanyi Constituency.

Submission by the Fund Account Manager

1351. The Fund Account Manager submitted that the under expenditure of Kshs. 54,049,725.15 is as a result of the following;

i). Kshs. 24,175,040 was disbursed to the account at the closure of the financial year and the authority to incur expenditure (A.I.E) was received in July 2015.

ii). Kshs. 3,790,000.00 was a reallocation made whose Authority to incur expenditure was received in July 2015.

iii). Kshs. 24,175,040 these were funds allocated for projects in the financial year 2014/2015 but received in the financial year 2015/2016.

iv). The remaining Kshs. 1,909,644.78 is a payment towards a strategic plan which was ongoing, recurred gratuity for employees and committee allowances.

Committee Observations

The Committee observed that underutilization of the funds was due to late disbursement of funds by the CDF Board.

Committee Recommendations

1352. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.1.2.3 Project Implementation

1353. The projects status report availed for audit review indicated that a total of Kshs. 107,468,880 was disbursed to 58 projects, out of which Kshs.60,210,140 0r 56% had been spent as at 30 June 2015, resulting in unspent disbursements of Kshs. 47,258,740 or 44%. Analysis of the status report above also revealed that 2 projects with a budgetary allocation of Kshs. 5,000,000 did not receive any funds at all during the year under review while 15 projects had not taken off despite cumulative disbursements of Kshs. 22,653,840 as at 30 June 2015. Further, 4 of the projects cost Kshs. 14,508,879 were well past their expected completion dates as indicated in the table.

No.	Name of project	Details of the project	Start Date	Expected Completion Date	Period of delay as at the time of verification in May 2016(In months)	Cumulative disbursements (Since the start) as at 30 June 2015 (Kshs)	Cumulative Expenditure as at 30 June 2015 (Kshs)	% Complete
1	Solome Water project	Construction of a tank and pipe laying	16/10/2014	31/03/2015	13	2,500,000	1,999,230	60%
2	Kishushe Dispensary	Construction of a staff house	14/05/2015	12/11/2015	6	2,741,379	841,499	30%
3	Lushangonyi Comm Hall	Furniture (plastic chairs) and toilet construction	7/10/2014	24/06/15	11	2,462,000	1,885,885	85%

4	St. Agatha Ngoloki	Construction of a dormitory and kitchen	29/01/2014	22/04/2015	13	6,805,500	6,034,026	70%
TOTAL						**14,508,879**	**10,760,640**	

1354. The under expenditure and failure to implement projects within the planned time may impede or curtail service delivery to the residents of Wundanyi Constituency.

Submission by the Fund Account Manager

1355. Mr. Henry Wanjiku submitted that the management had reviewed the above projects and as much as construction was delayed, it was confirmed that the following projects were complete:

i) Solome Water Project – Construction of tank and pipe was complete and certificate of completion had been availed for audit review.
ii) Kishushe Dispensary – Staff House complete and completion certificate availed for audit query.
iii) Lushangoni Community Hall plastic chairs had been purchased and the construction of the toilet was complete. The delivery note, receipt PMC acknowledgment minutes and photos had been availed for audit review.
iv) St. Agatha Ngoloki Secondary School – the dormitory was complete and in use. The completion certificate had been availed for audit review.

Inspection visits undertaken by the Committee

1356. The Committee undertook an inspection visit to on 14th to 18th May, 2021 to verify the information provided by the Fund Account Manager on the following projects-

i) Kishushe Dispensary to verify the existence of the project and its impact to the community. The construction of a staff house in the dispensary compound was complete and in use.
ii) St. Agatha Ngoloki Secondary School – the dormitory and kitchen were complete and in use.

Committee Observations

1357. The Committee observed that-

(i) The projects were complete and in use and therefore value for money was realized.
(ii) The slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1358. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.1.2.3 Projects Verification

1359. During the year under review, 6 projects with disbursements of Kshs. 14,300,000 were inspected in May 2016 and anomalies were noted as detailed below:

S/No	Project Name	Amount (Kshs.)	Observations
1.	Ndumbinyi Primary School- Construction of three classrooms	1,500,000	Project abandoned after excavation work. Construction works re-tendered with an expected completion date of 30.02.2016. At the time of the audit inspection, the contractor had not taken possession of the site.
2.	Maghimbinyi Primary School – Renovation of Six Classrooms	3,000,000	Floors had cracks although the classrooms were in use.
3.	Mbale Health Centre – Construction of a male ward	1,300,000	Construction work has not started.
4.	Mgange Complex Centre – Construction of a hall	3,500,000	During the site visit, it was noted that the contractor had not taken possession of the site. The contractor was to take possession of the site by 29.04.2016.
5.	Werugha Multipurpose Complex – Construction of a hall	1,000,000	Construction work at roofing level with floors and fittings remaining. The contractor had not taken possession of the site by the time of audit verification.
6.	CDF Headquarters (Including boundary wall)	4,000,000	Finishing works still ongoing although the project was expected to be completed by 28.12.2015.
	Total	**14,300,000**	

1360. These anomalies may be a result of poor workmanship and lack of requisite capacity to deliver on the contract, which may delay completion of the projects and non-delivery of services and goods to the intended beneficiaries of the Constituency.

Submission by the Fund Account Manager

1361. The Fund Account Manager submitted that:

(i) Ndumbinyi Primary School- the time of the audit, the contractor was mobilizing materials at and that the construction of three classrooms is complete and in use. The completion certificate and photo of the classrooms had been availed for audit review.

(ii) Maghimbinyi Primary School – The project was under a defect and liability period where the contractor was called back to do repairs. Availed for audit review completion certificate and a photo of the renovated classrooms.

(iii) Mbale Health Centre – There were delays due to the enactment of the NG-CDF Act 2015 however, the construction of the male ward is complete and it is in use. Availed for review is the completion certificate

(iv) Mgange Complex Centre – Commencement of works was subject to the community demolishing an old building that was on site. However, the demolition works were completed and immediately the construction works commenced. The hall is now completed and in use. Availed for audit review were PMC minutes on demolition, photo of the hall and certificate of completion.

(v) Werugha Multipurpose Complex – The Contractor was mobilizing materials however the finishes works are complete and hall in use. Completion certificate and photo of the hall availed for audit review.

(vi)CDF Offices- The delay was contributed by the terrain of the area that required technical advice before proceeding. However, the works are complete. The completion certificate and photo of the perimeter wall were availed for audit review.

Inspection visits undertaken by the Committee

1362. The Committee undertook an inspection visit from 14th to 18th May, 2021 to verify the information provided by the Fund Account Manager on the construction of a Male ward at Mbale Health Centre and CDF Offices.

Committee Observations

1363. The Committee observed that the projects had since been completed and were in use.

Committee Recommendation

1364. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

7.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR FOR 2015/2016

1365. The Auditor General raised four audit Matters during the examination of the 2015/2016 financial statements of Wundanyi Constituency.

7.1.3.1 Bank Balance

1366. The statement of assets as at 30 June 2016 reflected a bank balance of Kshs. 54,275,148. However, the bank reconciliation statement as at 30 June 2016 availed for audit review reflected payments in cashbook not in bank statements of Kshs. 3,455.919.25. out of which Kshs. 21,000 related to the un-presented cheque of which the subsequent bank statement showing dates of clearance by the bank were not availed for audit review. Further, included in the payments in bank statements, not in cashbook were bank charges of Kshs. 5,004.25 and which ought to have been expensed in the statement of income and expenditure. Consequently, the accuracy and completeness of bank balance of Kshs. 54,275,148 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1367. The Fund Account Manager submitted that the payment in the cashbook not in bank statements comprised of Kshs. 500,000 paid to Mlambenyi-Mwangea road was cleared in the bank in March 2017 and that of Kshs. 2,000,000 paid to Funju Secondary School was also cleared in the bank in March 2017.

1368. He further submitted that Kshs. 21,000 was bursary payments that had been received back in the cashbook and awarded to new beneficiaries. Cashbook extract had been availed. Kshs. 400,000 was cash for office use and Kshs. 421,285 paid to KCB was for Salaries. These were cleared in the bank in July 2016. Bank statements had been availed.

Committee Observations

1369. The Committee observed that-

i. The Fund had stale cheques which had not been reversed to the cashbook, unrecorded bank charges which is contrary to International Public Sector Accounting Standards (IPSAS) framework on the preparation of financial statements;
ii. The Fund did not maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund; and
iii. The cashbook and bank reconciliation statements had since been updated and the supporting documents had been provided to the auditor for audit verification.

Committee Recommendations

1370. The Committee recommends that:

1) **Accounting Officer to ensure that the Fund Account Manager keeps accurate, reliable, and complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**
2) **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

7.1.3.2 Cash Balance

1371. The statement of assets as at 30th June 2016 reflected a nil cash balance. However, contrary to management assertion, the supporting Board of Survey Report as at the same date was not availed for audit review. Consequently, the accuracy and completeness of nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1372. The Fund Account Manager submitted that the board of survey had been provided to confirm the accuracy of the cash balance. Cashbook extract had been availed for audit review.

Committee Observations

1373. The Committee observed that the survey reports were later submitted to the auditor for review and audit verification.

Committee Recommendations

1374. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

7.1.3.3 Transfers to Other Government Units

1375. Note 6 to the financial statements for the year ended 30 June 2016 reflected transfers to secondary schools of Kshs. 17,640,000 out of which a total of Kshs. 2,000,000 was disbursed to Mdundonyi Secondary School for the construction of a laboratory. Records availed for audit review indicated that work was done through a labor contract at a contract sum of Kshs. 894,616 while construction materials were purchased at a Kshs. 2,784,840, all totaling Kshs. 3,679,456. However, during project verification in January 2017, the floor had cracks while the ceiling board was damaged by water leakage.

Consequently, the value for money for Kshs. 2,000,000 spent on the project for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1376. The Fund Account Manager acknowledged that during the time of the audit, the project was under defect and liability period however, the contractor was called back to rectify the defects. The letter to the contractor, photo of Laboratory and completion certificate had been availed for audit review.

Committee Observations

1377. The Committee observed that-

(i) At the time of the audit, the laboratory floors had cracks while the ceiling board was damaged by water leakage.

(ii) The project was under defect and liability period and the damages and defects were corrected;

(iii)The supporting documents were provided to the auditor for audit review and verification.

Committee Recommendations

1378. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

7.1.3.4 Budgetary Controls and Performance

1379. During the year under review, the Fund had a budget of Kshs. 156,397,595 and spent Kshs. 99,118,906 or 63.4%, resulting in under expenditure of Kshs. 57,278,689 or 36.6% as shown below: -

Expenditure	Final Budget (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Und Absorption (%)
Compensation of Employees	3,488,189	1,357,740	2,130,449	61
Use of goods and services	11,150,887	7.683580	3,467,307	31
Transfers to Other Government Units	73,837,931	53,837,931	20,000,000	27
Other grants and transfers	67,920,588	36,239,655	31,680,933	47
Total	156,397,595	99,118,906	57.278,689	37

1380. Management had attributed the under expenditure to the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February 2016 which

delayed the transitioning of the Committee members by five months. The under expenditure of Kshs. 57,278.689 however amounts to a non-compliance with the provisions of Section 220(1) of the Constitution of Kenya which requires budgets of the national government to contain estimates of revenue and expenditure, differentiating between recurrent and development and proposals for financing any budget deficit for the period to which they apply. Further, Section 35 (1) of the PFM Act, 2012 requires the budget process for the national Government to comprise among other things integrated long-term and medium-term planning and determining financial and economic policies and priorities at the national level over the medium term and implementing the budget. As such, delivery of goods and services to residents of Wundanyi Constituency may have been curtailed.

Submission by the Fund Account Manager

1381. Mr. Henry Wanjiku submitted that the under expenditure resulted from the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February 2016 which delayed the transitioning of the Committee members by five months.

Committee Observations

1382. The Committee observed underutilization of the funds was due to the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February 2016 which delayed the transitioning of the Committee members by five months.

7.1.3.5 Projects Implementation

1383. The project status report availed for audit review indicated that a total of Kshs. 72,967,142 was disbursed to 23 projects, out of which Kshs.51,488,719 or 70.6% had been spent as at 30 June 2016, resulting in unspent disbursements of Kshs.21,478,423 or 29.4%. Analysis of the project status report above revealed that four (4) projects had not taken off despite cumulative disbursements of Kshs. 5,800,000 as at 30 June 2016. Further, six (6) of the projects cost Kshs. 27,900,000 were well past their expected completion dates as shown below: -

No.	Name of Project	Details of the project	Start Date	Expected Completion Date	Period of delay as at the time of verification (in months)	Cumulative Disbursements (Kshs)	Expenditure in 2015/2016 (Kshs)	Cumulative Expenditure as at 30 June 2016 (Kshs)	% Complete
1.	Mbela High School	Construction of laboratory	06/05/2016	23/11/2016	3	2,300,000	Nil	Nil	0

No.	Name of Project	Details of the project	Start Date	Expected Completion Date	Period of delay as at the time of verification (in months)	Cumulative Disbursements (Kshs)	Expenditure in 2015/2016 (Kshs)	Cumulative Expenditure as at 30 June 2016 (Kshs)	% Complete
2.	Mghange Nyika Health Centre	Finishes ground floor, walling, roofing, doors, windows and finishes and fixtures of first floor.	29/04/2016	11/08/2016	6	3,600,000	2,968,934	2,968,934	70
3.	Mwakis himba Second ary School	Construction on of Frame (Columns), walling, doors windows and finishes and fixtures of first floor of four classes and toilets	24/11/2015	23/11/2016	3	15,500,000	15,500,000	15,500,000	85
4.	Mwanda Primary school	Construction of two Classes	29/04/2016	22/07/2016	7	2,000,000	1,900,626	1,900,626	90
5.	Sungululu Modern Hall	Frame, walling, doors, windows and finishes	17/03/2016	28/07/2016	7	3,500,000	3,499,121	3,499,121	90
6.	Mwanyuro Primary School	Finishes of stairs, flooring, windows and doors.	05/05/2016	14/07/2016	7	1,000,000	193,453	193,453	95
	TOTAL					27,900,000	24,062,135		

1384. The management attributed the delay in projects implementation and the under expenditure to the enactment of the National Government Constituencies Development

Fund Act, 2015 on 19 February 2016 which delayed the appointment of new Committee members by five months.

1385. The under expenditure and failure to implement projects within the planned time is an indication that the budget was not implemented in accordance with the provisions of Section 220(1) of the Constitution of Kenya which requires budgets of the national government to contain estimates of revenue and expenditure, differentiating between recurrent and development and proposals for financing any budget deficit for the period to which they apply. This situation may have had a negative impact on service delivery to the residents of Wundanyi Constituency.

Submission by the Fund Account Manager

1386. Mr. Henry Wanjiku submitted that the management noted the delay in the completion of projects. The six projects had since been completed and were in use. Photos and completion Certificates were availed for audit review.

Committee Observations

1387. The Committee observed that delays in implementation of projects were occasioned by the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February 2016 which delayed the appointment of new Committee members by five months.

7.1.3.6 Projects Verification

1388. Eleven (11) projects were inspected in January 2017 and anomalies noted in five (5) of them are as detailed below:

a) **Construction of Classrooms at Mlilo Primary School**

1389. During the period under review, a total of Kshs. 1,500,000 was disbursed to Mlilo Primary School for the construction of two (2) classrooms at a contract price of Kshs. 2,424,644. During the inspection of the project, the contractor was not on-site and the windows and doors had not been fitted. Further, the project is omitted from the project's implementation status report as at 30 June 2016.

Submission by the Fund Account Manager

1390. The Fund Account Manager submitted that the classrooms were complete and in use. The completion certificate had been availed for audit review.

Committee Observations

1391. The Committee observed that during the audit review period, the project had not been completed. The project had since been completed and a completion certificate was provided for the auditor for audit review.

Committee Recommendations

1392. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account**

Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

b) **Stalled construction of a Male Ward at Mbale Health Center**

1393. The project status report as at 30 June 2016 indicated that a total of Kshs. 1,300,000 was disbursed in the previous year for the construction of a male ward at Mbale Health Centre. However, since health is a devolved function, the management explained that no funds were allocated to the project in the year under review after the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February, 2016. During a visit to the project, some construction materials which included reinforcement bars were on site but no work had started, an indication that the project had stalled. In addition, the project is omitted from the project's implementation status report as at 30 June 2016 availed for audit review.

Submission by the Fund Account Manager

1394. The Fund Account Manager submitted that the Mbale Health Centre experienced delays due to the enactment of the NGCDF Act 2015 however, the construction of a male ward is complete and in use. Availed for review are the completion certificate and photo of the male ward.

Committee Observations

1395. The Committee observed that during the audit review period, the project had not been completed. The project had since been completed and a completion certificate was provided for the auditor for audit review.

Committee Recommendations

1396. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

c) **Construction of Offices at Mwanda Health Centre**

1397. During the year ended 30 June 2016, a total of Kshs. 2,000,000 was disbursed for the construction of offices at Mwanda Health Centre. However, as at the time of audit verification, the contractor was not on site. It was also observed that the hand wash basin had not been fitted while windows were fitted with wooden frames instead of steel frames specified in the Bill of Quantities. The management explained that the

anomaly was noted and the contractor paid for wooden frames. However, the type of window frames paid for is not specified in the Engineer's certificate availed for audit review. Further, the project is omitted from the project's implementation status report as at 30 June 2016 availed for audit review.

Submission by the Fund Account Manager

1398. The Fund Account Manager submitted that the Contactor's last accounts were made and he was only paid for work done. However, the project is complete and in use. Last payment Certificate issued, completion certificate and photo of the health care facility availed for audit review.

Committee Observations

1399. The Committee observed that during the audit review period, the project had not been completed. The project had since been completed and a completion certificate was provided for the auditor for audit review.

Committee Recommendations

1400. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

d) **Mbaramghondi Water Project**

1401. A total of Kshs. 500,000 was disbursed during the year under review for pipe laying and purchase of one water tank for Mbaramghondi Water Project. However, during a visit to the project, no work had started due to outstanding compensation for the water source which is located in an individual's land.

Submission by the Fund Account Manager

1402. The Fund Account Manager submitted that the project is complete and in use.

Committee Observations

1403. The Committee observed that during the audit review period, the project had not been completed. The project had since been completed and a completion certificate was provided for the auditor for audit review. The auditor to do physical verification of the project during the next audit period.

Committee Recommendations

1404. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account**

Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

e) Construction of Sungululu Hall

1405. During the year under review, a total of Kshs. 2,500,000 was disbursed to Sungululu Hall project. A visit to the hall revealed that it was constructed on a slope with an unstable soil structure and may collapse due to soil erosion in the area. These anomalies may be a result of poor planning and lack of requisite capacity to deliver on the contracts, which may delay completion of the projects and non-delivery of services and goods to the intended beneficiaries of the Constituency.

Submission by the Fund Account Manager

1406. The Fund Account Manager submitted that a retention wall was built to secure the building. The Completion certificate was provided for audit review.

Committee Observations

1407. The Committee observed that-

(i) The project had been established on a slope with unstable soil and that the anomaly was corrected by erecting a retention wall to secure the building;

(ii) The completion certificate had been provided for the auditor for audit review.

Committee Recommendations

1408. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager and PMCs undertake feasibility studies and due diligence before undertaking projects to avoid wastage of resources.**

f) Position of Clerk of Works

1409. Records availed for audit review indicated that Wundanyi Constituency Development Fund is yet to fill the position of Clerk of Works, contrary to Circular No. CDF BOARD/CIRCULARSNOL.1.1/166 dated 24 June 2013 lists this position as critical for effective management of the Fund at the constituency level. No satisfactory explanation had been given for non-compliance with the Circular.

Submission by the Fund Account Manager

1410. The Fund Account Manager confirmed that management adhered to regulations and the Clerk of Works was employed. The Appointment letter was availed for audit review.

Committee Observations

1411. The Committee observed that-

(i) The Fund Account Manager had not employed a Clerk of Works contrary to Circular No. CDF BOARD/CIRCULARSNOL.1.1/166 dated 24 June 2013.

(ii) The Fund Account Manager had since employed Clerks of Works and the supporting documents had been provided for the auditor for audit verification.

Committee Recommendations

1412. **The Accounting officer of the NG-CDF Board should ensure Fund Account Managers and CDC comply with the Board guidelines on employment of CDF staff to strengthen project implementations at the Constituencies.**

7.2 TAVETA CONSTITUENCY

1413. 1383. Mr. Daniel Mwaluko, the current Fund Account Manager since 2007 appeared before the Committee on 1st October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Taveta Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

(1) Mr. James Chebii, Ag. Manager Field Financial Services
(2) Ms. Christine Mwangolo, Ag. Manager Field Operations

7.2.1. AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1414. The Auditor General raised four audit Matters during the examination of the financial statements of Taveta Constituency for the year 2013/2014.

Transfers to other Government Entities

a) Tertiary institutions

1415. Note 7 to the financial statements reflected a balance of Kshs. 49,190,184 in respect of transfers to tertiary institutions which includes Kshs. 41,500,000 paid to a contractor for the construction of Kenya Medical Training College, Taveta campus. However, bank statements availed for audit review indicated that as at 30 June 2014, the contractor had been paid a total of Kshs. 61,500,000 including Kshs. 20,000,000 paid in 2012/2013 against an amount of certified work as at that date of Kshs. 49,407,679, resulting in an overpayment of Kshs. 12,092,321.

1416. Consequently, the propriety of expenditure totaling Kshs. 41,500,000 in respect of transfers to tertiary institutions for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1417. The Fund Account Manager submitted that included in the transfer to tertiary institutions of Kshs. 49,180,184 was Kshs. 41,500,000 paid to a contractor for the construction of KMTC Taveta Campus. The Contractor had been paid a total of Kshs. 61,500,000. The completion certificates issued by the Lead Consultant Otto Mruttu & Partners for the period were provided for audit review.

Committee Observations

1418. The Committee observed that certificates of works completed were availed for audit review. The overpayment was due to advance payment of certificate no 1 which was subsequently recovered.

Committee Recommendations

1419. **The Committee recommends that the Accounting Officer ensure that Fund Account Manager makes payments for works based on the completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds are retained for the defect liability period.**

b) **Transfers to primary schools**

1420. Included under Note 7 figure of Kshs. 21,200,000 in respect of transfers to primary schools is Kshs. 3,000,000 disbursed for the construction of a dormitory at Mahoo primary school. However, the engineer's estimate of costs and report of the Acceptance and Inspection Committee for this project were not availed for audit review. Consequently, it was not possible to confirm the propriety of Kshs. 3,000,000 disbursed for construction of a dormitory at Mahoo Primary School for the year ended 30 June 2014.

Submission by the Fund Account Manager

1421. The Fund Account Manager submitted that the engineers estimate for the project, acceptance and inspection for the period under review had been availed to the auditor for review.

Committee Observations

1422. The Committee observed that-

(i) The Fund had not provided at the time of the audit the engineers' estimate of costs and report of the Acceptance and Inspection Committee.

(ii) The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1423. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

Other Grants and Payments

a) **Water Projects**

1424. Included under Note 8 to the financial statements is Kshs. 3,000,000 in respect of water projects disbursed through Cheque Number 3038 dated 14 April 2014 for completion of Challa Water Project. However, quotations and reports of the Inspection and Acceptance Committee were not availed for audit verification. As a result, the propriety

of this expenditure totaling Kshs. 3,000,000 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1425. Mr. Daniel Mwaluko confirmed that quotations for the bidders, inspection and acceptance committee minutes had been availed to the auditors for review.

Committee Observations

1426. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the quotations and report of the Acceptance and Inspection Committee.

(ii) The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1427. **The Committee recommends that the Accounting Officer ensure that Fund Account Managers comply with the provisions of Section 68 of the PFM Act 2012 on the timely submission of documents.**

b) Emergency Projects

1428. Included under Note 8 to the financial statements is an emergency projects figure of Kshs. 3,806,217 which includes Kshs. 1,000,000 disbursed through cheque number 3227 dated 6 June 2014 and spent on construction of a classroom and toilets at Ulawani Primary School. However, the engineer's certificates and report of the Inspection of Acceptance Committee were not availed for audit verification. Consequently, the propriety of Kshs. 3,000,000 disbursed and spent on the project for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1429. The Fund Account Manager presented that the engineers' payment certificates and report of inspection and acceptance committee had been availed to the auditors for review.

Committee Observations

1430. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of the audit the engineers certificates and report of the Acceptance and Inspection Committee; and

(ii) However, the documents had been provided to the auditors for review and verification.

Committee Recommendations

1431. **The Committee recommends that the Accounting Officer ensures that All Fund Account Managers avail supporting documents to the Auditor General during the audit process as required under section 9(1)(e) Public Audit Act, 2015.**

7.2.1.1 Other Payments

1432. The statement of receipts and payments reflected other payments' balance of Kshs. 500,000 for construction of Kidong'u Social Hall whose contract sum is Kshs. 1,591,500. However, although the contract agreement indicated that construction work started on 14 March 2012, the contract did not indicate the completion date. In addition, Engineers cost estimates and tender evaluation reports were not availed for audit verification.

1433. Also, the title deed for the land on which the social hall stands was not availed for audit review. Further as at 30 June 2014, a total of Kshs. 1,505,000, 95% of the contract sum, had been paid to the contractor but during a visit to the project in September 2015, the contractor was still on-site fitting window glasses. No satisfactory explanation had been given for the signing of a contract with no definite completion date and for funding a project on land whose ownership appears uncertain.

1434. As a result, the propriety of Kshs. 500,000 shown in the statement of receipts and payments for the year ended 30 June 2014 and Kshs. 1,505,000 spent on the projects so far could not be confirmed.

Submission by the Fund Account Manager

1435. The Fund Account Manager submitted that included in other payments is a transfer of Kshs. 500,000 transferred for construction of Kidong'u social hall whose construction started on 14th of March 2012. Delays on completion were occasioned by funding in phases for two financial years (2012/2013 Kshs. 1,000,000 and 2013/2014 Kshs. 500,000). The project was implemented in public land and the ownership document, contract agreement had been availed to the auditors for review. In addition, 95% of the contract sum had been paid to the contractor in line with amount certified by the engineer and availed to the auditor for review.

Committee Observations

1436. The Committee observed that the Fund Account Manager had not provided at the time of audit the title deed for the land on which the social hall hence the audit query is not resolved.

Committee Recommendations

1437. **The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager avails the title deed for the land in question to the Auditor-General for audit review and reporting in the subsequent audit cycle.**

7.2.1.2 Cash and Cash Equivalents

1438. The statement of financial assets and liabilities as at 30 June 2014 reflected cash and cash equivalents balance of Kshs. 8,673,760.70, out of which Kshs. 8,585,160.70 relates to bank balance as per cashbook. However, the Fund's bank reconciliation statement as at 30 June 2014 reflected payments in cashbook not in bank statement totaling Kshs. 4,943,913.40, out of which Kshs. 327,398.60 were stale cheques issued between 9 May 2007 and 2 February 2012.

1439. Further, despite management's explanation that all the long outstanding items had been reversed in the cashbook, no documentary evidence was provided in support of the assertion. In addition, when all the reconciling items were cleared the dates, had not been indicated. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 8,673,760.70 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1440. The Fund Account Manager submitted that the cheques and all outstanding items were reversed on 16/1/2015. The cashbook extract had been availed to the auditor for review.

Committee Observations

1441. The Committee observed that cashbook and bank reconciliation statements were not updated.

Committee Recommendations

1442. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1443. The Auditor General raised seven audit Matters during the examination of financial statements of Taveta Constituency for the year 2014/2015.

7.2.2.1 Use of goods and services

1444. The use of goods and services figure of Kshs. 1,482,469 shown in the statement of receipts and payments for the year ended 30, June 2015 includes Kshs. 801,000 relating to routine maintenance – vehicle and other transport equipment, out of which Kshs. 751,000 was paid to a garage for repair of GK A911U, GK A186G and GK A911U. However, the defects were not indicated in the respective daily work tickets nor post-inspection report availed for audit verification. Consequently, the propriety of Kshs. 1,001,026 spent on routine maintenance - vehicles and other transport equipment and painting for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1445. Mr. Daniel Mwaluko submitted that the defects report and post-audit inspection report had since been availed to the auditor for review. In addition, in the expenditure of Kshs:120,000 for purchase of four tires for GKA911U and Kshs:250,026 for the painting of Taveta Sub- County commissioners' office, the stores' ledger and request for funding and NG-CDFC Minutes approving the funding had since been availed to the auditor for review respectively.

Committee Observations

1446. The Committee observed that-

i) The Fund Account Manager had not provided defects report and post-audit inspection report at the time of audit for audit review; and

ii) The defects report and post-audit inspection report had since been availed to the auditor for review; the painting of County Commissioner Office approval of funding as an emergency by the CDF committee was availed for audit review.

Committee Recommendations

1447. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

7.2.2.2 Transfers to other Government units.

1448. The statement of receipts and payments for the year ended 30 June, 2015 reflected an amount of Kshs. 59,320,690 in respect of transfers to other government units of which the following observations were made:

a) St. Patrick – Kimala Primary School.

1449. Included in the transfers to other government units amount of Kshs. 59,320,690 is Kshs. 11,537,931 relating to transfers to Primary Schools of which Kshs. 500,000 was

transferred to St. Patrick – Kimala Primary School for Flooring, Electrification, Fixing Windows, Plastering and Painting of two classrooms at a contract sum of Kshs. 1,397,545. However, records availed for audit review indicate that the construction work that was expected to take three months was completed after two and half years. The delay occasioned extra works of Kshs. 302,496, which pushed the original contract sum of Kshs. 1,397,545 to the final sum of Kshs. 1,700,041.

Submission by the Fund Account Manager

1450. Mr. Daniel Mwaluko submitted that included in the transfers to other Government units was Kshs. 500,000 transferred to St. Patrick Kimala primary school. The variation was occasioned by extra works to the tune of Kshs. 302,496 due to funding challenges which were done in phases. The Engineers' site instruction and funding tranches had since been shared with the auditor for review.

Committee Observations

1451. The Committee observed that variation of the cost was approved by the PMC and that delay in the implementation of the project was due to delay in funding.

Committee Recommendations

1452. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

b) Kiwalwa Primary School.

1453. Transfers to Primary Schools of Kshs. 11,537,931 also include Kshs. 2,000,000 disbursed to Kiwalwa Primary School for walling and roofing of administration block and two classrooms whose contract sum was Kshs. 4,088,350. However, the tender was awarded through quotations, contrary to the threshold's matrix in the First Schedule of the Public Procurement and Disposal Regulations, 2006 which requires tenders above Kshs. 4,000,000 to be awarded through the national open tender method.

Submission by the Fund Account Manager

1454. The Fund Account Manager submitted that included in the transfers to other Government units is Kshs. 2,000,000 transferred to Kiwalwa Primary School for walling and roofing of administration block and two classrooms. The project was initially funded under ESP Programme. The project was evaluated before the onset of the NG-CDF funding which was done in two tranches at a cost of Kshs. 2,000,000 in each of the two financial years. The completion of the project was tendered through locally pre-qualified contractors. The evaluation report, photographs, code list had been availed to the auditor for review.

Committee Observations

1455. The Committee observed that the project tender was awarded through quotations, contrary to the provisions of the Public Procurement and Disposal Regulations, 2006, hence the audit query is not resolved.

Committee Recommendations

1456. **The Committee recommends that within three months upon adoption of this report, the NG-CDF Board investigates the award of the contracts and takes action against the Fund Account Manager and any other officers involved in the procurement process.**

c) Mata Primary School

1457. In addition, transfers to Primary Schools figure of Kshs. 11,537,931 includes Kshs. 2,000,000 transferred to Mata Primary School for completion of walling and roofing of administration and two classrooms at a contract sum of Kshs. 4,037,500. Available records indicate that the project was started by the National Government under the Economic Stimulus Program (ESP). However, evidence of valuation to ascertain the level of completion before the fund took over the project was not availed for audit verification.

1458. Further, although the contract sum of the project was Kshs. 4,037,500, the tender was awarded through quotations, contrary to the threshold's matrix in the First Schedule of the Public Procurement and Disposal Regulations, 2006 which requires contracts of above Kshs. 4,000,000 to be awarded through the national open tender method.

Submission by the Fund Account Manager

1459. The Fund Account Manager submitted that included in the transfers to other Government units is Kshs. 2,000,000 transferred to Mata primary school for walling and roofing of administration block and two classrooms. The project was initially funded under ESP Programme. The project was evaluated before the onset of the NG-CDF funding which was done in two tranches at a cost of Kshs. 2,000,000 in each of the two financial years. The completion of the project was tendered through restricted tendering using locally pre-qualified contractors. The evaluation report, code list and photographs had been availed to the auditor for review.

Committee Observations

1460. The Committee observed that the project was initially funded under ESP Programme. The project was evaluated before the onset of the CDF funding which was done in two tranches at a cost of Kshs. 2,000,000 in each of the two financial years.

Committee Recommendations

1461. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with provisions of Public Procurement and Asset Disposal Act, 2015 and its Regulations.**

d) Chala Primary School.

1462. Transfers to Primary Schools totaling Kshs. 11,537,931 also includes Kshs. 1,000,000 transferred to Chala Primary School for Flooring, fitting windows and doors, Plastering and Painting of a Girls Dormitory and two classrooms. However, certificates of completion and report of the inspection and acceptance committee for this work were not availed for audit verification. Consequently, the propriety and value for money for Kshs. 5,500,000 transferred to the four (4) primary schools for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1463. The Fund Account Manager indicated that included in the transfers to other Government units is Kshs. 1,000,000 transferred to chala primary school for completion of two classrooms and Girl's dormitory. The completion certificate and report of the inspection and acceptance committee had since been availed to the auditors for review.

Committee Observations

1464. The Committee observed that-

(i) The Fund Account Manager did not provide certificates of completion and a report of the inspection and acceptance committee for audit verification. However, the documents were later provided to the auditors for review and verification.

Committee Recommendations

1465. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during the audit period as required under section 9(1)(e) Public Audit Act, 2015.**

e) Kenya Medical Training College Campus – Taveta Campus

1466. Included in the transfers to other government units of Kshs. 59,320,690 is an amount of Kshs. 33,800,000 in respect of transfers to tertiary institutions, out of which Kshs. 23,800,000 was for the construction of Kenya Medical Training College Campus – Taveta Campus.

1467. However, bank statements availed for audit review indicated that as at 30 June 2015, the contractor had been paid a total of Kshs. 64,160,086 against the amount of certified work as at the date of Kshs. 49,407,679 resulting in an overpayment of Kshs. 14,752,407. Consequently, the propriety and value for money for Kshs. 23,800,000 spent in respect of the transfer to tertiary institutions for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1468. Mr. Daniel Mwaluko submitted that included in the transfers to tertiary institutions is Kshs. 23,800,000 transferred to the KMTC Taveta campus project. The contractor had been paid a total of Kshs. 64,160,086 against the amount of work certified at that date of Kshs. 49,407,679 through certificates issued by the Lead Consultant M/S Otto Mruttu & Partners as follows:

Description	Amount Certified by Architect Kshs	Certificate date	Amount paid by CDF Kshs	Date of payment	Outstanding Balance Kshs
Certificate No. 01	34,589,248	21/01/2013	20,000,000	23/01/2013	14,589,248
Certificate No. 02	17,370,219	11/03/2013	18,000,000	15/11/2013	13,959,467
Certificate No. 03	17,230,063	22/04/2013	20,000,000	23/01/2014	11,189,529
Certificate No. 04	6,160,086	18/7/2013	11,189,529	2/12/2014	11,189,529
Certificate No. 05	35,078,454.20	23/11/2015	9,378,454.20 11,000,000	8/12/2015 23/12/2015	11,189,529
TOTAL	**110,428,070.20**		**89,567,983.20**		

1469. Mr. Daniel Mwaluko further submitted that clause 23.7 of the contract agreement between Taveta Constituency Development Fund and Danaff Kenya LTD specified how any advance payment shall be treated.

Committee Observations

1470. The Committee observed that as at 30 June 2015 the contractor had been paid Kshs. 69,189,529 against amount certified at Kshs. 75,349,616.

Committee Recommendations

1471. **The Committee recommends that the Accounting Officer should ensure that Fund Account Managers only pay for works done based on the completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds are retained for the defect liability period.**

7.2.2.3 Other grants and transfers

a) Water Projects.

1472. The statements of receipts and payment for the year ended 30th June 2015 reflected other grants and transfers balance of Kshs. 15,170,000 out of which Kshs. 4,000,000 is

in respect of Chala Water Project. However, the contract was awarded to a construction company whose evidence of registration with the National Construction Authority as piping contractors was not availed for audit verification. Consequently, the propriety and value for money for Kshs. 4,000,000 disbursed for the water project for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1473. The Fund Account Manager submitted that included in the other grants and transfers to water projects is Kshs. 4,000,000 transferred to Chala water project. The contractor's registration certificate with National Construction Authority for piping works had since been availed to the auditor for review.

Committee Observations

1474. The Committee observed that-

i) The Fund Account Manager did not provide the contractor's registration certificate with National Construction Authority for audit verification; and

ii) The documents were later provided to the auditors for review.

Committee Recommendations

1475. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents.**

b) Emergency Funds

1476. Included in the other grants and transfers amount of Kshs. 15,170,000 was an emergency expenditure of Kshs. 4,570,000 for the year ended 30th June 2015. However, included in this amount was Kshs. 250,026.40 spent on the painting of Taveta Sub-County Commissioner's Office and Kshs. 740,000 spent on bursaries for which the authority of the Board as per Section 10(2) of the CDF Board Act, 2013 were not availed for audit review. Further, according to Section 12(3) of the CDF Board Act, 2013, emergency refers to an urgent, unforeseen need for expenditure for which it was in the opinion of the committee that it could not be delayed until the next financial year without harming the public interest of the constituents. Painting of the office and paying bursaries were not emergencies within the context of this law.

1477. Consequently, the expenditure of Kshs. 990,026.40 treated as an emergency for the year ended 30th June 2015 was not supported and did not comply with the law.

Submission by the Fund Account Manager

1478. The Fund Account Manager presented that included in the other grants and transfers is Kshs. 250,026.40 spent on painting Taveta Sub-County Commissioners office. The funds were made for the painting of sub-county commissioner's office in readiness for official opening by His Excellency the President of the Republic of Kenya. Further,

Kshs. 740,000 was spent on bursaries for needy students, the maximum threshold for bursary as per CDF Act 2013 was not surpassed.

Committee Observations

1479. The Committee observed that-

i) The Fund used Kshs. 250,026.40 emergency funds on the painting of Taveta Sub County Commissioner's Office and Kshs. 740,000 spent on bursaries for which the authority of the Board as per Section 10(2) of the CDF Board Act, 2013 were not availed for audit review;

ii) The activities did not qualify to be emergency according to Section 12(3) of the CDF Board Act, 2013; and

(i) The audit query is not resolved.

Committee Recommendations

1480. **The Committee recommends that within three months upon adoption of this report, the Accounting Officer takes appropriate administrative action against the Fund Account Manager who reallocated the emergency funds without the Board's approval in contravention of Section 10(2) and 12(3) of the Constituencies Development Fund Act, 2013.**

7.2.2.4 Cash and Cash Equivalents

1481. The statement of financial assets as at 30th June 2015 reflected cash and cash equivalents balance of Kshs. 2,645,408 out of which Kshs. 2,556,808 relates to bank balance as per cashbook. However, the fund's bank reconciliation statement as at 30th June 2015 reflected payments in cashbook not in bank statement totaling Kshs. 702,061.40 whose dates of clearance by the bank were not indicated.

1482. Further, the reconciliation reflected payments in the bank statement not in the cashbook of Kshs. 2,135 and receipts in the bank statement of Kshs. 25,121,499.20. However, the reason for the non-recording of these items had not been provided. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 2,645,408 as at 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1483. Mr. Daniel Mwaluko submitted that included in the statement of financial assets as at 30th June 2015 is Kshs. 702,061.40 for unpresented cheques which were later cleared on 16/01/2015 and Kshs. 2,135 for bank charges that were later cleared on 26/2/2015 Kshs. 25,121,499.20 was received on 2/7/2015 and not recorded in the cashbook because the sub-county accountant of the national treasury required AIEs which were received after the closure of the financial year on 20/7/2015 cashbook extracts and AIES had since been availed to the auditor for review.

Committee Observations

1484. The Committee observed that the Fund Account Manager did not reconcile and update cash book and bank statements

Committee Recommendations

1485. **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.2.2.5 Outstanding Imprest

1486. Included in the cash and cash equivalents balance of Kshs. 2,645,408 shown in the statement of financial assets as at 30th June 2015 is an overdue imprest of Kshs. 88,600 were issued to an officer on 09th May 2007. This is contrary to Section 71 (2) of the PFM Act, 2012. In the circumstances, the recoverability of the un-surrendered imprest of Kshs. 88,600 remains uncertain.

Submission by the Fund Account Manager

1487. Mr. Daniel Mwaluko submitted that included in the cash and cash equivalents is Kshs. 88,600. issued to Francis Kimotho personal No. 89102732 of Ministry of Water and Irrigation for conducting the geological survey for Taveta Constituency on 9th May, 2007. The management wrote to the Chief Executive officer, Water Resources Management Authority on 20th July, 2011, the Head of Accounting Unit, Ministry of Water and Irrigation on 2nd of June, 2010, the Permanent Secretary, Ministry of Water and Irrigation on 15th August, 2008 and 11th June, 2009, and the Chief Executive Officer, Constituencies Development Fund Board on 4th September, 2012. The correspondence had been presented to the auditor for review

Committee Observations

1488. The Committee observed that the Fund Account Manager had not managed to trace the holder of the long outstanding imprest.

Committee Recommendations

1489. The Committee recommends that-

1) **The Accounting Officer liaises with the Fund Account Manager to ensure the surrender and or recovery of imprest held by Mr. Francis Kimotho the Officer from the Ministry of Water & Sanitation, Irrigation and report to the Auditor general for reporting in the next audit cycle;**
2) **Failure to recover the imprest from the Officer, the Accounting Officer recovers the full imprest from the Fund Account Manager within three months after the adoption of this report, and;**

3) **The Accounting Officer ensures that Fund Account managers adhere to the provisions of Section 71 (2) of the PFM Act, 2012 and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.**

7.2.2.6 Budgetary Control and Performance

1490. During the year under review, the Fund had a budget of Kshs. 109,070,558 and spent Kshs. 81,392,850or 75%, resulting in an under expenditure of Kshs. 28,560,399 or 26% on seven items and over-expenditure of Kshs. 882,691 or 1% on committee expenses as shown below;

Item	Budget (Kshs.)	Expenditure (Kshs.)	Under Absorption (Kshs.)	Over expenditure (Kshs,)	%
Compensation of Employees	1,909,160	1,362,000	547,160	-	29
Use of Goods and Services	1,715,967	1,482,469	233,498	-	14
Committee Expenses	3,115,400	3,998,091	-	882,691	28
Transfer to other Government Units	73,037,531	59,320,690	13,716,841	-	19
1491. Other Grants and Transfers	28,537,220	15,170,000	13,367,220	-	47
Social Security Benefits	105,280	9,600	95,680	-	91
Acquisition of Assets	150,000	50,000	100,000	-	67
Other Payments	500,000	-	500,000	-	100
Total	**109,070,558**	**81,392,850**	**28,560,399**	**882,691**	

1492. The underutilization of funds may have impacted negatively on the delivery of goods and services to the citizens of Taveta Constituency or a reflection of misallocation of funds, hence there is a need to re-think the budget process to focus on priority areas.

Submission by the Fund Account Manager

1493. Mr. Daniel Mwaluko submitted that included the budget performance report is under expenditure of Kshs. 28,560,399.00 representing 25% which resulted from Kshs. 25,121,499.20 which had been received by the end of the financial year but the AIES where still pending from the CDF board.

Committee Observations

1494. The Committee observed that under expenditure was due Kshs. 25,121,499.20 which had been received by the end of the financial year but the AIES where still pending from the CDF.

Committee Recommendations

1495. **The Committee recommends that the NG-CDF Board ensures that AIEs are approved in time to avoid under expenditure.**

7.2.2.7 Projects Implementation

1496. The projects status report availed for audit review indicated that Kshs. 277,678,115 was allocated and disbursed to 34 projects, out of which Kshs. 271,078,932 or 98% was

spent as at 30th June 2015, resulting in an under expenditure of Kshs 6,599,183 or 2% as shown in the following table:

No	Name of Project	Details of the Project	Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements as at 30th June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30th June 2015 (Kshs)	Unspent Balance	%
1	Bursary Secondary Schools	Payment of bursary to needy students	11,000,000	4,000,000	11,000,000	4,000,000	11,000,000	-	100
2	Bursary Tertiary Institutions	Payment of Bursary to needy students	8,000,000	2,000,000	8,000,000	2,000,000	8,000,000	-	100
3	Mahoo Primary School	Completion of Girls Dormitory (fixing doors and windows and plastering)	5,400,000	1,000,000	5,400,000	0	5,108,135	999,135	67.04
4	Chola Primary School Project	Completion of Girls Dormitory (fixing doors and windows and plastering, painting, flooring)	2,300,000	500,000	2,3000,000	500,000	2,300,000	-	89
5	Chola Primary School Project	Completion of two classrooms (roofing, fixing doors and windows, plastering and painting)	1,200,000	500,000	1,200,000	500,000	723,090	476,910	71.6
6	Lumi Primary School Project	Construction of two new Classrooms	1,000,000	1,000,000	1,000,000	0	996,000	4,000	99
7	Kidong'o Primary School	Completion of two classrooms (Plastering, flooring, painting, fixing doors and windows and electrification)	1,800,000	500,000	1,800,000	0	1,600,000	200,000	91.7
8	Kiwalwa Primary School Project	Completion of administration block and two classrooms (Completion of walling and roofing)	2,000,000	2,000,000	2,000,000	2,000,000	1,989,000	11	99
9	Mata Primary School Project	Completion of administration block and two classrooms (Completion of walling and roofing)	2,000,000	2,000,000	2,000,000	2,000,000	1,998,540	1,460	99
10	Madunasani Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,700,000	500,000	1,700,000	1,100,000	1,344,399	355,601	79
11	Chakaa Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing	1,800,000	500,000	1,800,000	0	1,650,221	149,779	92

No	Name of Project	Details of the Project	Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements as at 30th June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30th June 2015 (Kshs)	Unspent Balance	%
		windows and electrification)							
12	Lessesia Primary School Project	Completinn of two classrooms (Plastering, flooring, painting, fixing windows and electrification) to ease congestion for a conducive learning environment	1,800,000	500,000	1,800,000	500,000	1,797,000	149,779	99
13	Riata Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,800,000	500,000	1,800,000	1,100,000	1,700,000	100,000	100
14	Ziwani Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,800,000	500,000	1,800,000	0	1,599,000	201,000	
15	Eldoro Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,500,000	500,000	1,500,000	500,000	1,500,000		
16	Njukini Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,800,000	500,000	1,100,000	0	600,000	500,000	
17	St. Patrick Kimala Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,800,000	500,000	1,800,000	600,000	1,700,000	100,000	
18	Ukwani Primary School Project	Construction Of two new Classrooms	2,200,000	1,200,000	2,200,000	1,200,000	2,200,000		100
19	Kitoghoto Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	2,000,000	1,000,000	2,000,000	1,000,000	1,842,970	157,030	92

No	Name of Project	Details of the Project	Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements as at 30th June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30th June 2015 (Kshs)	Unspent Balance	%
20	Sir-Ramson Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	2,000,000	1,000,000	2,000,000	0	1,978,124	21,876	98
21	Orkungu Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	2,000,000	1,000,000	2,000,000	1,000,000	1,860,100	139,900	93
22	Majengo Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	2,000,000	1,000,000	2,000,000	1,000,000	1,730,972	269,028	86.5
23	Nakruto Primary School Project	Rehabilitation of two classrooms (Plastering, Flooring, Painting, Fixing windows and electrification)	1,837,931	837,931	1,837,931	1,000,000	1,834,760	3,171	99.8
24	Luma Primary School Project	Completion of a new dormitory (Plastering, Fixing of doors and windows and Painting)	6,500,000	2,500,000	6,500,000	4,000,000	6,495,900	4,100	99.3
25	Kituba Secondary School Project	Completion of a new dormitory (Plastering, Fixing of doors and windows and Painting)	6,500,000	2,500,000	6,500,000	4,000,000	6,496,686	3,314	99.9
26	Mutu Secondary School Project	Completion of a new dormitory (Plastering, Fixing of doors and windows and Painting)	6,500,000	2,500,000	6,500,000	4,000,000	6,497,686	2,314	99.6
27	Ngutini Secondary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	3,000,000	800,000	3,000,000	800,000	2,994,520	5,480	99.81
28	Ngutini Secondary School Project	Construction of two pit latrines	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	100
29	Njoro Secondary School Project	Construction of four pit latrines for boys, Construction of four pit latrines with showers for girls and two pit latrines for staffs, Purchase of hundred metallic chairs and a hundred lockers	2,000,000	2,000,000	2,000,000	0	1,997,240	2,760	99.86
30	KMTC – Taveta	Construction of KMTC	157,190,1	34,000,000	157,190,184	23,800,000	154,649,5	2,540,59	98.38

No	Name of Project	Details of the Project	Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements as at 30th June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30th June 2015 (Kshs)	Unspent Balance	%
	Campus Project	Campus (Administration Block)	84				89	5	
31	Taveta Technical Training Institute	Construction of College	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000		100
32	Chala Water Project	Pipe Laying	7,000,000	4,000,000	7,000,000	4,000,000	6,847,000	153,000	97.81
33	Taveta Police Divisional Headquarters Project	Completion of Taveta Police Divisional Headquarters (Phase II) Plastering, Fixing doors and windows part of ground floor)	16,900,000	4,900,000	16,900,000	0	16,000,000	900	99.98
34	Mazingira Project	Purchase of tree seedlings for planting at Chala water project, Kimala irrigation scheme, Taveta Youth Polytechnic and Chala Water Project Intake.	2,850,000	600,000	2,850,000	600,000	2,848,000	2,000	99.9
	Total		278,378,115	88,537,931	277,678,115	72,400,000	271,078,932	6,599,183	

1497. Further, from the table above, it is noted that only 4 out of 34 projects were complete as at 30th June 2015, leaving 30 projects at various stages of completion, an indication that envisaged goods and services could not have been rendered to the residents of the Constituency. In addition, the report did not indicate the completion status of the 4 projects, casting doubts about their implementation by the Fund management.

Submission by the Fund Account Manager

1498. The Fund Account Manager submitted that included in the project implementation report on other matter was, under expenditure of Kshs. 6,599,183.00. Out of 34 projects, 4 were complete and the completion certificates had been availed to the auditor for review. The other 30 projects were still ongoing.

Committee Observations

1499. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1500. **The Committee recommends that:**

1) **The Accounting officer should ensure that Projects approved by the NG-CDF Board are implemented within the specified period; and**
2) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate**

release to the constituencies.

7.2.2.8 Projects Verification

1501. During the year under review, 24 projects with disbursements of Kshs. 63,035,688.50 as shown below were verified. Out of 24 projects inspected, 7 had the following anomalies;

S/NO	Project Name	Amount (Kshs)	Date of Visit	Project status at the time of inspection
1	Riata Primary School	500,000	20/4/16	The two classrooms are complete, and in use.
2	Eldoro Primary School	500,000	20/4/16	Wiring not yet done.
3	Kenya Medical Training College	23,800,000	21/4/16	Fittings not yet done; New slab done.
4	Taveta Technical Training College	10,000,000	21/4/16	Project almost complete; Painting and fixing of lighting appliances in progress.
5	Chala /Njukini Adjudication Projects	1,000,000	21/4/16	Demarcation of land by Lands, Adjudication and Settlements Officers in progress to give residents of Taveta title deeds.
6	Taveta Jua Kali Sheds	230,000	21/4/16	Repairs of a collapsing toilet done and in use.
7	Msengoni Pre-school	300,000	20/4/16	Classroom completed and in use.
8	Mahoo Primary School	1,000,000	21/4/16	Girls' dormitory complete and in use.
9	Chala Primary School	1,000,000	20/4/16	Completion of a dormitory and a classroom. Dormitory complete but the classrooms incomplete with roofing already done except doors, windows, plastering and painting.
10	Ulawani Primary School	1,700,000	20/4/16	Two classrooms and a toilet complete and in use.
11	Njukini Health Centre	2,241,379.50	20/4/16	2 Prefabricated houses and 2-bedroom staff houses complete and occupied.
12	Njoro Secondary School	2,000,000	21/4/16	Toilets and lockers, constructed and in use.
13	Mahandakini Primary	1,081,550	20/4/16	A Classroom roofing and 4-pit latrine complete and in use.
14	Kiwalwa Primary School	2,000,000	20/4/16	Construction is ongoing but flooring, doors and windows not done yet.
15	Mata Primary School Project	2,000,000	19/4/16	Construction works ongoing, Work at roofing level
16	Orkanga Primary School	1,000,000	19/4/16	Complete and in use.
17	Chala Primary School – 2 Classrooms	1,000,000	19/4/16	Classrooms windows and doors including plastering not yet done.
18	Kitobo Secondary School Project - Dormitory	2,500,000	20/4/16	Tiles not fixed in the bathroom and toilets. Plumbing works not complete.
19	Mata Secondary School Project – Completion of a new dormitory.	2,500,000	19/4/16	Completed in July 2015 but not in use to date.
20	Lumi Secondary School project	2,500,000	19/4/16	Complete but unoccupied
21	Ngutini Secondary School	3,000,000	20/4/16	The project is complete and occupied
22	Ndilidau Sangu Water Project	200,000	20/4/16	Items delivered seen
23	Rekeke Health Centre Project	2,241,379.50	20/4/16	One unit complete, second one ongoing i.e., fixing of doors, windows, window panes and painting.
24	Njukini Health Centre	2,241,379.50	20/4/16	The two units complete and occupied by staff.
	Total	**63,035,688.50**		

1502. The anomalies observed were likely caused by poor workmanship and the use of inferior quality materials which means value for money may not have been obtained from the projects. There is also the risk of delay in completion of these projects which may negatively affect the delivery of goods and services to the residents of the Constituency.

1503. My opinion is not qualified in respect of these matters.

S/no.	Project Name	Amount (Kshs)	Date of Visit	Observation
1	Eldoro Primary School	500,000	20/4/16	Wiring not yet done; Cracks seen on the floor
2	Kenya Medical Training College	34,000,000	21/4/16	Stalled before fittings and plastering
3	Taveta Jua Kali Sheds	230,000	21/4/16	Repairs of a collapsing toilet done
4	Orkungu Primary School	1,000,000	19/4/16	Project not labelled, Cracks seen on the floors and walls.
5	Mata Secondary School Project – Completion of a new dormitory	2,500,000	19/4/16	Cracks seen at the entrance and in some cubicles of the dormitory. Completed in July 2015 but not in use to date.
6	Lumi Secondary School Project	2,500,000	19/4/16	Completed in September 2015 but still unoccupied at the time of audit in April 2016. Sockets and bulbs not fixed. Toilet doors not fitted.
7	Kitobo Secondary School Project - dormitory	2,500,000	20/4/16	Tiles not fixed in the bathroom and toilets.
	Total	**40,730,000**		

Submission by the Fund Account Manager

1504. Mr. Daniel Mwaluko submitted that included in the project verification for other matters were 24 projects out of which 7 had anomalies.

i) Eldoro primary school – completion certificate and the making of defects had been availed to the auditor for review.

ii) KMTC Taveta Campus project- The contractor had returned to the site after more funds had been secured.

iii) Orkung'u primary school-the project had been labeled and photograph availed to the auditor for review.

iv) Mata secondary school –the project was complete and in use, the certificate of making good defects had been availed to the auditor for review.

v) Lumi secondary school- the project was complete and in use. Tiles were fixed in the washrooms; photographs were shared with the auditor for review.

vi) Kitobo secondary school- the project was complete and in use. Tiles were fixed in the washrooms; the photograph was shared with the auditor for review.

vii) Taveta Jua Kali sheds – the project was complete and in use, repairs for collapsing toilet already done and the certificate shared with the auditor for review.

Committee inspection visit

1505. The Committee visited KMTC Taveta Campus to verify the status of the ongoing activities at the institution and found out that the workmanship was satisfactory and was a true reflection of the funds projected to the project. In addition, the committee found out that the project was co-funded by other institutions.

Committee Observations

1506. The Committee observed that the projects with anomalies were corrected within the defect liability period and that those indicated as abandoned had been completed in the subsequent years.

Committee Recommendations

1507. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

7.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1508. The Auditor General raised nine audit Matters during the examination of the financial statements of Taveta Constituency for the year 2015/2016.

7.2.3.1 Presentation of the financial statements

1509. The financial statement for the year ended 30 June 2016 availed for audit review contained the following presentation anomalies. Annex 3 to the financial statement did not provide a breakdown of pending bills as required by the financial reporting template issued by the International Public Sector Accounting Board. Annexes 2 and 3 indicate financial years as 2014 and 2015 instead of 2015 and 2016. Consequently, the financial statement to not comply with the presentation requirements of the PSASB.

Submission by the Fund Account Manager

1510. Mr. Daniel Mwaluko indicated that included in the presentation of the financial statement for the year ended 30th June, 2016 were presentation anomalies in annexes 2 and 3. The amended financial statement for the period ended 30th June, 2016 had been presented to the auditor for review.

Committee Observations

1511. The Committee observed that Fund Account Manager did not prepare financial statements according to IPSAS requirements. However, the amended financial statement for the period ended 30th June, 2016 had been presented to the auditor for review.

Committee Recommendations

1512. **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.2.3.2 Bank Balance

1513. The statement of financial assets as at 30 June reflected a bank balance of Kshs. 5,231,557. A review of the fund's bank reconciliation statement as at 30 June 2016 revealed payments in the cashbook not in the bank statement of Kshs. 2,667,340.30 out of which Kshs. 69,920 related to stale cheque and bank charges of Kshs. 13,190 not included in the cashbook. The management had not explained the reason for the non-reversal of the stale cheque and failure to account for the bank charges. Further, the subsequent bank statement shows clearance of unpresented cheques totaling Kshs. 2,597,420.30 was not availed for audit verification. Consequently, the accuracy and

completeness of the bank balance of Kshs. 5,231,557 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1514. Mr. Daniel Mwaluko submitted that the stale cheques were replaced on 22/10/2015, the bank charges were cleared on 14/1/2016 whereas the unpresented cheques were cleared. The cashbook extracts had since been presented to the auditor for review.

Committee Observations

1515. The Committee observed that-

(i) Unpresented and stale cheques had not been reversed to the cashbook as at 30th June 2016. Bank charges had been excluded from financial statements; and

(ii) The Fund Account Manager provided documentation to the auditor for verifications on the corrections made in the cashbook.

Committee Recommendations

1516. The Committee recommends that:

1) **The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**

2) **The Accounting Officer ensures that the all-Fund Account Manager maintain a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

7.2.3.3 Cash Balance

1517. The statement of financial asset as at 30 June reflected nil cash balance. However, the management did not provide the respective board of survey certificate for audit review. Consequently, the accuracy and completeness of nil cash balance as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1518. Mr. Daniel Mwaluko indicated that the board of survey certificate had since been presented to the auditor for review.

Committee Observations

1519. The Committee observed that-

i) The Fund Account Manager had not provided at the time of the audit the Board of survey reports to support the cash balance; and

ii) The survey reports were however submitted to the auditor for review and verification.

Committee Recommendations

1520. The **Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

7.2.3.4 Outstanding imprest

1521. The statement of financial assets as at 30 June 2016 reflected imprest balance of Kshs. 88, 600 that was issued to an officer on 09 May 2007. Delay in surrendering the imprest contradicts Regulation 93 of the PFM(National Government) Regulations, 2015 which requires an officer with outstanding imprest to account for or surrender the same within seven (7) days of return to a duty station or completion of the task for which the imprest was issued. In the circumstance, recoverability of the un-surrendered imprest of Kshs. 88,600 as 30th June 2016 is doubtful.

Submission by the Fund Account Manager

1522. The Fund Account Manager indicated that included in the statement of financial assets 30th June, 2016 is an outstanding imprest of Kshs. 88,600 issued to Francis Kimotho personal No. 89102732 of Ministry of Water and Irrigation for conducting a geological survey for Taveta Constituency on 9th May, 2007. The management wrote to Chief Executive Officer, Water Resources Management Authority on 20th July, 2011, the Head of Accounting Unit, Ministry of Water and Irrigation on 2nd of June, 2010, the Permanent Secretary, Ministry of Water and Irrigation On 11th June, 2009, and the Permanent Secretary, Ministry of Water and Irrigation on 15th August, 2008 and the Chief Executive officer, Constituencies Development Fund Board on 4th September, 2012. The correspondence had been presented to the auditor for review.

Committee Observations

1523. The Committee observed that the Fund had not managed to trace the holder of the long outstanding imprest.

Committee Recommendations

1524. The Committee recommends that-

1) **The Accounting Officer should within three months after the adoption of this report, ensure that the Fund Account Manager recovers the outstanding imprest from the Officer from the Ministry of Water & Sanitation, Irrigation failure to which the Accounting officer should recover the full imprest from the Fund Account Manager and report the recovery to the Auditor general for reporting in the next audit cycle; and**

2) **The Accounting Officer ensures that Fund Account managers adhere to the provisions of Section 71 (2) of the PFM Act, 2012 and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.**

7.2.3.5 Use of goods and Services-Committee allowance

1525. Note 5 to the financial statements reflected Kshs. 3,313,700 in respect of committee allowances but the names of the payees, nature of allowances paid and dates of payment were not availed for audit review. Therefore, it had not been possible to confirm the propriety of the expenditure.

Submission by the Fund Account Manager

1526. The Fund Account Manager submitted that supporting schedules indicating names of payees, nature of allowances paid and dates of payment had been presented to the auditor for review.

Committee Observations

1527. The Committee observed that the Fund Account Manager had not provided at the time of the audit the supporting schedules indicating names of payees, nature of allowances paid and dates of payment. The supporting schedules were however submitted to the auditor for review.

Committee Recommendations

1528. **The Committee recommends that the Accounting Officer ensures the Fund Account Manager complies with section 43 (11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.**

7.2.3.6 Domestic travels and subsistence allowance

1529. Note 5 to the financial statement reflected Kshs. 1,031,800 relating to domestic travel and subsistence allowance payment out of which Kshs. 112,600 was not supported with invitation letters and attendance registers. As a result, the propriety and completeness of domestic travel and subsistence allowances expenditures of Kshs 112,600 for the year under review could not be confirmed.

Submission by the Fund Account Manager

1530. The Fund Account Manager submitted that the supporting schedules for the expenditure had since been presented to the auditor for review.

Committee Observations

1531. The Committee observed that the Fund Account Manager did not provide at the time of audit the supporting documents on domestic travels and subsistence allowance payment. However, the documents were later availed to the auditors for review.

Committee Recommendations

1532. The **Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during the audit period as required under section 9(1)(e) Public Audit Act, 2015.**

7.2.3.7 Transfers to other Government entities

1533. The statement of receipts and payment for the year ended 30 June 2016 reflected transfers from other government entities of Kshs. 131,048,776 while records maintained by the National Government Constituency Development Fund Board reflected a figure of Kshs. 70,000,000, resulting in a variance of Kshs. 61,048,776 which the management had not explained. As a result, the accuracy, validity and completeness of the transfers from other Government entities of Kshs. 131,048,776 for the year ended 30th June, 2016 could not be confirmed.

Submission by the Fund Account Manager

1534. The Fund Account Manager indicated that included in the statement of receipts and payments for the year ended 30th June, 2016 is Kshs. 131,048,776 as transfers to other Government entities. The supporting AIE's for the period under review were presented to the Auditor.

Committee Observations

1535. The Committee observed that the Fund Account Manager received Kshs. 131,048,776 and therefore, there was no variation.

7.2.3.8 Transfers to other Government units

1536. Note 6 to the financial statements reflected transfers to secondary schools totaling Kshs. 15,500,000 out of which a sum of Kshs. 2,000,000 had been transferred to Mahoo Secondary School for the construction of a multipurpose hall. The contract had been awarded to a construction company at a contract sum of Kshs. 6,106,310. However, records availed for audits review indicated that the project management committee awarded the tender through a request for quotation method instead of national open tender method, contrary to the first schedule of the Public Procurement and Asset Disposal Regulations, 2006 which sets a minimum of Kshs. 4,000,000 for use of national open tender method of procurement.

1537. Consequently, the propriety and value-for-money for Kshs. 2,000,000 spent on the construction of a multipurpose hall for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1538. The Fund Account Manager indicated that the project was co-financed by NG-CDF Taveta at a cost of Kshs. 2,000,000 and KPA at a cost of Kshs. 5,000,000. The project management committee used restricted tendering for locally prequalified contractors.

The reason for use of restricted tendering had since been explained to the auditor. The contract agreement for the NG-CDF component was availed to the auditor.

Committee Observations

1539. The Committee observed that the project tender was awarded through quotations, contrary to the provisions of the Public Procurement and Asset Disposal Regulations, 2006 which requires tenders above Kshs. 4,000,000 to be awarded through the national open tender method hence the audit query is not resolved.

Committee Recommendations

1540. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with provisions of Public Procurement and Asset Disposal Act, 2015 and its Regulations.**

7.2.3.9 Bursaries to secondary schools

1541. Note 7 to the financial statements reflected bursary payments totaling Kshs. 4,500,000 made for secondary schools. However, documentary evidence of receipts by beneficiaries of bursaries totaling Kshs. 1,182,000 had not been availed for audit verification. Further, included in the bursaries figure is Kshs. 229,000 reallocated from the emergency vote but board approval for reallocation had not been availed for audit verification. Consequently, the propriety of a bursary of payment totaling Kshs. 1,411,000 for the year ended 30th June, 2016 could not be confirmed.

Submission by the Fund Account Manager

1542. The Fund Account Manager presented that during the review period bursary acknowledgment letters and receipts were still being received from the beneficiaries. And the same had been shared with auditor Kshs. 229,000 was reallocated from the emergency kitty to enable needy students to proceed with their studies. The constituency did not exceed the threshold as per CDF Act, 2015.

Committee Observations

1543. The Committee observed that the Fund Account Manager did not provide documentary evidence for transferring funds from the emergency vote to bursaries

Committee Recommendations

1544. The Committee recommends that:

1) **The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **The NG-CDF Board should develop an over-arching bursary policy framework to guide constituencies' in-line with the needs of the constituency. Each NG-**

CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.

7.2.3.10 Bursaries to Tertiary Institutions

1545. Note 7 to the financial statement reflected bursary payments totaling Kshs. 1,500,000 made to tertiary institutions but acknowledgment letters from the institutions and receipts for bursaries amounting to Kshs. 1,040,000 were not availed for audit verification Consequently, the propriety of bursary payments totaling Kshs. 1,040,000 for the year ended 30 June could not be confirmed.

Submission by the Fund Account Manager

1546. Mr. Daniel Mwaluko submitted that the acknowledgment letters and receipts were still being received during and after the audit and had since been shared with the auditor for review.

Committee Observations

1547. The Committee observed that the Fund Account Manager did not provide documentary evidence for transferring funds from the emergency vote to bursaries.

Committee Recommendations

1548. The Committee recommends that:

1) **The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents;**
2) **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries; and**
3) **The NG-CDF Board considers allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

7.2.3.11 Environment Projects

1549. Note 7 to the financial statements reflected transfers totaling Kshs. 700,000 made to environment projects. Records availed for audits review indicated that the budget was for purchase of the tree seedlings for planting at Kitobo Secondary School, Kimala Irrigation Scheme, Chala Secondary School, Challa Tuhire Irrigation Scheme, Bishop Njenga Secondary School and Rekeke Model Health Centre. Further, the records indicated that the project management committee re – allocated the funds to Njoro High School, Kiwalwa Dispensary, Ngitini Secondary Scheme, Kamleza Scheme and St. Norbert Primary School. However, Board approvals of the re-allocations were not availed for audits verifications. Consequently, the propriety and value for money for the expenditure of Kshs. 700,000 reported to have been incurred on purchase of trees seedlings for the year review could not be confirmed.

Submission by the Fund Account Manager

1550. Mr. Daniel Mwaluko indicated that the distribution schedules and approved code list from the NG-CDF Board supporting the expenditure had since been shared with the auditor for review.

Committee Observations

1551. The Committee observed that the Fund Account Manager had not provided Board approvals of the re-allocations. However, the documents were later provided to the auditors for review.

Committee Recommendations

1552. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during the audit period as required under section 9(1)(e) Public Audit Act, 2015.**

7.2.3.12 Budgetary control and performance

1553. During the year under review the fund had a budget of Kshs. 134,105,538 but incurred expenditure of Kshs. 128,374,028 equivalents to 95.7% of the budget, resulting in net under – expenditure of Kshs. 5,606,457 or 4.3% as shown below:

Item	Budget (Kshs)	Expenditure (Kshs)	Under Absorption (Kshs)	Over Expenditure (Kshs)	%
Compensation of employees	2,218,704	1,542,320	676,384	-	30.5
Use of goods and services	6,065,589	5,065,608	999,981	-	16.5
Transfers to other government units	95,650,000	93,650,000	2,000,000	-	2.1
Other grants and transfers	28,242,292	27,721,000	521,292	-	1.9
Acquisition of assets	270,000	395,100	-	125,100	46.3
Other payments	1,659,000	-	1,659,000	-	100.0
TOTAL	**134,105,584**	**128,374,028**	**5,731,557**	**125,100**	

1554. The underutilization of funds by Kshs. 5,731,557 indicates that the budget was not implemented as planned hence; delivery of goods and services to residents of Taveta Constituency was curtailed to some extent.

Submission by the Fund Account Manager

1555. Mr. Daniel Mwaluko confirmed that included in the budgetary control and performance report was under expenditure of Kshs. 5,606,457 reflecting 4.3% underperformance which was caused by the project that were ongoing and employees' salaries for July, August and September 2016 that had been budgeted for.

Committee Observations

1556. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury while over expenditure was due to rollover funds from previous years.

Committee Recommendation

1557. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.2.3.13 Implementation of projects

1558. The projects status report as at 30 June 2016 availed for audits review indicated that Kshs. 85,250,000 was allocated to 35 projects while Kshs. 83.350,000 or 97.8% was disbursed during the year under review. Further the report indicated that cumulative disbursement totaled Kshs. 241,022,966 against cumulative expenditure of budget. Further, no funds were spent on Challa Primary School Projects in 2015/2016, despite the project having started in the previous year, a situation which contributed to low implementation level of 66% as at June 30 2016. The total unspent funds amounting to Kshs. 8,832,181 indicate that the project's funds were not implemented as planned. This impacted service delivery to the resident of Taveta constituency negatively.

Submission by the Fund Account Manager

1559. Mr. Daniel Mwaluko acknowledged that included in the implementation of the project report is unspent balance Kshs. 8,832,181 or 3.7% under expenditure. This was in regard to ongoing projects during the period under review.

Committee Observations

1560. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury while over expenditure was due to roll over funds from previous years.

Committee Recommendations

1561. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.2.3.14 Verification of projects

1562. In the course of the audit, twenty (20) projects with total disbursement of Kshs. 76,750,000 were inspected in the month of April 2017 and many anomalies noted. As a result of the anomalies noted during the audit inspection, the propriety of expenditure totaling Kshs. 76,750,000 incurred on Taveta CDF projects during the year ended 30th June, 2016 could not be confirmed.

Submission by the Fund Account Manager

1563. The Fund Account Manager submitted that the anomalies and defects had since been corrected and documents shared with auditor for review:

i. Taveta sub-county police divisional headquarters project. The project tender register and advertisement had since been availed to the auditor for review. The vandalized sliding windows had since been repaired and project handed over.

ii. Bishop Njenga secondary school project. The cracks noted on one wall and pavement for the twin staff houses had been corrected and certificate of making good defects issued to the contractor and shared with the auditor for review.

iii. Chala secondary school project. Inspection and acceptance committee report and certificate of making good defects issued to the contractor and had since been shared with auditor for review.

iv. KMTC Taveta project. The project was ongoing and interim certificates and schedule of expenditure break down for Kshs. 565,126 pmc administrative expenses had since been shared to the auditor for review.

v. Kitobo chiefs' office. The project had been labeled and the photograph shared with the auditor for review.

vi. Chala youth polytechnic. The completion certificate and ownership documents had since been shared with the auditor for review.

vii. Njukini primary school. The certificate of making good defects issued to the contractor had since been shared to the auditor for review.

viii. Rekeke primary school. The certificates of completion and handing over minutes had since been shared to the auditor for review.

ix. Lotima primary school. The certificate of completion had been availed to the auditor for review.

x. Eldoro primary school. The certificate of making good defects issued to the contractor had been availed to the auditor for review.

xi. Mata primary school. The certificates of completion had since been shared with the auditor for review.

xii. Chala water project. Kshs. 298,840 was paid after the retention period was over due to delays of releasing fund to the project.

xiii. Chala water project. Inspection and acceptance committee report and completion certificate had since been availed to the auditor for review.

xiv. Majengo primary school. Inspection and acceptance committee report and bank statements had been availed to the auditor for review.

xv. Majengo Primary School. Inspection and acceptance committee report had been availed to the auditor for review. The emergency occurred during the financial year.

xvi. Jipe primary school. The rehabilitation of three classrooms whose roof was blown off by strong wind was still ongoing during the time of audit.

xvii. Mahoo Girls secondary school. The quotations and engineers' certificate of work done had since been shared with the auditor for review.

xviii. Njukini model health center. The certificates of making good defects issued to the contractor had been shared to the auditor for review.

xix. Rekeke model health center. The certificates of making good defects issued to the contractor had been shared to the auditor for review.

xx. Taveta technical training institute. Kshs. 1,000,000 was allocated from emergency for pipe laying to provide water to the institution to make it operational. The ownership document had been shared with the auditor for review.

Inspection visit by the Committee

1564. The Committee visited Mahoo Secondary School and inspected the construction of dormitory and dining area. It was verified that the projects were complete and in use and therefore value for money was realized.

Committee Observations

1565. The Committee observed that the projects with anomalies were corrected within the defect liability period and those abandoned had been completed.

Committee Recommendations

1566. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager only pays for works done based on completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds be retained for defect liability period.**

7.3 VOI CONSTITUENCY

1567. Mr. Stephen Charo, the current Fund Account Manager since 2019 appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Voi Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Ms. Amina Ali, Former Fund Account Manager (Feb. 2014 to Dec. 2016)

7.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1568. The Auditor General raised seven audit Matters during examination of financial statements of Voi Constituency for the year 2013/2014.

7.3.1.1 Use of Goods and Services

1569. Included in the statement of receipts and payments for the year ended 30th June 2014 is an amount of Kshs. 1,406,317 in respect of use of goods and services of which no reporting schedules and payments list generated from IFMIS were availed for audit review. Consequently, it was not possible to confirm the propriety of Kshs. 1,406,317 being expenditure on use of goods and services for the year ended 30th June 2014.

Submission by the Fund Account Manager

1570. Mr. Stephen Charo submitted that the expenditure for use of goods and services and all supporting schedules had since been provided to the auditors for verification in hard copies. However, at CDF we do not use IFMIS, thus no generated IFMIS schedules.

Committee Observations

1571. The Committee observed that-

i) The Fund Account Manager had not provided at the time of audit the supporting schedules and documentations to support the use of goods and services expenditure; and
ii) The documentations were however submitted to the auditor for review and verification.

Committee Recommendations

1572. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents.**

7.3.1.2 Committee Expenses

1573. Included in the statement of receipts and payments for the year ended 30th June 2014 is an amount of 3,745,777 in respect of committee expenses comprising other committee

expenses of Kshs. 1,515,777 and committee allowances of Kshs. 2,230,000 whose supporting expenditure schedules and IFMIS generated payments voucher were not availed for audit verification. Further the register of committee meeting was also not provided for audit verification.

Submission by the Fund Account Manager

1574. Mr. Stephen Charo submitted that supporting schedules and payments vouchers with the supporting documents including attendance register had been provided to the auditors for verification. However, at CDF they do not use IFMIS.

Committee Observations

1575. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit the supporting schedules and documentations to support the committee expenses expenditure.

(ii) The documentations were later submitted to the auditor for audit review and verification.

Committee Recommendations

1576. The Committee recommends that:

1) **The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015; and**
2) **The Accounting Officer ensures that the Fund Account Manager complies with section 43(11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.**

7.3.1.3 Delayed Completion of Constituency Office Complex

1577. Included in the statements of receipts and payments for the year ended 30th June 2014 was Kshs. 3,878,686 where by an amount of Kshs. 3,368,686 was in respect of construction of buildings whose supporting schedules reflected Kshs. 4,438,686 resulting to unexplained or reconciled excess expenditure of Kshs. 1,070,000. Further the land on which the complex is constructed belongs to the community and therefore the Fund did not have title deed for it.

1578. Documents availed indicated that the project started on 30 August 2011 and was supposed to be completed within 24 weeks but as at the time of the audit in January 2015, construction of work had not been completed and the contractor was still on the site. No explanation had been given for the delay also tender documents were not available for audit verification and as such and it could not be ascertained how the contractor was evaluated and awarded the construction contract.

Submission by the Fund Account Manager

1579. The Fund Account manager submitted that delay in completion of the constituency office complex was as a result of late disbursement of funds by the CDF Board.

Committee Observations

1580. The Committee observed that:

i) The delayed Completion of Constituency Office Complex was because of late disbursement of funds by the CDF Board;
ii) The fund Account Manager did not submit title deed to the land on which the CDF office is located; and
iii) There was no explanation on the excess expenditure of Kshs. 1,070,000.

Committee Recommendations

1581. **The Committee recommends that:**

1) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies;**
2) **The Accounting Officer ensures that the Fund Account Manager avails the supporting documents on title deed during the subsequent audit cycle; and**
3) **The Accounting Officer ensures that the Fund Account Manager avails the supporting documents on the excess expenditure and completion certificate of the CDF office during the subsequent audit cycle.**

7.3.1.4 Inaccuracies in the Financial Statements

1582. The statements of receipts and payments for the year ended 30 June2014, reflected total of Kshs 73,197,135 which is at variance with the summary statement of appropriation figure of Kshs. 73,058,449. The difference of Kshs. 138,686 between the figures had not been explained or reconciled. Consequently, the accuracy of two statements for the year ended 30 June 2014 could not confirmed.

Submission by the Fund Account Manager

1583. Mr. Stephen Charo submitted that as at 30 June 2014, the total payments were Kshs. 73,197,135. The difference between statements of receipts and payments, and that of the summary statement of appropriation, was caused by casting error of Kshs. 138,686.00, which now stand corrected.

Committee Observations

1584. The Committee observed that-

i) There was a variation between the statements of receipts and payments and summary statement of appropriation caused by casting error; and
ii) The noted errors were corrected and supporting documents submitted for audit review and verification.

Committee Recommendations

1585. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.3.1.5 Transfers to Health Institutions

1586. Note 7 to the financial statements reflected transfers to health institutions figure of Kshs. 1,400,000 which is different from the supporting schedule figure of Kshs. 1,450,000 by a difference of Kshs. 50,000 and which had not been explained or reconciled. In the circumstances, the validity and accuracy of transfers to health institutions of Kshs. 1,400,000 could not confirmed for the year ended 30 June 2014.

Submission by the Fund Account Manager

1587. Mr. Stephen Charo submitted that the transfers to Health Institutions of Kshs. 1,450,000 were done accordingly. The difference of Kshs. 50,000 was misquoted/misstated.

Committee Observations

1588. The Committee observed that the error was corrected and supporting documents submitted for audit review and verification.

Committee Recommendations

1589. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.3.1.6 Unaccounted Disbursements

1590. Included in the transfer to other government units of Kshs. 37,745,777 is a total of Kshs. 1,000,000 transferred to Marungu Secondary School of which bank statements showing receipts by the school were not availed for audit review. Consequently, the propriety of Kshs. 1,000,000 included in the transfers to other government units of Kshs. 37,745,777 could not be confirmed for the year ended 30 June 2014.

Submission by the Fund Account Manager

1591. The Fund Account Manager reported that the transfers to other Government Units of Kshs. 37,745,777 were done precisely. The Kshs. 1,000,000 transferred to Marungu Secondary School was received and reflected to the PMC bank account on 25/09/2013. The Payment Voucher and PMC bank statement was provided for audit review.

Committee Observations

1592. The Committee observed that the Fund Account Manager did not provide supporting documentations to show that Marungu Secondary School received the Kshs. 1,000,000 and the audit query is not resolved.

Committee Recommendations

1593. **The Committee recommends that within three months upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager provides documentation for the transfer of Kshs. 1M Marungu Secondary School, to the Auditor General for audit review and reporting in the subsequent audit cycle.**

7.3.1.7 Cash and Cash Equivalents

1594. Included in the statement of financial assets and liabilities as at 30 June 2014 is Cash and Cash equivalents of Kshs. 2,280,932. However, excluded from the balance of Kshs. 2,280,932 is cash in hand amount of Kshs. 514,705 that had not been supported with a certificate of board of survey. Further, the bank balance as per cashbook reflected Kshs. 2,290,932 while the financial statements reflected a balance of Kshs. 2,280,932 resulting in unexplained or reconciled difference of Kshs. 10,000. Also, no bank reconciliation statement as at 30 June 2014 was provided for audit review.

1595. Further a review of the available bank statements as at 30 June 2014 indicated that a bank balance of Kshs 6,075,769 as at 30 June 2014. However, no bank confirmation certificate was availed for audit review. In the circumstances it had not been possible to ascertain the validity, accuracy and completeness of cash and cash equivalent balance of Kshs. 2,280,932 as at 30 June 2014.

Submission by the Fund Account Manager

1596. The Fund Manager submitted that the error in Cash and Cash Equivalent highlighted in the Audit Report of Kshs. 10,000.00 was as a typo in the financial statement, which did not affect the ultimate status of the financial statement. The bank reconciliation, cashbook and bank statement to ascertain the correct bank and cashbook balances, and to show all the reconciling items in the bank statement was provided for audit review.

Committee Observations

1597. The Committee observed that-

(i) Cash in hand amount of Kshs. 514,705 was not supported with a certificate of board of survey;

(ii) Bank reconciliation statement as at 30 June 2014 was not provided for audit review; and

(iii) There was unexplained variance on bank balance as per cashbook and as per the financial statements.

Committee Recommendations

1598. The Committee recommends that--

1) **The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1599. The Auditor General raised eight audit Matters during examination of financial statements of Voi Constituency for the year 2014/2015.

7.3.2.1 Inaccuracies in the Financial Statements

1600. The financial statements availed for audit review for the year ended 30 June 2015 had the following inaccuracies:

(a) The summary statement of appropriation: Recurrent and development combined for the year ended 30 June 2015 reflected acquisition of assets budget of Kshs. 6,000,000 against expenditure of Kshs. 5,606,308 [93.5%], resulting to under expenditure of Kshs. 393,692 [6.5%] but which had not been reflected under budget utilization difference.

(b) The summary statement of appropriation: Recurrent and development combined for the year ended 30 June 2015 reflected other grants and transfers budget of Kshs. 49,700,816 and actual expenditure of Kshs. 47,333,931 with a budget utilization difference indicated as Kshs. 2,196,436.00 resulting to a variance of Kshs. 170,449 which was not been explained nor reconciled. Further, the surplus of Kshs. 17, 059, 553.30 shown in the statement of receipts and payments is not reflected in this financial statement.

(c) The statement of financial assets reflected bank balance of Kshs. 18,990,486 while Note 10 on the same reflected a balance of Kshs. 19, 340, 486 resulting to a variance of Kshs. 350,000 not explained nor reconciled.

(d) The statement of financial assets reflected Note 12 as fund balance brought forward of Kshs. 2, 280,933. However, these financial statements do not contain Note 12.

(e) The financial statements at page 13 did not reflect the client's name, year and name of the statement contrary to the requirements of International Public Sector Accounting Standards.

Submission by the Fund Account Manager

1601. The Fund Account Manager acknowledged the errors and omissions in the financial statements and informed that the same had been corrected. The corrected Appropriation table was availed and the corrected Statement of receipts and payments were provided for audit verification.

Committee Observations

1602. The Committee observed that the error was corrected and supporting documents submitted to the auditors for review and for audit verification.

Committee Recommendations

1603. The Committee recommends that Accounting Officer to ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and

adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.3.2.2 Transfers from CDF Board- AIEs Received

1604. The statement of receipts and payments for the year ended 30 June 2015 reflected Kshs. 111,523,346 in respect of transfers from CDF Board – AIEs received while CDF Board Circular NO. CDF BOARD/CIRCULARS/VOIL.1.1/170 of July 2014 indicates transfer figure of Kshs. 99,972,618, resulting to a variance of Kshs. 11,550,728 which had not been reconciled nor explained Consequently, the accuracy and completeness of Kshs. 111, 523,346 in respect of transfers from CDF Board – AIEs Received for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1605. Mr. Stephen Charo submitted that the variance of Kshs. 11,550,728 are funds from the previous year as detailed in the appropriation table under adjustment were availed to the auditor.

Committee Observations

1606. The Committee observed that the difference of Kshs. 11,550,728 is funds from the previous year.

Committee Recommendations

1607. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.3.2.3 Transfers to Other Government Units

1608. Included in the statement of receipts and payments for the year ended 30 June 2015 is an amount of Kshs. 32,752,759 in respect of transfers to other governments units, out of which Kshs. 5,932,759 relates to transfers to health institutions. However, of the amount transferred to health institutions, Kshs. 4,482,759 as detailed below was paid to 4 [four] health institutions which were not in the approved project proposal list availed for audit review.

1609. Further, the project files, completion certificates and site inspection reports by the line ministry for these projects were not availed for audit verification. Consequently, the propriety and validity of transfers to health institutions of Kshs. 4,482,759 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1610. The Fund Account Manager submitted that the letter from the Board Secretariat dated July 18, 2014, with the additional approved code list following a presidential directive

as detailed circular Ref: CDFBOARD/CIRCULARS/VOL1.1/170 dated 10th July 2014 was provided for verification.

Committee Observations

1611. The Committee observed that the Fund Account Manager did not provide the project files, completion certificates and site inspection reports at the time of audit to support the expenditure.

Committee Recommendations

1612. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

7.3.2.4 Other Grants and Transfers

a) Constituency Sports Projects

1613. Included in the other grants and transfers balance of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 1,926,450 paid to two suppliers for supply of sports materials and equipment. However, the inspection and acceptance committee report, stores register where the sports materials and equipment were recorded and distribution list were not availed for audit verification.

Submission by the Fund Account Manager

1614. The Fund Account Manager submitted that there was missing sports materials records and distribution list of Kshs. 1,926,450.00. He stated that it's true that the Constituency Tournament was conducted but there were such missing records. He further submitted that the Fund endeavor to improve its internal controls, and shall ensure all the consumable items for office use and other activities are recorded in consumable ledger records.

Committee Observations

1615. The Committee observed that-

(i) The Fund Account Manager had not provided the inspection and acceptance committee report, stores register where the sports materials and equipment were recorded and distribution list to support the expenditure; and

(ii) The documents were however provided to the auditor for review.

Committee Recommendations

1616. **The Committee recommends that the Accounting Officer ensures that the Fund Account managers put in place proper control systems for safeguarding public**

assets in line with Regulation 139 of PFM (National Government) Regulations,2015

7.3.2.5 Transfers to Primary Schools

1617. Included in other grants and transfers balance of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 12,820,000 transferred to primary schools of which Kshs. 3,500,000 comprising; Kshs 2,000,000 for construction of a classroom at Ghazi Primary School and Kshs. 1,500,000 for a similar purpose at Buguta Primary School. However, quotations and contract agreements for the construction of these classrooms were not availed for audit verification. Details on how the bidders were invited, winners identified and terms and conditions of the contracts were not availed for audit review. Consequently, the propriety and value for money for Kshs. 3,500,000 transferred to primary schools for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1618. For Ghazi Primary School – Construction of a classroom: Kshs. 2,000,000- the Fund Manager submitted that the activities were misstated; these were renovation works to school buildings amounting to Kshs. 6,351,369.85 thus 25 doors. At the time of audit, the works were ongoing, until now the project is ongoing (two classrooms &Verandah of 3 classrooms not yet) because funds were disbursed in phases. Copies of quotations and agreement were provided for verification. Complete ones were in use.

1619. For Buguta Primary School – Construction of a classroom: Kshs. 1,500,000 [Emergency P.V. No. 914 Chq No. 4324], the Fund Account Manager disclosed that the funds were disbursed to handle the emergency works reported, i.e., three Classrooms whose roof was blown off by strong winds and the back elevation wall had many major cracks due to the force of wind. Copy of the minutes and the estimated cost of construction was provided for review. The construction works were labour based, materials were supplied through LPO to respective hardware (Joe Timber & Hardware Investment Ltd), who had the ability to supply large quantities of materials before payment processing.

1620. The labour work was prioritized to school parents who had done masonry, while PMC were monitoring day to day works/activities; this was to economically empowering the community due to harsh living conditions in the Marungu area. The classrooms are complete and in use.

Committee Observations

1621. The Committee observed that the Fund Account Manager did not provide quotations and contract agreements for the construction of these classrooms for audit verification to support the expenditure

Committee Recommendations

1622. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

7.3.2.6 Transfers to Secondary Schools

1623. Included in the other grants and transfers balance of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 3,500,000 relating to transfers to secondary schools of which the following observations were made:

i). A total of Kshs. 2,000,000 was transferred to Makwasinyi Girls Secondary School for construction of a girl's dormitory. However, quotations for the contract agreement and certificate of completion were not availed for audit verification.

ii). An amount of Kshs. 1,500,000 was transferred to Marungu Secondary School for construction of a dormitory which was done through labour- based contract. However, inspection and acceptance committee report on construction materials procured for the project were not availed for audit review. Further, the materials were purchased from non –prequalified suppliers. Consequently, the propriety and value for money for Kshs. 3,500,000 transferred to secondary schools for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1624. The Fund Account Manager submitted that at the time the constituency received the funds there was a letter brought to the office, written to CDF by Njoroge & Njoroge Company Advocates on behalf of the contractor – Reel Building & Construction Engineers to pay his long overdue debt of Kshs. 2,256,234.80. So, the payment of Kshs. 1,400,000 was handed priority to avoid court cases. The two million was not enough to remit all the debt, so there was need of more funds from emergency to handle the case fully; thus, the emergency P.V No 887 Chq No: 4240 amount Kshs. 500,000. Marungu Secondary School – Construction of Dormitory: Kshs. 1,500,000. The works were evaluated through full contract and seen that it will be more expensive so the PMC opted to Labour-based contract.

1625. The materials were procured through supply quotations to various hardware and MT Carmel Timberland & hardware won the tender but at some point, he was reluctant/delayed to supply materials hence there was need to stop and do another tendering which was worn by Oricha Hardware who is still supplying up to today. The dormitory is at plastering stage awaiting more funds.

Committee Observations

1626. The Committee observed that the Fund Account Manager did not provide quotations for the contract agreement and certificate of completion for audit verification to support the expenditure.

Committee Recommendations

1627. **The Committee recommends that within three months upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager provides supporting documents to the Auditors General for audit review and reporting in the subsequent audit cycle.**

7.3.2.7 Water projects

1628. Included in the other grants and transfers figure of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 16,285,000 in respect of grants to water projects to water projects of which completion certificates and site inspection reports by respective technical departments of the government were not availed for audit review. Consequently, the propriety and value for money for Kshs. 16, 285,000 disbursed to the project for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1629. The Fund Account Manager submitted that he had provided the copies for site inspections reports by respective technical government departments and completion certificates of the water projects:

i) Makwasinyi Girls Secondary School – Kshs. 500,000
ii) Buguta Primary School – Kshs. 1,500,000
iii) Wongonyi Dispensary – Kshs. 400,000
iv) Mwakingali Water Project – Kshs. 1,000,000
v) Makwasinyi Girls Secondary School - was funded to handle the long overdue debt of Kshs. 2,256,234.80, as explained in Note 4.3 above. The amount disbursed was Kshs. 2,500,000 (excess was used to pay school electricity installation bill).
vi) Buguta Primary School - the funds were disbursed to cater the emergency of renovation of the three classrooms whose roof was blown off by strong winds, and the back elevation wall which was left with major cracks.
vii) Wongonyi Dispensary – the funds were to renovate and partition the house so as it can serve as Health Centre in the area. This was to bring health services near to the upland people of Ngolia ward, who were to travel more than 30Km to Moi Hospital Voi town. Copies of inspection reports from the ministry of health and county Health Department were submitted to the auditor.

viii) Mwakingali Water Project – the funds were allocated for purchasing & laying distribution lines in Mwakingali 'A' village. The villagers requested for funds in a village meeting called upon by the Area MP. He promised to work upon the issue come end of year thus the funding. The project is complete and in use. Inspection and completion certificates were submitted to the auditor.

Committee Observations

1630. The Committee observed that the Fund Account Manager did not provide completion certificates and site inspection reports by respective technical departments of the government for audit verification to support the expenditure.

Committee Recommendations

1631. The Committee recommends:

1) **The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **Within three months upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager provides certificates of completion to the Auditor General for audit review and reporting in the subsequent audit cycle.**

7.3.2.8 Emergency Projects

1632. Included in the other grants and transfers figure of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 7,550,000 in respect of disbursements to emergency projects of which the project files were not availed for audit verification.

1633. Further, payment vouchers availed for audit review indicated that Kshs. 3,400,000 was disbursed to four schools for emergency. However, the vouchers were not supported with request for funding by the Project Management Committees, Engineer's estimate of costs and report of Inspection and Acceptance Committee. Consequently, the property and value for money for Kshs. 7,550,000 disbursed and spent on emergency projects for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1634. The Fund Manager submitted that the project files for the emergency projects, request for funding by the Project Management Committees, Engineer's estimate of costs and report of Inspection and Acceptance Committee had been provided to the auditor for review.

Committee Observations

1635. The Committee observed that at the time of audit, the Fund had not provided Engineer's estimate of costs and report of Inspection and Acceptance Committee, and project files for audit verification. The documents had since been submitted to the auditor for review.

Committee Recommendations

1636. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

7.3.2.9 Cash and cash Equivalents.

1637. The statement of financial assets indicates a bank balance of Kshs. 18,990486 as at 30 June 2015. However, the bank reconciliation statement availed for audit indicated a cashbook balance of Kshs. 573,767 resulting to unexplained nor reconciled variance of Kshs. 18,416,719 in addition, the bank reconciliation statement reflected a bank balance of Kshs. 12,848,800 of which the supporting certificate of bank balance was not availed for audit review and unpresented cheques totaling Kshs. 12,274,778 whose dates of subsequent clearance in the bank were not indicated.

1638. Further, included in the cash and cash equivalents balance of Kshs. 19,340,486 shown in the statement of financial assets as at 30 June 2015 is outstanding imprest of Kshs. 350,000 which is at variance with the recomputed balance of Kshs. 364,704. The variance of Kshs. 14,704 between the two figures had not been explained nor reconciled. Under the circumstance the accuracy and completeness of cash and cash equivalents balance of Kshs. 19, 340,486 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1639. The Fund Account Manager submitted that the errors were corrected and the amended Financial Statements with the supporting schedules and evidence provided for audit review.

Committee Observations

1640. The Committee observed that-

(i) The Fund Account Manager did not maintain and up-to-date and accurate financial records; and

(ii) The unpresented cheques were reversed and the anomalies amended in the financial statement. However, bank certificate have not been availed for audit verification.

Committee Recommendations

1641. **The Committee Recommends that:**

1) The Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence

to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and

2) **Within three months of adoption of this report, the Accounting officer ensures that the Fund Account Manager avails supporting documents to the Auditors General for audit review and reporting in the subsequent audit cycle.**

7.3.2.10 Unremitted Statutory Deductions.

1642. The statement of receipts and payments for the year ended 30 June 2015 includes compensation of employees' balance of Kshs. 877,717 included in this were NHIF and NSSF deductions totaling Kshs. 107,520 deducted from staff salaries but not remitted to the respective authorities. The unremitted amount consisted of NSSF and NHIF deductions of Kshs. 86,400 and Kshs. 21,120 respectively which attracted penalties totaling Kshs. 94,320. As a result, the Fund stands to lose Kshs. 94, 320 as a result of penalties on the unremitted statutory deductions. In the circumstances, the Fund is in breach of the law.

Submission by the Fund Account Manager

1643. The Fund Account Manager submitted that the management acknowledges non-remittance of statutory deductions for the audited period. The unremitted amounts were later cleared vide cheques. No 005092 of Kshs. 160,272.00 and cheque No.005091 of Kshs. 91,200.00 for NSSF and NHIF respectively. Also, to support the response were voucher numbers 57 and 58, NHIF and NSSF respectively. The remittance had therefore been up to date since the correction was made. During the audit period the management was in the process of recruiting a technical person to facilitate the same as envisaged in CDF Act Section 45 (1) Staff of the Constituency Committee.

Committee Observations

1644. The Committee observed that-

i) The Fund Account Manager had not filed statutory deductions on time-NHIF & NSSF in contravention to the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No 9 of 1998; and

ii) Delay in remittances of statutory deductions (NHIF and NSSF) results to penalties and fines.

Committee Recommendations

1645. **The Committee recommends that the Accounting Officer ensures that all the Fund Account Managers and PMCs comply with statutory deduction requirements, withhold/deduct and remitted all the statutory deductions on time to avoid possible fines and penalties accruing due to non-compliance.**

7.3.2.11 Fixed Assets

1646. Annex 1 to the financial statements at reflected a fixed assets balance of Kshs. 22,515,816 as at 30 June 2015. However, the fixed assets register in support of the balance was not availed for audit verification. Further, Annex I indicated that fixed assets opening balance of Kshs. 21,600,000 and a closing balance of Kshs. 22,515, 816, which is an increase of additions of Kshs. 915, 816 between the two years. However, the increase is at variance with the acquisition of assets cost of Kshs. 5,606,308 shown in the statement of receipts and payments for year under review. The variance of Kshs. 4, 690,492 between the two figures had not been explained nor reconciled. Consequently, the details of the assets and the accuracy and completeness of fixed assets balance of Kshs. 22,515,816 as at 30 June 2015 could not confirmed.

Submission by the Fund Account Manager

1647. The Fund Account Manager reported that the acquisition of assets cost of Kshs. 5,606,308 was the correct figure. The correct position including the opening balance and closing balance were detailed in the schedule submitted to the auditor.

Committee Observations

1648. The Committee observed that-

(i) At the time of audit, the Fund Account Manager had not provided fixed assets register in support of the balance for audit. However, the documents had since been submitted to the auditor for review.

(ii) The accuracy of the fixed assets balance could not be established as there were variance on acquisitions of assets and net increase in fixed assets.

Committee Recommendations

1649. The Committee recommends that-

1) **The Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and**

2) **The Accounting Officer to ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015**

7.3.2.12 Budgetary Control and Performance.

1650. During the year under review, the Fund had a Kshs. 104,253,551 against expenditure of Kshs. 94, 463,793 [90.6%] resulting in under expenditure of Kshs. 9,789,758 or 9%. Funds not utilized is an indication of services and approved programs not implemented, hence the budgets not fully meeting the intended objective of improving delivery of goods and service to the residents of Voi Constituency or the management may be over

budgeting on its activities, hence need to re-look on its budgeting mechanism to ensure only priority areas are budgeted.

1651. Further, whereas the Fund reported a budget of Kshs. 104, 253,551, records maintained by CDF Board indicated that the Fund was allocated Kshs. 99,972,618 for the year under review. This resulted to a variance of Kshs. 4,280,933 which had neither been explained nor reconciled.

Submission by the Fund Account Manager

1652. The Fund Account Manager indicated that this is a budget utilization difference and not an under expenditure. The detailed schedule and explanations were submitted to the auditor. The fund operates on disbursements received.

Committee Observations

1653. The Committee observed that under expenditure was due to late disbursement of funds by the CDF Board and the National Treasury.

Committee Recommendations

1654. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.3.2.13 Project Implementation.

1655. The project status report availed for audit review indicated that Kshs. 71,900,372 was allocated and disbursed to 61 projects, out of which Kshs. 50,470,266 or 70% had been spent as at 30 June 2015 leaving unspent balance of Kshs. 21,430,106 or 30%. Further, 10 out the 61 projects that received disbursements totaling Kshs. 14, 500,000 had not been implemented as at year-end, an indication that envisaged goods and services were not rendered to residents of Voi Constituency.

Submission by the Fund Account Manager

1656. The Fund Account Manager submitted that the under-utilization of funds was caused by slow absorption of funds at project level and delays in releasing funds to PMC's. Consequently, some of the projects received AIEs funds in respect of previous financial year 2013/2014. Further, the 10 projects that received disbursements totaling to Kshs. 14,500,000 had not been implemented as at year end due to the following reason:

a) Late disbursement of funds from NG-CDF Board Nairobi, either due to late requisition or low burn rate, thus the implementation rate.
b) Procurement procedure for projects or purchasing process needed more time like CDF Vehicle of Kshs. 7,000,000, which was purchased in FY 2015/16.
c) Some of the projects were cumulatively funded before implementation can be undertaken i.e., Voi Community Library project – Kshs. 4,000,000 which was initiated in the year 2016 August.

1657. Funds were awaiting re-allocation; Gimba Model Health Centre – Kshs. 3,000,000, this project was already initiated by the County Government hence the need of reallocation.

Committee Observations

1658. The Committee observed that delay in the implementation of the projects were due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1659. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.3.2.14 Projects Verification

1660. Eight projects costing Kshs. 7,850,000 verified during the audit for the year ended 30 June2015 were not completed. Consequently, the propriety and value for money for Kshs. 7,850,000 spent on various projects during the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1661. The Fund Account Manager submitted that during the verification, some of the projects were not fully complete, thus under retention period while others on procurement process as per the following analysis:

1. Voi Girls Secondary School – Purchase of tree seedlings: Kshs. 130,000- During the time of audit the seedlings were still in the school nursery bed awaiting rainy season to be planted, the oncoming period was hot & dry season.
2. Ghazi Primary School – Renovation of school buildings: Kshs. 2,000,000-When the project was commencing some adjustments were done;
    a) Wooden shutter windows with mesh are an old fashion style so to put hardwood window frames reinforced with Y12 bars.
    b) Mortice locks would not last long with pupils hence the use of ordinary locks i.e., they put in sticks, nails, soil hence malfunction of the lock.
    c) Brass butt hinges were decorative but they could not withstand pupils' commotions like swing of the door, banging hence the use of the ordinary iron hinges.
    d) The full painting was to be done when all renovation works were done, to make it look uniform.
    e) The 19 doors seen were for the complete renovated buildings while the 6 others were still under ongoing works. Till the time of the audit the project was still ongoing awaiting cumulative disbursement from NG-CDF Board.
3. Mwanyambo Primary School – Purchase of Special Equipment or the Physically Challenged pupils. At the time of funding, the special learning equipment were

already supplied by World Bank as donation to the school, hence the utilization of funds for construction of special unit classrooms.

4. Voi Primary School Purchase of Beds, Tables, Chairs, Cupboards, Doubles Decker Beds and Mattresses. This purchasing process was delayed because we were waiting the special unit dormitory to be complete as I quote the Head teacher Mr. Lawrence Mabishi, "there was no place to keep the equipment because the dormitory for the special unit was not complete, and it is still under construction. It will be complete by 5th February 2017", hence the delay of procurement and tender awarding. Opening of tender, evaluation and approval will be done today (02/02/2017) in the evening, to select the perfect bidder. The fabrication of the beds and equipment will commence as from next week 07/02/2017." Copies of minutes, photos and inspection reports were submitted to the auditor.
5. Buguta Primary School – Construction of Two classrooms: Kshs. 1.500,000 the material quotations were of Gauge 30 iron sheet not gauge 28, thus the funds were not sufficient to cater for gauge 28 GCI sheets expenses. The minor cracks seen on the walls & floor were due to ware & tare, and also insufficient curing cause by lack of water in the region. The classes were complete and in use.
6. Makwasinyi Girls Secondary School – Construction of Girls Dormitory: Kshs. 2,000,00The minor cracks seen in the walls & floors were due to ware and tare. The dormitory is in use.
7. Buguta Secondary School – Construction of dormitory: Kshs. 1,000,000. The funds disbursed were additional for construction of dormitory as stated on the project list FY 2014/15. The dining hall construction was funded with Kshs. 1000,000 in the previous FY 2013/14 hence the reason it's complete and in use.
8. Marungu Secondary School – Construction of Dormitory: Kshs. 1, 500, 000. There was conflict on the parcel of land (where the dormitory was placed) between the school and the neighbouring villager. So, the Area Chief and the School Board of Management were following up the matter at the land's office Wundanyi, as at now the issue has been resolved and construction is ongoing.

Committee Observations

1662. The Committee observed that:

i) The projects were now complete and in use. The tree seedlings were not planted since Voi Girls school was awaiting rainy seasons to be planted;
ii) The minor cracks at Buguta primary school and Makwasinyi Girls Secondary School on the walls & floor were due to wear & tear, and also insufficient curing cause by lack of water in the region;
iii) At Buguta Secondary School, the funds disbursed were additional for construction of dormitory as stated on the project list FY 2014/15; and
iv) At Marungu Secondary School, there was conflict on the parcel of land (where the dormitory was to be constructed) between the school and the neighbouring villager. As at now the issue has been resolved and construction is ongoing.

Committee recommendations

1663. The Committee recommends that:

1) **The Accounting Officer should ensure that all the Fund Account Managers and PMCs undertake consultations and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced in line with the NG-CDF Act, 2015; and**
2) **The Accounting officer should ensure that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project.**

7.3.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1664. The Auditor General raised six audit Matters during examination of financial statements of Voi Constituency for the year 2015/2016.

7.3.3.1 Bank Balance

1665. The statement of financial assets as at 30th June 2016 reflected a bank balance of Kshs. 25,473,660. However, the bank reconciliation statement as 30th June 2016 reflected un-presented cheques of Kshs. 6,092,311.30 out of which stale cheques totaled to Kshs. 1,545,373.90. Further bank statements confirming subsequent clearance of the cheques by the banks were not availed for audit verification. In addition, the bank reconciliation statements reflected payments in bank statements not in cashbook of Kshs. 40,250.70 out of which a balance of Kshs. 8,250.73 related to bank charges not recorded in cashbook and therefore not accounted for in these financial statements as at 30th June 2026 also reflected receipts in cashbook but no evidence of subsequent clearance of balances had been availed for audit verification. Consequently, the accuracy, validity and completeness of the bank balance of Kshs. 25,473,660 as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1666. The Fund Account Manager submitted that the amount of stale cheques of Kshs. 1,545,373.90 was reversed as follows: Kshs. 1,000,000.00 on July 30, 2016 and Kshs. 545,373.90 on February 28, 2017 (Cashbook extract was submitted to the auditor.). The balance of Kshs. 4,546,937.40 cleared in the bank statement subsequently within the next 6 months. An amount of Kshs. 40,250.73 was in the bank statement but not in the cashbook, out of this amount, Kshs. 8,250.73 was charged in the cashbook in the Financial Year 2017/18.

1667. He further stated that the balance of Kshs. 32,000.00 relates to Cheque No. 005545, which was later cancelled. The cashbook balance of the said financial year was overstated by Kshs. 30,000.00, an amount which came up due to casting error in the cashbook.

Committee Observations

1668. The Committee observed that the unpresented cheques were reversed and bank charges recorded and the supporting documents had since been provided and reviewed by the auditor.

Committee Recommendations

1669. **The Committee recommends that Accounting Officer should ensure that the Fund Account Manager keeps financial and other records that are accurate, reliable,**

complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.3.3.2 Outstanding Imprest

1670. The statement of financial assets as at 30th June 2016 reflected outstanding imprests of Kshs. 214,705 of which the date of issuance had not been indicated to confirm compliance with Regulation 93 of the PFM (National Government) Regulations 2015 which provides temporary imprests shall be accounted for or surrendered within seven working days of return to duty station. Consequently, the propriety and recoverability of outstanding imprests totaling Kshs. 214,705 as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1671. The Fund Account Manager submitted that that the imprest had been cleared on 15/06/2016 as per documents presented before the Committee.

Committee Observations

1672. The Committee observed that the Fund Account Manager had issued imprest warrants without indicating the issuance date. The imprest was subsequently cleared on 15/06/2016.

Committee Recommendations

1673. **The Committee recommends that the accounting officer should ensure that all Fund Account Managers properly issue imprests with clear dates in line with provisions of Regulation 93 of the PFM (National Government), Regulations 2015.**

7.3.3.3 Unsupported Expenditure

1674. The statement of receipts and payments for the year ended 30 June 2016 contained various payments totaling Kshs. 28,124,867 as detailed below but whose supporting documents were not availed for audit review. (Table given). Consequently, the propriety of expenditure totaling Kshs. 28,124,867 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1675. The Fund Account Manager submitted that the supporting documents, schedules and detailed response were provided for audit verification.

Committee Observations

1676. The Committee observed that the Fund Account Manager had not provided supporting documents to support the payments of Kshs. 28,124,867. The documents were later provided to the auditors for review and verification

Committee Recommendations

1677. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

7.3.3.4 Uses of goods and services

1678. Note 5 to the financial statements for the year ended 30th June 2016 reflected committee allowances of Kshs. 4,536,000 but the names of the payees and nature of meetings held were not availed for audit verification. Consequently, the propriety and completeness of the committee allowance payments of Kshs. 4,536,000 for the ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1679. The Fund Account Manager submitted that all vouchers concerning committee allowances were availed and inside all payment vouchers there were attachments containing list of payees. The vouchers contained committee allowance, dates, names of payees and nature of meeting held.

Committee Observations

1680. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting schedules and documentations to support the committee expenses expenditure. The documentations were submitted later to the auditor for review.

Committee Recommendations

1681. **The Committee recommends that the Accounting Officer should ensure that all Fund Account Manager avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

7.3.3.5 Other grants and transfers

1682. Note 7 to the financial statements for the ended year 30th June 2016 reflected emergency projects of Kshs. 6,879,613. However written opinion of the Constituency Development Fund Committee had not been availed for audit review contrary to section 8(3) of the National Government Constituency Development Fund Act, 2015 which defines emergency as an urgent unforeseen need for expenditure which in the opinion of the Committee, cannot be postponed to the following financial year without harming public interest in the respective constituency. Consequently, the propriety of expenditure totaling Kshs. 6,879,613 on emergency projects for the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1683. The Fund Account Manager submitted that all projects funded through emergency vote had minutes and such projects were discussed by Constituency Development Fund Committee for approval. The funds were re-allocated to existing projects, especially those that were under funded in the financial year and the prior year.

Committee Observations

1684. The Committee observed that the Fund Account Manager had not provided the supporting documentation and minutes confirming the projects as emergencies. The documentation was however submitted to the auditor for review and verification.

Committee Recommendations

1685. **The Committee recommends that the Accounting Officer should ensure that All Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

7.3.3.6 Budgetary controls and performance

1686. During the year under review, the Fund had a budget of Kshs. 146,862,613 against expenditure of Ksl funds indicates the budget was not implemented as planned. Therefore, delivery of goods and services to the residents of Voi Constituency was curtailed.

Submission by the Fund Account Manager

1687. The Fund Account Manager submitted that the committee did not implement the budget in accordance with Section 220(1) of the Constitution of Kenya 2010 and Section 35(1) of The PFM Act, 2012. The level of unabsorbed funds relates to delays in disbursing funds from the NG- CDFB. However, these projects had now been implemented to their completion.

Committee Observations

1688. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1689. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.3.3.7 Projects Implementation

1690. During the year under review fifty (50) projects were allocated Kshs. 79,647,061 out of which Kshs. 26,700,000 or 33.5% was disbursed to thirty –nine (39) projects which

therefore left Kshs. 52,947,061 or 66.5% of the allocation undisbursed Expenditure totaling Kshs. 18,743,948 or 70.2% of the disbursement amount was incurred resulting to an unspent balance of Kshs. 7,956,052 or 29.8% of the disbursed amount. Two (2) projects which received disbursements of Kshs. 2,500,000 had not been implemented as at year end. The under-expenditure of Kshs. 7,956,052 and the failure to disburse funds to projects indicates that delivery of goods and services to residents of Voi constituency was curtailed.

1691. **Submission by the Fund Account Manager**

i) **Construction of Dining Hall at Olops Girls Secondary School for Kshs. 2,000,000.**

The Fund Account Manager submitted that the school is situated on the steeply slopes of Sagalla hills so there was a hard time to come up with a levelled ground to initiate the construction works of a dormitory thus the late implementation of the project. The construction works were still ongoing at the school.

ii) **Construction of Incinerator at Miasenyi Dispensary for Kshs. 500,000.**

The Fund Account Manager submitted that funds were disbursed late in the financial year, so the implementation was done in the following Financial Year 2016/17. The project is complete and in use. Copies for the works last payment process were submitted to the auditor.

Committee Observations

1692. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury, hence the audit query is resolved.

Committee Recommendations

1693. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.3.3.8 Verification of Projects

1694. During the audit, seventeen (17) projects which received disbursements totaling Kshs. 14,761,685 were verified in the month of May 2017 out of which anomalies were noted in respect of eight (8) projects which received Kshs. 8,300,000. Consequently, value for money may not have been obtained for Kshs. 8,300,300 spent on projects for the year ended 30 June 2016.

Submission by the Fund Account Manager

1695. The Fund Account Manager submitted the following information on the projects

a) Ikanga B Water Project – Construction of a borehole: Kshs. 1,000,000-The surveys done showed that the water table was too deep, hence drilling a borehole, fitting of a

pump and laying of pipes was too expensive to be undertaken. So, the funds were utilized in purchasing lying of pipes, tanks which were to tap water from the main line constructed by TAVEVO Co. Ltd recently to supply water to the other villages across the railway line. The line was laid up to where the tanks were placed in the Ikanga B village (water kiosk). Copies of: minutes for request of change of use, project estimates, LPO & LSO and awarding minutes were availed for audit.

b) Mchanga Primary School – Construction of a Classroom: Kshs. 500,000 [Emergency Funds]. During the time, pupils in the area were learning under a tree which had not been conducive for learning. The area Committee had been called upon by the community to visit the school which was also prone to human-wildlife conflicts, to intervene. The safety of the pupils and teachers had been compromised hence need of emergency funding to build a classroom. They were given assurance that construction of classroom would be commenced immediately to safe guard the pupils. The funds disbursed (Kshs. 500,000) had not been enough to build a complete classroom. Up to the time of the audit the two classrooms (one built by community) were not fully complete i.e., finishes, flooring, fixing doors & windows and painting; but they're in use. Payment voucher with CDFC minutes were availed.

c) Maungu Public Toilet – Completion of Public Toilet: Kshs. 200,000 [Emergency Funds]. The Emergency Funds had been approved in the CDFC meeting held on 22/01/2016. The Women's Wing had been closed due to drainage block caused by flashing of sanitary towels i.e., misuse of toilet. Availed for audit were copies of the CDFC minutes, PMC request minutes.

d) Ore Primary School – Construction of Classroom and Renovation of Classroom: Kshs. 1,200,000. The classroom to be renovated was beyond repair so; the school management opted to construct a new one after demolishing the old one. The class was complete and in use.

e) Marasi Primary School – Construction of two classrooms: Kshs. 1,500,000. The electrical installation was not included in the Bill of Quantities because the funds were not sufficient. The minor cracks on the wall and Veranda were due to ware and tare. Labelling was to be done when the contractor was fully paid his retention. Availed for audit were copies of: handing over minutes, completion certificate and final payment certificate.

f) Buguta Health Centre – fencing of the Health Centre: Kshs. 500,000. At the moment of implementation, the County Government of Taita Taveta had supplied the maternity wing equipment for the Health Centre. The management requested the funds to be utilized in fencing the property to improve security and eliminate trespassing.

g) Mwakitawa Girls Secondary School - Construction of dormitory: Kshs. 2,000,000. The funds were not sufficient to complete the BQ works amounting to Kshs. 6,347,340.20. So, it was waiting more funding. Availed for audit was a copy of the last PMC minutes resolving the ongoing project then pending issues.

h) Kajire Secondary School – Construction of Dormitory: Kshs. 1,400,000. The funds were not sufficient to complete the contractual sum amounting to Kshs. 3,392,135.93. Hence waiting more funding; that's why it had stalled. As at the time of the audit the dormitory had received more funds. Thus, it was complete and in use.

Committee Observations

1696. The Committee observed that anomalies cited by the Auditor General on the projects had been corrected within the defect liability period and that those abandoned were completed, hence audit query is resolved.

Committee Recommendations

1697. **The Committee recommends that the Accounting Officer should ensure that Fund Account Managers only makes payment for works done based on completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds be retained for defect liability period.**

7.4 MWATATE CONSTITUENCY

1698. Ms. Amina Ali, the current Fund Account Manager since 2017 appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Mwatate Constituency for the financial years 2013/14, 2014/15 and 2015/16. She was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Mr. Ronald W. Jembe, Former Fund Account Manager (Feb. 2014 to June 2015).

7.4.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1699. The Auditor General raised three audit Matters during examination of the financial statements of Mwatate Constituency for the year 2013/2014.

7.4.1.1 Inaccuracies in the Financial Statements

1700. The summary statement of appropriation reflected original and final budget balances of Kshs. 68,968,973.80 and Kshs. 69,014,066.70 respectively while the correct casted and approved final and original budgets were Kshs. 67,679,249.70 and Kshs. 67,724,342.60 respectively, resulting to an error of Kshs. 1,289,724.10 in both cases.

Submission by the Fund Account Manager

1701. Mr. Ronald Jember, the Fund Account Manager submitted that the error of Kshs.1, 289,724.10 was due to omission of balance brought forward from previous years thus affecting the original and final budgets. This error is corrected in the re-stated financial statements. This is regretted and measures instituted to avoid recurrence.

Committee Observations

1702. The Committee observed that there were inaccuracies in the Financial Statements owing to omissions of previous years' balance brought forward. The statements were amended after the audit review and documentations provided for audit verification.

Committee Recommendations

1703. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.4.1.2 Cash and Cash Equivalents – Kshs. 1,665,481

1704. Included in the statement of financial assets and liabilities is cash and liabilities in cash and cash equivalents balance of Kshs. 790,000 recorded in cashbook analysis for the

month of June 2014 and had not been supported with an imprest register. In addition, the supporting bank reconciliation statement as at 30th June 2014 reflected a balance as per cashbook of Kshs. 1,572,408.00 resulting to unexplained/unreconciled variance of Kshs. 873,073.40. Further, the bank balance of Kshs. 16,400,427 as indicated in certificate of bank balance is different from Kshs. 15,639,427 used in bank reconciliation statement.

1705. The resultant variance of Kshs. 761,000 between the two records had also not been explained/reconciled. The bank reconciliation statement further reflected payment in cashbook not yet recorded in bank statement of Kshs.14, 423,893 of which cheques totaling Kshs. 455,360 were already stale. The reconciliation statement also reflected payments in bank statement not recorded in cashbook of Kshs. 327,370, out of which Cheque No. 559 for Kshs. 300,000 had been outstanding since 9 June 2009. In the circumstance, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 1,655,481 as at 30th June 2014 could not be confirmed.

Submission by the Fund Account Manager

1706. The Fund Account Manager submitted that there was an omission of the Kshs. 790,000.00 imprest from the financial statement. The bank reconciliation was redone and restated in the financial statement. The variance was due to unpresented cheques which went through on 2/7/2014 but not captured as outstanding items in the bank reconciliation as at 30/6/2014. i. e chq 2814 112,000, chq 2778 25,000, chq 3226 200,000 chq 3227 200,000 chq 3228 200,000 and chq 2813 24000.00. He further submitted that the outstanding cheque was replaced.

1707. The updated register showing imprest entries and surrenders. Availed is copy of cashbook showing the reversed cheques. The reconciliation indeed shows payment of Kshs. 300,000.00 in bank not in cash. This cheque was written for a project however the payment was omitted and not posted in cashbook. The Copy of Cashbook showing that the payment was posted later.

Committee Observations

1708. The Committee observed that-

(i) The Fund Account Manager did not maintain an imprest register; and

(ii) The Copy of Cashbook showing the payment was posted after the audit period.

Committee Recommendations

1709. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.4.1.3 Other Grants and Transfers

1710. The statement of receipts and payment reflected other grants and transfers balances of Kshs. 36,355,261 which includes a total of Kshs. 3,850,000 disbursed for construction of various roads and a footbridge. However, the relevant project bank statement showing receipt of these disbursements, expenditure return and completion certificates were not availed for audit verification. Further, the other grants and transfers balance of Kshs. 36,355,261 includes student bursaries totaling Kshs. 14,925,411. However, bursary advertisement and applications received, minutes of the Constituency Development Fund Committee indicating how the beneficiary were identified and evidence of receipt by the respective learning institution were not provided for audit verification. Also, the other grants and transfers balance of Kshs. 36,355,261 includes Kshs. 1,900,000 disbursed for construction of Mwasinenyi Cooling Plant. However, the relevant project bank statement showing receipt of these disbursements were not availed for audit verification.

1711. In the circumstances, the propriety of disbursement amounting to Kshs. 5,750,000 for construction of roads, a footbridge and a cooling plant and Kshs. 14,925,411 spent on bursaries could not be confirmed.

Submission by the Fund Account Manager

1712. The Fund Account Manager submitted that the project bank statements, expenditure returns /reports and completion certificates for Kshs. 3,850,000 used on roads Sanga Mbagha Road and Kidaya ngerenyi footbridges and Kshs. 1,900,000 for construction of Mwasineyi cooling plant had been availed for audit review. The bursary amount of Kshs. 14,925,411 was issued to beneficiaries identified in ward barazas as evidenced by the submitted reports, minutes and photos. The NGCDFC followed up on acknowledgements from the beneficiary institutions. Some had since been received and availed for audit review.

Committee Observations

1713. The Committee observed that-

(i) At the time of audit, the Fund Account Manager did not provide the project expenditure returns, project's bank account statements, and completion certificates. The documents had been provided for verification after audit period; and

(ii) However, the Fund Account Manager did not provide acknowledgement receipts from the beneficiary institutions that the funds were received.

Committee Recommendations

1714. **The Committee recommends that:**

i) The Accounting Officer should ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and

ii) **Within three months of adoption of this report, the Accounting officer should ensure that the Fund Account Manager avails acknowledgement receipts from the beneficiary institutions to the Auditor General for audit review and reporting during the subsequent audit cycle.**

7.4.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1715. The Auditor General raised ten audit Matters during examination of financial statements for Mwatate Constituency for the year 2014/2015.

7.4.2.1 Inaccuracies of the financial statement

1716. The comparative financial year was shown on the statement of receipts and payments as at 2012/2013 instead of 2013/2014. The statements of financial assets and liabilities as at 30 June 2015 reflected a prior year adjustment of Kshs. 790,000 in respect of outstanding imprests, not captured in 2013/2014 but incorrectly adjusted both in 2013/2014 and 2014/2015. The financial years were not indicated in the statement of cash flows for the year ended 30 June 2015.The other expenses figure of Kshs. 81,217,235 shown on the statement of cash flows had no disclosure in Note 11 which is blank. Note 15 shown in the statement of financial assets and liabilities was for cash equivalents and not fixed assets as disclosed in the notes. The Fund balance (Note 16) brought forward was shown as Kshs. 1,572,408 which was at variance with Kshs. 2,362,408 in 2013/2014.

1717. The statement of financial assets and liabilities as at 30 June 2015 reflected surplus of Kshs. 4,107,779 while the statement of receipts and payments reflected Kshs. 2,535,370 resulting to unexplained/unreconciled variance of Kshs. 1,572,409.00.

1718. The statement of cash flows reflected other revenues figure of Kshs. 83,572,605 while the comparative for 2013/2014 was Kshs. 77,793,029 resulting in unexplained/unreconciled variance of Kshs. 5,959,576. The statement of financial assets and liabilities as at 30 June 2015 cash and outstanding imprest balance was shown as Note 13 and 14 respectively instead of Note 12B and 12C respectively. Notes 1, 4, 5, 6, 7, 8, 9 shown on the statement of cash flows for the year ended 30 June 2015 had no comparative balances for 2013/2014. Note 16 shown on the statement of cash flows had no corresponding disclosure in the Notes.

1719. The breakdown of the other operating expense of Kshs. 1,121,547 and the comparative figure of Kshs. 3,257,956 at Note 5 had not been given. Unexplained/Unreconciled variance of Kshs. 531,709 between accounts figure of Kshs. 904,982 and supporting schedule figure of Kshs. 1,436,691. Unexplained/Unreconciled variance of Kshs. 27,930 between accounts figure of Kshs. 5,707,700 and supporting schedule figure of Kshs. 5,735,630.

Submission by the Fund Account Manager

1720. Mr. Ronald Wanje Jember, the former Fund Account Manager submitted that unreconciled errors and presentation anomalies had been amended in the re-stated financial statements. Availed for audit review is the re-stated financial statement. Cash and cash Equivalent there was an outstanding Imprest of Kshs. 790,000, which was taken on 15/6/2015 and it was never included in the cash and cash equivalent. The cashbook balance as per cashbook and bank reconciliation was Kshs. 6,971,374 and the photocopy of the cashbook was submitted with a copy of bank reconciliation. Bank balance for the 2013/2014 and brought forward to F/Y 2014/2015 restated as Kshs. 1,600,409 due to the fact that the initial figure of Kshs. 1,572,408 was under stated. The figure did not include the balance brought forward the previous financial year.

Committee Observations

1721. The Committee observed that there were various errors and anomalies in the Financial Statements. The unreconciled errors and presentation anomalies were amended in the re-stated financial statements.

Committee Recommendations

1722. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.4.2.2 Other Grants and Transfers

1723. Included in other grants and transfers balance of Kshs. 34,034,835 shown in the statement of receipt and payments for the year ended 30 June 2015 is Kshs.1, 800,000 in respect of Mramba Water Borehole Project, Mariwenyi Borehole and Mwabota water tank. However, the approved projects proposals availed for audit review indicated a figure of Kshs. 6,500,000 as transferred to these projects, resulting to unexplained nor reconciled variance of Kshs. 4,700,000 between the two records. Consequently, the propriety of other grants and transfers figure of Kshs.4700, 000 excluded in these financial statements could not be confirmed.

Submission by the Fund Account Manager

1724. Mr. Ronald Wanje Jember, the former Fund Account Manager submitted that it is true that Kshs. 6,500,000 was allocated to the said projects as shown in the code list. However, Kshs. 1,800,000 was released to the projects during the year based on amounts received from the Board.

Committee Observations

1725. The Committee observed that there was no variation as the Kshs. 6,500,000 was the approved allocation for the project while Kshs. 1,800,000 was what was dispersed to the project during the year based on the actual receipts from the Board.

Committee recommendations

1726. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government), 2015**

7.4.2.3 Bank balance

1727. The statement of financial assets as at 30 June 2015 reflected a bank balance of Kshs. 5,700,187. However, the bank reconciliation statement as at 30 June 2015 reflected payments in cashbook not in bank statement of Kshs. 2,486,109, out of which cheques for Kshs. 894,400 were stale. Further, receipts in bank statement not in cashbook totaled Kshs. 472,138 while payments in bank statements not in cashbook representing bank charges amounted to Kshs. 8,080. However, the management had not explained why these stale cheques had not been reversed in the cashbook and why bank charges which were not reconciling items were reflected in the reconciliation.

1728. In addition, the dates when all un-presented cheques and other reconciling items were subsequently cleared by the bank were not availed for audit review. Consequently, the accuracy and completeness of the bank balance of Kshs. 5,700,187 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1729. Mr. Ronald Wanje Jember submitted that the stale cheques had been reversed in the cashbook. Other items would be cleared and revised reconciliation availed. A copy of cashbook and reconciliation with corrections had been provided for verification.

Committee Observations

1730. The Committee observed that;

i) There were inaccuracies on bank balance as cashbook and bank reconciliation statements were not updated; and

ii) Adjustments to the cashbook were made after the audit and documents availed for verification.

Committee Recommendations

1731. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided**

by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.4.2.4 Outstanding Imprest

1732. The statement of financial assets as at 30 June 2015 reflected outstanding imprest of Kshs. 770,000 issued to an officer of the Fund on 15 June 2015. However, the imprest warrants number, expected date of surrender and purpose of issuance was not provided for audit verification. As a result, the accuracy, completeness and propriety of the imprest of Kshs. 770,000 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1733. Mr. Ronald Wanje Jember, the former Fund Account Manager disclosed there was an outstanding Imprest of Kshs. 790,000 which was taken on 15/6/2015 and was never included in the cash and cash equivalent. The amount was also posted as prior year adjustment and the figure was restated to cash and cash equivalent affecting Net Liabilities.

1734. The Fund Account Manager further submitted that the same figure was having a casting error on Note 12C which was posted as Kshs. 770,000 instead of Kshs. 790,000. Imprests had since been accounted for, a copy of cashbook, imprest register showing date received and surrendered was provided for verification.

Committee Observations

1735. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting documents. The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1736. **The Committee recommends that:**

1) **The Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and**
2) **The Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.4.2.5 Transfers from CDF Board

1737. The statement of receipt and payments for the year under review reflected transfers from CDF Board balance of Kshs.83, 752,606 while AIEs as per vote book total Kshs. 103,479,343.80. However, the management had not provided reconciliation nor explanation for the variance of Kshs.19, 726,738.40 between the two figures.

Consequently, the accuracy and completeness of the transfers from CDF Board balance of Kshs 83,752,605 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1738. The Fund Account Manager confirmed that the Constituency received Kshs. 83,752,605 during the year. The previous financial statement did not include Receipts and Transfers from CDF Board the Original Budget and the approved amounts was Kshs. 99,972,618. The adjustments amount included the balance brought forward of Kshs. 1,600,409 which affected the final Budget to Kshs. 101,573,027.

Committee Observations

1739. The Committee observed that the unexplained variance of Kshs. 1,600,409 is the balance brought forward from the previous year.

Committee recommendation

1740. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.4.2.6 Committee Meeting Allowances and Expenses

1741. The statement of receipts and payments reflected committee meeting allowances and expenses of Kshs. 5,707,000. Included in this figure is Kshs. 5,457,700 relating to sitting and transport allowances paid to Constituency Development Fund Committee (CDFC) members. However, quotations for hire of taxis, daily motor vehicle work tickets for vehicles used, minutes of meetings held, reports produced during the meetings, dates the projects visited by the Monitoring and Evaluation Committee members were not availed for audit verification. Consequently, the propriety of expenditure totaling Kshs. 5,457,700 on committee meeting allowances and expenses for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1742. The Fund Account Manager submitted that the motor vehicle work tickets, minutes of meetings held, reports produced during the meetings, dates the projects visited by the Monitoring and Evaluation Committee members in support of the expenditure had been availed for audit review

Committee Observations

1743. The Committee observed that-

(i) The Fund Account Manager did not provide documentation on committee meeting allowances and expenses;

(ii) The documents were taken by EACC who were investigating fraud case in the Constituency offices; and

(iii)The audit issue is unresolved.

Committee Recommendations

1744. The Committee recommends that-

1) **The Ethics and Anti-Corruption Commission (EACC) should expedite investigations, conclude the matter, and provide a status report to the National Assembly within three months of the adoption of this report; and**
2) **The Accounting Officer should ensure that the documents taken by Ethics and Anti-Corruption Commission (EACC) are returned for clearing the outstanding audit issues.**

7.4.2.7 Transfers to Other Government Units

1745. The statement of receipts and payments for the year under review reflected Kshs. 39,334,462 in respect of transfers to Project Management Committees during the year under review. This amount included Kshs. 8,450,000 transferred to primary schools, Kshs. 26,884,462 transferred to secondary schools and Kshs. 4,000,000 transferred to health institutions. The following observations were made.

i. Transfers to Primary Schools

1746. Included in the transfers to other government units' balance of Kshs. 8,450,000 is Kshs. 6,500,000 disbursed to 62 primary schools for electrical wiring and a further Kshs.500, 000 for bush clearing and grading of Kalendo-Ndashinyi road. However, expenditure returns of the transfers were not availed for audit verification. Under the circumstance, the propriety of the transfers to primary schools of Kshs. 7,000,000 for the year ended 30 June 2015 could not be confirmed

Submission by the Fund Account Manager

1747. The Fund Account Manager submitted that the returns had been availed and indeed the electrification and wiring of the entire primary was completed. The Delivery notes and invoices of each of the school and photos of the projects confirming the work was completed, and inspection reports were availed for verification.

Committee Observations

1748. The Committee observed that the Fund Account Manager did not provide at the time of audit the project expenditure returns. The documents were later provided to the auditors for review and verification.

Committee Recommendations

1749. **The Committee recommends that the Accounting Officer should ensure that all Fund Account Manager avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

ii. Transfers to Secondary Schools

1750. Included in the transfers to secondary schools' balance of Kshs. 26,884,462 is an amount of Kshs.4, 500,000 allocated for Kituma Sec School for construction of a kitchen, laying of water piping and fencing. However, payment vouchers availed for audit indicated a transfer of Kshs.1, 500,000 was diverted to construction of two classrooms and purchase of furniture. Further, Kshs.2, 200,000 diverted and spent on unspecified work while a payment of Kshs.1, 000,000 was not supported with engineer's certificate of completion. Consequently, the propriety of Kshs. 4,500,000 spent on the secondary school projects for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1751. The Fund Account Manager confirmed that it is true that funds were diverted from the initial activity of construction of kitchen, piping and fencing to construction of classroom because the classroom was a pressing need and students had to do their extra subjects during weekends and later hours to be able to cover the syllabus. The number of students' enrolment also increased so there was an urgent need for furniture to be procured. Minutes from Committee requesting the change of activity and photos of the extra classroom and furniture were provided for audit verification.

Committee Observations

1752. The Committee observed that the Fund Account Manager had not provided a completion certificate for works worth Kshs. 1,000,000 and how Kshs. 2,200,000 was utilized hence audit query is unresolved.

Committee Recommendations

1753. **The Committee recommends that:**

1) **Within three months upon adoption of this report, Accounting Officer should ensure that the Fund Account Manager provides certificates of completion to the Auditors General for audit review and reporting in the subsequent audit cycle;**
2) **The accounting officer ensures that the Fund Account Manager complies with projects implementation as approved by the NG-CDF Board. Any reallocation must at all times be approved by the board before commencement of a project in line with NG-CDF Act, 2015; and**
3) **The NG-CDF Board should prioritize requests for reallocation of funds by constituencies to avoid inordinate delays in project implementation.**

iii. Transfers to Health Institutions

1754. The transfers to health institutions figure of Kshs4,000,000 includes Kshs. 2,100,000 disbursed to Bura Health Centre project account during the year under review, out of which Kshs. 1,500,000 was for construction of a mother and child care unit of which no project proposal and approval were availed for audit review. In addition, the balance of

Kshs.600, 000 being retention money, was transferred on 15 January 2015 for construction of an outpatient block at the facility which the engineer's completion certificate was not availed for audit verification. Further, the ownership for the land on which the health unit stands is in dispute with an individual contesting the local community's claim to it in a court of law.

1755. Consequently, until the case is determined and the land ownership by the local community confirmed by the court, the Fund risks loss of funds totaling Kshs. 7,455,978.39 which includes Kshs. 5,355,978.39 spent on the project in the year 2012/2013.

Submission by the Fund Account Manager

1756. The Fund Account Manager submitted that the amount in question were funds transferred to Bura Health Center for construction of an MCH /FP unit. The inpatient department was done by economic stimulus programme and therefore the outpatient and MCH/FP department funded by CDF. The land ownership documents showing the gazettement of the project plot as public utility and de-gazettement of the plot which was initially grabbed by a certain individual was provided for audit verification.

Committee Observations

1757. The Committee observed that the Fund Account Manager had at the time of Audit not provided the Title deed for the land on which the Health Center was constructed since the land ownership is in dispute and the case is before a court of Law.

Committee Recommendations

1758. The Committee recommends that:

1) **The Accounting Officer should ensure that the Fund Account Manager and PMCs undertake feasibility studies and due diligence on land ownership prior to undertaking projects for their smooth implementation; and**
2) **Within three months upon adoption of this report, the Accounting Officer to provide a status report on the land ownership case to the Auditor General for audit review and reporting to the National Assembly.**

7.4.2.10 Other Grants and Transfers

a) Bursaries

1759. Note 8 to the financial statements shows bursaries to secondary/tertiary institutions of Kshs. 23,811,111 disbursed during the year under review. However, bursary applications, approvals by the NG-CDF Committee and acknowledgment of receipt by the respective tertiary institutions not availed for audit verification; Consequently, the propriety of Kshs. 23,811,111 paid as bursaries for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1760. The Fund Account Manager submitted that the Bursary beneficiary list (Schools and students) and acknowledgement receipts from the various schools was provided for verification.

Committee Observations

1761. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting documents. However, the documents were later provided to the auditors for review and verification.

Committee Recommendations

1762. The committee recommends that:

1) **The NG-CDF Board should develop an overarching policy framework on bursaries to guide constituency bursary committee's in-line with the needs of the constituency. Each NG-CDF bursary committee to establish criteria and guidelines for identifying, categorizing and awarding of bursaries to needy students; and**

2) **The Accounting Officer should ensure that all Fund Account Managers avail supporting documents to the Auditor General during audit as required under section 9(1)(e) Public Audit Act, 2015.**

b) Water Projects

1763. Note 8 to the financial statements reflected Kshs. 1,800,000 for water projects comprising Kshs. 800,000 disbursed to Mambisi Water Project for construction of a dam wall and Kshs. 1,000,000 for Mwatate-Mwambewa Borehole Project which entailed the purchase of water tanks, construction of water kiosks and extension of distribution line. However, project architectural drawings or design were not availed for audit review nor the water tanks, pipeline and water kiosks provided for physical verification. As a result, the propriety of Kshs. 1,800,000 disbursed to water projects during the year under review could not be confirmed.

Submission by the Fund Account Manager

1764. The Fund Account Manager submitted that the Drawings, correspondence with the Ministry of water and Photos of the same provided as documentary and physical evidence. The documents had been availed for audit review.

Committee Observations

1765. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting documents. The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1766. **The Committee recommends that the Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

c) Environment Project

1767. Note 8 to the financial statements reflected a figure of Kshs. 1,939,724 in respect of environment projects implemented during the year under review of which Kshs. 1,289,724 is in respect of planting trees in six primary schools while Kshs. 650,000 was construction of gabions along Kirongwe Gulley in Mwatate Constituency. However, details of the schools that received the trees and quotations raised before procuring the trees were not availed for audit review. Consequently, the propriety of Kshs. 1,939,724 spent on planting of trees and construction of gabions for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1768. The Fund Account Manager submitted that the funds were spent on tree planting and construction of gabions. The list of schools where the tree planting was done and photos of activities during tree planting had been availed for audit review.

Committee Observations

1769. The Committee observed that:

(i) The Fund Account Manager did not provide at the time of audit the supporting documents showing competitive bidding for supply of the trees; and

(ii) The list of schools where the tree planting was done and photos of activities during tree planting had been availed for audit review.

Committee Recommendations

1770. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

d) Emergency- Kshs. 4,950,000

1771. Note 8 to the financial statements reflected emergency funds balance of Kshs. 4,950,000 in respect of 11 emergency projects of which the architectural drawings, Bills of Quantities, quotations and certificates of completion were not availed for audit verification. As such, the propriety and value for money for this expenditure of Kshs. 4,950,000 the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1772. The Fund Account Manager acknowledged that it is true that Kshs. 4,950,000.00 was indeed sourced from the emergency vote. The list of projects had been availed for audit

review. CDFC Minutes authorizing the funding the projects, also availed the completion certificates for the projects.

Committee Observations

1773. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting document. The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1774. **The Committee recommends that the Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents.**

e) Budgetary Control and Performance

1775. Overall, under expenditure of Kshs. 7,319,001 or 8% on budget. Unexplained variance/under absorption of Kshs. 17,319,001 or 18% between the budget as per summary statement of appropriation and CDF Board records/Circular. Failure to explain how the over expenditure of Kshs. 17,274,965 or 20% of the budget.

Submission by the Fund Account Manager

1776. The Fund Account Manager submitted that the NGCDFC had balances b/f from previous years amounting Kshs. 1,600,409. The Committee received funds from the board amounting Kshs. 99,972,618 giving total available funds of Kshs. 101,573,027 included in the balance of Kshs. 34,484,487 transfers to other Government units for previous year received during the period. There was therefore no over expenditure. The under expenditure was occasioned by non-receipt of funds from the Board.

Committee Observations

1777. The Committee observed that-

i) The under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury; and

ii) The over expenditure is due to roll over funds from previous years which was utilized in the financial year.

Committee Recommendations

1778. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

f) Projects Implementation

1779. Incomplete construction work on classrooms of two secondary schools at a cost of Kshs. 2,900,000. Omission of projects in the current status report costing Kshs. 38,245,747 reported as ongoing in the status report as at 30 June 2014.

Submission by the Fund Account Manager

1780. The Fund Account Manager submitted that the Kombolio Secondary School project is complete. Availed for audit reviews were the completion certificate for Kombolio Secondary School and photos of the project. However, Laghonyi Secondary school had not been completed and had a pending investigation that is going on by the office of the DCI. Project had been included in implementation status report.

Committee Observations

1781. The Committee observed that:

i) Slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury; and

ii) At Laghonyi Secondary school, construction of the classrooms was not completed and that there were on-going investigation by the office of the Directorate of Criminal Investigations (DCI) on the project.

Committee Recommendations

1782. The Committee recommends that:

1) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and**

2) **The accounting officer should follow up with the DCI on the status of investigation on the construction of the Laghonyi Secondary School and report to the Auditor General for audit review and reporting in the subsequent audit.**

Projects Verification

1783. Three projects costing Kshs. 8,889,412.50 were either incomplete and contractors not on site or had physical defects which had not been rectified.

Submission by the Fund Account Manager

1784. The Fund Account Manager submitted that the project had been completed by contractor to satisfaction of committee. Photos of the projects were provided for verification.

Committee Observations

1785. The Committee observed that the projects were complete and in use and to the satisfaction of the CDFC.

Committee Recommendations.

1786. **The Committee recommends that the Accounting officer and the Fund Account Managers should ensure that projects are completed in time, without defects and payments based on completion certificates in line with NG-CDF Act, 2015.**

7.4.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1787. The Auditor General raised nine audit Matters during examination of financial statements of Mwatate Constituency for the year 2015/2016, when Mr. Boniface Agoro was the Fund Account Manager.

Presentation of the Financial Statements

1788. The financial statements for the year ended 30 June 2016 submitted for audit reflected different approval and signing dates as follows:

S/No.	Financial Statement	Dates Approved
1	Statement of Receipts and Payments	25 August 2017
2	Statement of Financial Assets and Statement of Cash Flows	25 August 2016

1789. Consequently, the financial statements do not comply with International Public Sector Accounting Standard number 1 on presentation as prescribed by the PSASB.

Submission by the Fund Account Manager

1790. The Fund Account Manager submitted that the unreconciled errors and presentation anomalies had been amended in the re-stated financial statements. Cash and cash equivalent there was an outstanding Imprest of Kshs. 259,076 which was taken within the financial year and it was never captured in the cash and cash equivalent.

Committee Observations

1791. The Committee observed that there were errors in the presentations of the Financial Statements which is in violation of the International Public Sector Accounting Standard number 1 on presentation as prescribed by the PSASB.

Committee Recommendations

1792. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

7.4.3.1 Inaccuracies in the Financial Statements

1793. The financial statements for the year ended 30 June 2016 submitted for audit review contain the following inaccuracies:

i. **Casting Errors**

Note 7 to the financial statements reflected other grants and transfers balance of Kshs.69, 327,202 while re-cast balance is Kshs.68, 927,201, resulting in a variance of Kshs.400, 001 which however had not been explained.

ii) Variances between Financial Statements and Notes

1794. There were variances between the financial statement balances and identical account balances reflected in the Notes as shown below:

Component	Note	Financial Statement Figure (Kshs)	Figure as Per Note (Kshs)	Variance (Kshs.)
Transfers to Other Government Units	6	34,327,448	33,827,448	(500,000)
Other Grants and Transfers	7	68,827,202	69,327,202	500,000
Total		103,154,650	103,154,650	-

iii) Variances in Opening Balances

1795. Variances between the financial statements opening balances and audited financial statements for year 2014/2015 totaled Kshs.12, 463,206. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

iv) Variances Between Financial Statements and Payment Voucher Amounts

1796. The financial statements contain variances of Kshs. 5,435,500 between the financial statements and payment vouchers as shown below:

Component Other Grants and Transfers	**Financial Statement Figure (Kshs.)**	**Payment Voucher Amount**	**Variance (Kshs.)**
Water Projects	18,280,000	19,775,500	(1,495,500)
Road Projects	10,956,577	14,456,577	(3,500,000)
Emergency Projects	1,042,000	1,482,000	(440,000)
Total	**30,278,577**	**35,714,077**	**(5,435,500)**

1797. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1798. The Fund Account Manager submitted that the management noticed the various inaccuracies on the financial statement including opening balances and variations between financial statements and payment voucher amounts. The inaccuracies came about when the financial for the year ended 30th June 2016 was being prepared the

certified financial statement for the year 2014/2015 was unavailable at the station that's why there was a lot of incorrect opening balances for that financial year. The financial statement was restated and correct opening balances re-casted.

1799. The Fund Account Manager further submitted that the variances were caused by casting error when preparation of payment listing for the year under review was done. But later the payment listing was prepared using cashbook and payment vouchers. Therefore, all variances were reconciled and correct figured posted.

Committee Observations

1800. The Committee observed that:

i) There were various errors and anomalies in the financial statements that were later amended after the audit review; and

ii) The omissions and inconsistencies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1801. The Committee Recommends that:

1) **Accounting Officer to ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**

2) **The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

7.4.3.3 Unsupported Transactions

1802. The financial statements submitted for audit had unsupported expenditure amounting to Kshs. 47,183,046, as detailed below:

Component	Note	Financial Statement	Amount Supported	Variance (Unsupported
Use of Goods and Services	5	12,975,804	2,473,706	10,502,098
Transfers to Primary Schools	6	12,452,931	8,052 ,931	4,400,000
Transfers to Secondary Schools	6	14,792,000	13,510,400	1,281,600
Bursaries - Secondary Schools and tertiary Institutions	7	24,000,900	0	24,000,900
Electricity Projects	7	7,000,000	3,500,000	3,500,000
Sports Projects	7	2,597,000	800,000	1,797,000

Environment Projects	7	1,850,724	149,276	1,701,448
Total		**75,669,359**	**28,486,313**	**47,183,046**

1803. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1804. The Fund Account Manager submitted that the management supported all transaction with payment vouchers which were availed for audit review. All cheques for award of bursaries were submitted to the auditor with the list of bursary beneficiaries; copies of the same and copies of acknowledgement were available in the office file. All PMC files were also available and availed for audit review.

Committee observations

1805. The committee observed that there were unsupported expenditure amounting to Kshs. 47,183,046. However, the supporting documents, including list of bursary beneficiaries were later availed for audit review.

Committee recommendation

1806. **The Committee recommends that the Accounting Officer should ensure that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.**

7.4.3.4 Bank balances

1807. 1772 The statement of financial assets as at 30 June 2016 reflected a bank balance of Kshs.47, 441,652. However, the bank reconciliation statement availed for audit review reflected un-presented cheques of Kshs.6, 738, 345, out of which cheques of Kshs.1, 044,629 were stale. The bank reconciliation statement also reflected payments in bank statement not recorded in cashbook of Kshs.360, 000 and receipts in cashbook not yet recorded in bank statement of Kshs.529, 049.50. However, it was not explained why these payments had not been recorded in cashbook and the receipts not banked. Further, subsequent bank statements to confirm when the cheques were cleared by the bank were not availed for audit verification. Consequently, the accuracy and completeness of the bank balance of Kshs.47, 441,652 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1808. The Fund Account Manager submitted that while the management acknowledged the Bank balance issues, the board of survey certificate was presented for audit review. The bank statement for the year under review had been presented with bank balance certificate. All reconciliation reports of all 12 months under review had been presented for audit review. The board of survey certificate had been provided to verify and justify cashbook and bank balance.

Committee Observations

1809. The Committee observed that:

i) There were inaccuracies on bank balance as cashbook and bank reconciliation statements were not updated; and

ii) The inaccuracies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1810. The Committee Recommends that:

1) **The Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and**

2) **The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

7.4.3.5 Cash Balance

1811. The statement of assets as at 30 June 2016 reflected a nil cash balance whereas cashbook availed for audit review had a balance of Kshs.259, 076. Further, the Board of Survey report had been not availed for audit review. Consequently, the accuracy and completeness of the nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1812. The Fund Account Manager submitted that the board of survey certificate had been submitted to verify and justify cashbook and bank balance. The outstanding imprest was as a result of historical balances which had not taken under the financial year under review and the outstanding imprest of Kshs. 259,076 had been surrendered.

Committee Observations

1813. The Committee observed that the Fund Account Manager had not provided at the time of audit the Board of survey reports to support the cash balance. The survey reports were however submitted to the auditor for audit verification.

Committee Recommendations

1814. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the**

Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

7.4.3.6 Outstanding Imprests

1815. The statement of assets as at 30 June 2016 reflected nil balance while Note 11 to the financial statements reflected a balance of Kshs.259, 076. Further, the date when the imprest was issued had not been indicated. In the circumstance, the accuracy and completeness of the nil imprest balance reflected in the financial statements and recoverability of the un-surrendered imprest of Kshs.259, 076 as at 30 June 2016 remains uncertain.

Submission by the Fund Account Manager

1816. The Fund Account Manager submitted that copies of imprest warrant, a copy of imprest register showing that date of issue and expected date of surrender of the imprest was provided for audit review. According to the record the imprest was issued to the officer for the purpose of facilitation of the officer and NGCDFC members to inspect ongoing projects.

Committee Observations

1817. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting documents. The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1818. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, of 2012 on the timely submission of documents.**

7.4.3.7 Other Projects

1819. Note 7 to the financial statements reflected other projects valued at Kshs.1, 600,000. However, the projects were not in the list approved by the National Constituencies Development Fund Board pursuant to Section 31(1) of the National Constituencies Development Fund (NGCDF) Act, 2015 which states that 'the list of projects received by the Board shall be tabled for review at a Board meeting' and the same 'scrutinized and approved by the NGCDF Board' in accordance with Section 31(2) of the Act. As such, the Project Management Committee breached the law by incurring unbudgeted expenditure of Kshs.1, 600,000 during the year under review.

Submission by the Fund Account Manager

1820. The Fund Account Manager submitted that management acknowledges that the payments of Kshs.1, 600,000 which was done for strategic plan was not among the approved projects in the code list. However, the project was done the previous financial

year and it was among pending bill which was paid during the financial year under review.

Committee Observations

1821. The Committee observed that the strategic plan project was approved in FY 2014/15 but owing to delay of funds, the project was paid for in 2015/16.

Committee Recommendations

1822. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.4.3.8 Strategic Plan

1823. Note 7 to the financial statements reflected untitled balance of Kshs.1, 600,000 which relates to strategic plan according to an explanation by management. However, this was not in the approved budget, contrary to Section 31 of the National Government Constituencies Development Fund Act, 2015 which requires a list of projects to be submitted to the Board for scrutiny and approval. Further, the amount was paid to a consultant for preparing five-year strategic plan for the Mwatate Constituency but the purchase requisition, quotations, tender evaluation and award minutes were not availed for audit verification. Consequently, the propriety, completeness and value-for-money on the expenditure of Kshs.1, 600,000 incurred on the strategic plan during the year under review could not be confirmed.

Submission by the Fund Account Manager

1824. The Fund Account Manager submitted that the management acknowledge that the project which is the Strategic Plan was done. The process of procurement was followed but the project was not done during the financial year under review (2015-2016). It was done the previous year and it was among pending bills and when the funds were received from the NGCDF Board, payment was done. The copy of the strategic plan and voucher with NG-CDFC minutes for approval of payment of the project was provided for review.

Committee Observations

1825. The Committee observed that-

(i) The strategic plan project was approved and implemented in FY 2014/15 but owing to delay of funds, the project was paid for in 2015/16;

(ii) The supporting documents including the purchase requisition, quotations, tender evaluation and award minutes were not availed during the audit review; and

(iii) The documents have since been availed for audit verification

Committee Recommendations

1826. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.4.3.9 Budgetary Controls and Performance

1827. During the year under review, the Fund had a budget of Kshs. 158,766,247 but spent Kshs. 117,794,782 or 74.2% of the budget, resulting in net under-expenditure of Kshs. 40,971,465 or 25 .8% of the budget as shown below:

Units					
Other Grants and Transfers	72,456,675	68,827,202	0	3,629,473	
Variance	40,470 277	0	0	40,470 ,277	
Total	158,766,247	117,794,782	(3,552,260)	44,523,725	25.8

1828. As the table shows, the Fund overspent on use of goods by 19% and on transfers to other government units by 5%, and underspent by 20% on compensation of employees and 5% on other grants and transfers. Management attributed this to lack of bank accounts for some projects. As such, delivery of goods and services to residents of Mwatate Constituency may have been curtailed by the under-expenditure.

Submission by the Fund Account Manager

1829. Management submitted that under-expenditure was attributed this to lack of bank accounts for some projects and late disbursement of funds.

Committee Observations

1830. The Committee observed that-

(i) The under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury; and

(ii) The over expenditure is due to roll over funds from previous years which was utilized in the financial year.

Committee Recommendations

1831. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

7.4.3.10 Projects Implementation

1832. The projects implementation report availed for audit review indicated that as at 30 June 2016 the Fund had implemented fifty-seven (57) projects with cumulative disbursements of Kshs. 65,706,025 as summarized below:

Sector	Number of Projects Implemented	Amounts Disbursed to 30/06/2016
Education	32	27,244,931
Health	2	6,582,517
Water	10	18,280,000
Roads & Bridges	5	10,956,577
Other Projects - Boda Boda Sheds	1	1,600,000
Emergency	7	1,042,000
Total	57	65,706,025

1833. However, the names and nature of these project activities undertaken, approved budget per project, disbursements, cumulative expenditure and stage of completion of the project were not availed for audit review. Consequently, it had not been possible to ascertain the nature, activities and implementation and completion status of all the projects financed by the Fund.

Submission by the Fund Account Manager

1834. The Fund Account Manager reported that the project had been completed by contractor to satisfaction of committee. Project name, activities and details including disbursements, cumulative expenditure and the status of completion of the projects had been availed for audit review.

Committee Observations

1835. The Committee observed that Project details including disbursements, cumulative expenditure and the status of completion of the projects had not been provided for audit review during auditing. These had however been availed to the auditor for audit verification.

Committee Recommendations

1836. The **Committee recommends that the Accounting Officer ensures all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012 on the timely submission of documents.**

7.4.3.11 Other Matters on projects as summarised in the table below

S/No.	Project	Activity	Amount (Kshs)	Anomalies Noted

1.	Ngangu Secondary School	Payment for Construction of 2 Classrooms	1,400,000	It was noted that window grills were not properly welded and aligned and window frames appeared weak and window panes were coming off.
2.	Kwa Mnengwa Dispensary	Construction of a Staff House	2,241,380	Floors had cracks, floor paint was flaking and drainage pipes were exposed.
3.	Mwasinenyi Cooling Plant	Construction of Milk Cooling Plant	2,000 ,000	No signboard to identify the financier.
4.	Mwemba Secondary School	Construction of Classrooms	22,000,000	No classrooms were built. Instead, a laboratory block constructed using the funds disbursed for construction of the classrooms. However, the re-allocation was not supported with approval of the Board, contrary to Section 6(2) of the National Government Constituencies Development Fund Act, 2015 which requires such
5.	Kitivo Primary School	Construction of Classrooms	46,000,000	Roofing had not been done for two classrooms. In addition, backfilling of the foundation was not compacted while the verandah was supported with
	Total		13,641,380	

1837. Consequently, expenditure on projects totaling Kshs.13, 641,380 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1838. The Fund Account Manager submitted that management acknowledged the anomalies on the projects at the time of audit review. However, all issues raised during audit review were implemented as per the scope of works on the approved code list but they noticed some technical issues on contractor side. And later all contractors were given orders to correct all anomalies before any retention payment is done. Also noted in the report was Mwemba Secondary School. The Fund Account Manager reported that the mentioned school did not exist therefore they could not avail the documents as they were not sure if there was an error in the name of the school that had been stated.

Committee Observations

1839. The Committee observed that the projects with anomalies were corrected within the defect liability period and before any retention payment were done. The projects are complete and in use

Committee Recommendations

1840. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager only makes payment for works based on completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds be retained for defect liability period.**

CHAPTER EIGHT: KILIFI COUNTY

8 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR CONSTITUENCIES IN KILIFI COUNTY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEARS

8.1. GANZE CONSTITUENCY

1841. Mr. Peter Mwaighonda, the current Fund Account Manager since July 2019 appeared before the Committee on 1st October, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Ganze Constituency and was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Mr. Christopher Nyerere Otieno, Former Fund Account Manager from 2012 to 2014.
iv) Mr. Juma N. Buduguh, Former Fund Account Manager from 2015 to 2016.

8.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1842. The Constituency Fund received a disclaimer of opinion report from the Auditor-General who raised ten audit Matters during examination of financial statements of Ganze Constituency for the year 2013/2014.

8.1.1.1 Compensation to Employees

1843. Included in the statement of receipts and payments for the year ended 30 June 2014 is an amount of Kshs 645,000 in respect of compensation to employees. However, documents availed for audit indicated payments totaling Kshs 864,912 resulting to an unexplained and unreconciled difference of Kshs. 219,912. Consequently, the accuracy and completeness of the employees' compensation expenses of Kshs 645,000 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

1844. Mr. Christopher Nyerere Otieno, Former Fund Account Manager submitted that the correct figure for compensation of employees is Kshs. 864,912.00 as indicated in the documents provided to the auditor. The Kshs. 219,912.00 is an oversight.

Committee Observations

1845. The Committee observed that-

a. The inaccuracies of the employees' compensation expenses could not be established as there were unexplained variance between the financial statements and documents and audit query is not resolved;
b. The financial statements for the Constituency were not signed by the Sub- County Accountant (formerly District Accountant) as requited in the template issued by the PSASB in line with the PFM Act, 2012; and
c. The omissions and inconsistencies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub-County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1846. The Committee recommends that-

The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

8.1.1.2 Use of Goods and Services:

1847. Included in the statement of receipts and payments for the year ended 30 June 2014 is an amount of Kshs. 4,346,107 in respect of use of Goods and Services. However, no documentary evidence was availed for audit verification to support the balances as reported under note 5 to the financial statements. It was not possible to confirm whether the goods and services were procured and received by the Fund. In addition, no evidence was availed for audit examination to support the adherence to the Public Procurement and Disposal Act, 2005 and its regulations thereof in the procurement of goods and services. In the circumstances, the propriety, validity and accuracy of the expenditure of Kshs. 4,346,107 in respect of use of goods and services for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1848. Mr. Christopher Nyerere Otieno, Former Fund Account Manager submitted that the documentary evidence was not availed for audit verification to support an amount of Kshs. 4,346,107 because this figure comprised part of imprests that were not surrendered of Kshs. 6,105,460 whose documentation was under investigation by EACC. There is always a list of prequalified suppliers and contractors.

Committee Observations

1849. The Committee observed that documentary evidence was not availed for audit verification to support an amount of Kshs. 4,346,107 because this figure comprised part

of un-surrendered imprests of Kshs. 6,105,460 whose documentation was under investigation by EACC.

Committee Recommendations

1850. The Committee recommends that-

1) **The Accounting Officer should within three months of adoption of this report, follow-up on the status of investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and**
2) **The Accounting Officer should within three months of adoption of this report, get certified copies of documentation of the Ksh 6,105,460 from the EACC and submit them to the Auditor General for audit verification and reporting in the next audit cycle.**

8.1.1.3 Transfers to Other Government Units

1851. Included in the statement of receipts and payments for the year ended 30 June 2014 is an amount of Kshs. 38,998,735 for transfers to other Government Units as shown on note 7 to the financial statements. However, no records were availed for audit verification in support of this expenditure. Consequently, the propriety, accuracy and validity of transfers to other Government units amounting to Kshs. 38,998,735 could not be ascertained for the year ended 30 June 2014.

Submission by the Fund Account Manager

1852. The Fund Account Manager submitted that by the time of audit, there was an on-going investigation by EACC and that Payment vouchers amounting to Kshs. 38,998,735 had been taken by EACC.

Committee Observations

1853. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC.

Committee Recommendations

1854. The Committee recommends that-

1) **The Accounting Officer should within three months of adoption of this report, follow-up on the status of investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and**
2) **The Accounting Officer should within three months of adoption of this report, get certified copies of documentation from the EACC and submit them to the Auditor General for audit verification and reporting in the next audit cycle.**

8.1.1.4 Other Grants and Transfers

1855. Included in the statement of receipts and payments for the year ended 30 June 2014 is an amount of Kshs. 82,384,134 in respect of other grants and transfers as shown on note

8 to the financial statements. However, no records were availed for audit verification in support of this expenditure. Consequently, the propriety, accuracy and validity of other grants and transfers amounting to Kshs. 82,384,134 could not be ascertained.

1856.

Submission by the Fund Account Manager

1857. The Fund Account Manager submitted that by the time of audit, there was an on-going investigation by EACC and that payment vouchers amounting to Kshs. 82,384,134 had been taken by EACC.

Committee Observations

1858. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC and audit query is not resolved.

Committee Recommendations

1859. The Committee recommends that-

1) **The Accounting Officer should within three months of adoption of this report, follow-up on the status of investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and**
2) **The Accounting Officer should within three months of adoption of this report, get certified copies of documentation from the EACC and submit them to the Auditor General for audit verification and reporting in the next audit cycle.**

8.1.1.5 Outstanding Imprest

1860. Included in the statement of financial assets and liabilities is outstanding imprest balance of Kshs. 6,095,460 as at 30 June 2014 as disclosed in Note 8 of the financial statements. Included in this outstanding imprest figure is an amount of Kshs. 5,805,460 owed by the Fund Account Manager which had no documentary evidence to show how the imprest was issued. In addition, during the period under review, the Fund Account Manager was issued with ten (10) imprests amounting to Kshs. 13,083,000 without surrendering the previous imprest contrary to the Government Financial Regulations and procedures which states that no additional imprest should be issued to an officer unless the previous one had been surrendered and fully accounted for. Further, the Fund Manager is no longer in the service of the Fund and the entire amount is yet to be surrendered. Additional imprest records availed for audit review indicated that an amount of Kshs. 1,500,000 was outstanding as at 30 June 2014 and had not been included in the figure for the outstanding imprest balance of Kshs. 6,095,460 as at 30 June 2014. Consequently, the accuracy, validity and completeness of outstanding imprest balance of Kshs. 6,095,460 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

1861. The Fund Account Manager submitted that the Board stopped the Officer's salaries immediately it realized that he had outstanding imprests. The concerned Officer is not in service. By the time of audit, there was an on-going investigation by EACC.

Committee Observations

1862. The Committee observed that-

(i) Multiple imprest were issued to an officer in contravention to Section 71 (2) of the PFM Act, 2012. The officer was no longer an employee of the Fund; and

(ii) The supporting documents were not provided for audit verification to support the amount because documentation was under investigation by EACC; and

Committee Recommendations

1863. The Committee recommends that-

1) **The Accounting Officer should within three months of adoption of this report, follow-up on the status of investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and**

2) **The Accounting Officer should within three months of adoption of this report, get certified copies of documentation from the EACC and submit them to the Auditor General for audit verification and reporting in the next audit cycle.**

8.1.1.6 Cash and Cash Equivalents

1864. The statement of financial assets and liabilities as at 30 June 2014 reflected bank balances of Kshs. 9,288,744.60. However, the bank reconciliation statement availed for audit review reflected balance as per cashbook of Kshs. 15,385,204.60 resulting to unexplained difference of Kshs. 6,096,460. In addition, the reconciliation statement for the month of June 2014 was prepared using the bank statement that had a balance of Kshs. 18,031,325.60 while the certificate balance reflected an amount of Kshs. 18,156,600.60 resulting in unexplained difference of Kshs. 125,275. Similarly, the cash and cash equivalents includes un-presented cheques totaling Kshs. 63,245 which were stale as at 30 June 2014 but had not been reversed to the cashbooks. Consequently, the accuracy and validity of the bank balance of Kshs. 9,288,744.60 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1865. The Fund Account Manager submitted that the Kshs. 6,096,460 was an amount of the outstanding imprests and Kshs. 125,275 were bank charges which had not been expensed at the time of audit. However, the bank charges had since been expensed. Cheques amounting to Kshs. 63,245 were reversed in the Cashbook.

Committee Observations

1866. The Committee observed that the Fund Account Manager did not maintain an up-to-date bank reconciliation and cashbook contrary to Section 81 (3) of PFM Act, 2012.

Committee Recommendations

1867. The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

8.1.1.7 Statement of Receipts and Payments

1868. The financial statements reflected the statement of receipts and payments, however the surplus for the year had not been indicated as required in the reporting framework and, therefore, the financial statement is not in compliance with the International Public Sector Accounting Standards (Cash Basis).

Submission by the Fund Account Manager

1869. The Fund Account Manager submitted that the surplus for the year had been indicated as Kshs. 54,361,682.82 as required by International Public Sector Accounting Standards (Cash Basis).

Committee Observations

1870. The Committee observed that-

(i) The Fund Account Manager did not comply with the International Public Sector Accounting Standards (IPSAS) framework in preparation of the financial statements; and

(ii) The Financial Statements were amended and the surplus indicated.

Committee Recommendations

1871. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

8.1.1.8 Statement of Financial Assets and Liabilities

1872. The statement of financial assets and liabilities balance of Kshs.15, 385,204.60 is not in agreement with the casting balance of Kshs. 15,384,204.60 resulting to an unreconciled and unexplained difference of Kshs. 1,000.

Submission by the Fund Account Manager

1873. The Fund Account Manager submitted that the variance of Kshs. 1,000 was a posting error in the financial statements.

Committee Observations

1874. The Committee observed that the error was corrected in the financial statements and verified by the auditor.

Committee Recommendations

1875. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

8.1.1.9 Transfer to Other Government Entities

1876. The statement of receipts and payments reflected transfers to other Government entities of Kshs. 38,998,735. However, this figure is not in agreement with the total casted balance of Kshs. 20,498,735 as reflected in the note 7 to the financial statements resulting to an unreconciled and unexplained difference of Kshs. 18,500,000. Consequently, the accuracy of the financial statements as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1877. The Fund Account Manager submitted that the correct figure is Kshs. 38,998,735. However, at the time of preparing the financial statements some projects were listed as other transfers reducing the figure to Kshs. 20,498,735. The financial statement had since been rectified.

Committee Observations

1878. The Committee observed that there were unreconciled and unexplained variation of Kshs. 18,500,000 not explained and corrected by the Fund. This is inconsistent with the provisions of Section 81(3) of the PFM Act, No. 18 of 2012;

Committee Recommendations

1879. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

8.1.1.10 Notes to the Financial Statements

1880. The statement of financial assets and liabilities reflected bank balances of Kshs. 9,288,744.60 referenced as note 12. However, in the notes to the financial statements, note 12 had been omitted.

Submission by the Fund Account Manager

1881. The Fund Account Manager submitted that the Kshs. 9,288,744.60 had since been included in note 12.

Committee Observations

1882. The Committee observed that there was an omission in the notes to the financial statements. This had since been corrected and revised documents presented for audit verification.

Committee Recommendations

1883. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

8.1.1.11 Property, Plant and Equipment-Other Matters

a) Omission of Assets Disclosed in Financial Statements

1884. Comparison of assets schedule in the financial statements note 18.1 and asset inventory maintained revealed some assets were omitted from the financial statements and, therefore, their physical location could not be confirmed. Trailer registration numbers ZC 4746 and ZC4745 were not included in the financial statements though included in the asset inventory.

Submission by the Fund Account Manager

1885. The Fund Account Manager submitted that the assets were at Ministry of Public works yard, Kilifi. The financial statements had since been rectified to include the two (2) trailers.

Committee Observations

1886. The Committee observed that the Fund Account Manager omitted some assets in the financial statements.

Committee Recommendations

1887. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

b) Lack of Ownership Documents

1888. Note 18.1 of the financial statements disclosed non-current assets owned by the Ganze Constituency Development Fund. The assets include three (3) tractors whose registration numbers are KAV 579K, KAV 580K and KAV 583K. Ownership of these tractors could not be confirmed as registration documents were not availed for audit verification. Review of the asset inventory revealed that two (2) trailers registration numbers ZC 4746 and ZC 4745 had no ownership documents. Similarly, a six (6) ton trailer asset number GNZ2/CDC/018/018 whose registration was not indicated had no registration documents and, therefore, its ownership could not be confirmed.

Submission by the Fund Account Manager

1889. The Fund Account Manager submitted that the trailers were bought and registered in 2006 in the name of the then M.P, Hon. Joseph Kingi. The Fund Account Manager had on several occasion written to the M.P requesting for change of ownership documents but all in vain.

Committee Observations

1890. The Committee observed that-

i. Ownership documents for the assets were not provided for audit review in violation of Section 68 of the PFM Act, 2012; and
ii. The trailers were bought and registered in 2006 in the name of the then, Member of Parliament, Hon. Joseph Kingi in contravention to CDF Act.

Committee Recommendations

1891. **The EACC should within three months of adoption of this report, investigate the circumstances under which public assets were bought and registered in 2006 in the name of the then M.P, Hon. Joseph Kingi**.

8.1.1.12 Inaccurate Disclosure of Valuation of Assets at Cost

1892. Examination of assets inventory revealed that three (3) tractor disc plough was acquired in 2006 at cost of Kshs. 275,000 each totaling to Kshs. 825,000. However, note 18.1 to the financial statements indicated that three (3) tractor disk plough were purchased on 23 March 2006 at a cost of Kshs. 2,750,000 resulting to a difference of Kshs. 1,925,000 which had not been explained and supported.

Submission by the Fund Account Manager

1893. The fund account manager submitted that this was a typing error. The correct figure is Kshs. 825,000 for the three (3) disc ploughs.

Committee Observations

1894. The Committee observed that there were inaccuracies in statement of value of assets in asset inventory and in the financial statements

Committee Recommendations

1895. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

8.1.1.13 Failure to Constitute Project Management Committees (PMCs)

1896. Examination of records maintained revealed procurement, payments and implementation of projects was being done by Constituency Development Fund Committee instead of Project Management Committees (PMCs) as stipulated by section 31 of the Constituency Development Fund Act, 2013.

Submission by the Fund Account Manager

1897. The Fund Account Manager submitted that the Constituency Development Fund Committee was implementing the projects since the Project Management Committees had not been trained on their roles and mandate.

Committee Observations

1898. The Committee observed that Constituency Development Fund Committee was doing procurement, payments and implementation of projects instead of Project Management committees (PMCs).

Committee Recommendations

1899. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager adheres to Section 36 of the NG-CDF Act, 2015 on implementation of projects including appointment of project management committees.**

8.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1900. The Constituency received a disclaimer of opinion from the Auditor-General who raised thirteen audit Matters during examination of financial statements of Ganze Constituency for the year 2014/2015.

8.1.2.1 Inaccuracies in the Financial Statements:

1901. The financial statements availed for audit review had figures which were at variance with figures reflected in the notes to the account amounting to Kshs. 226,811,640 as detailed below:

	Financial Statement Item	Amount on financial statement Kshs.	Amount on notes Kshs.	Variance Kshs.	Comment
1	Use of goods and services	7,780,390	7,820,390	40,000	Wrong casting
2	Transfer to other government units	38,905,705	50,701,235	11,795,530	Unreconciled variance
3	Other grants and transfers	43,138,530	31,343,000	11,795,530	Unreconciled variance
4	Cash flow statement-financial activity balance	99,844,321	0	99,844,321	No support schedule availed for audit review
5	Bank balance	20,952,103	48,666,645	27,714,542	Unreconciled variance
6	Direct transfer from CDF Board	75,621,717	0	75,621,717	No support schedule availed for audit review
	Total	**286,242,766**	**138,531,270**	**226,811,640**	

Submission by the Fund Account Manager

1902. Mr. Juma Budugur, the former Fund Account Manager submitted that the financial statement had since been rectified.

Committee observations

1903. The Committee observed that:

i. The unreconciled variances and wrong casting of figures had been rectified in the financial statements; and
ii. Documents supporting the various expenditures were not availed for audit verification.

1904. The financial statements also contained variance amounting to Kshs. 35,734,204 between figures in the financial statement and the supporting schedules as detailed below:

	Item	Financial Statement Figure Kshs	Supporting Schedule Figure Kshs	Unexplained Difference
1	Transfer to secondary schools	20,900,000	10,500,000	10,400,000
2	Transfer to primary schools	3,600,000	10,400,000	6,800,000
3	Water projects	7,712,530	3,573,000	4,139,530
4	Emergency expenditure	4,083,000	4,019,000	64,000
5	Other Grants and transfer	43,138,530	31,343,000	11,795,530
6	Committee meeting allowances	3,731,100	2,445,500	1,285,600
7	Use of goods and services	7,820,390	6,570,846	1,249,544
	Total			**35,734,204**

Submission by the Fund Account Manager

1905. The Fund Account Manager submitted that the documents supporting the expenditure of Kshs. 35,734,204; Kshs. 11,795,530; and Kshs. 1,285,600 could not be examined by the auditor because they were taken by EACC. The variance of Kshs. 64,000 was an omission.

Committee Observation

1906. The documents supporting the expenditure of Kshs. 35,734,204 had been taken by EACC as confirmed by the NG-CDF Board.

Committee Recommendations

1907. **The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provides a status report on the matter to the National Assembly within three months after adoption of this report.**

8.1.2.2 Other anomalies

1908. A review of the statement of financial assets revealed that opening Fund balances of Kshs. 21,480,664.60 did not correspond with the closing fund balance of Kshs. 149,307,214.55 as per the audited financial statement of 2013/2014 financial year resulting to unreconciled variance of Kshs. 127,826,549.95. The statement of receipts and payments for the year indicates a surplus of Kshs. 38,848,339.40 whereas the statement of financial assets indicates a surplus for the year of Kshs. 78,363,656.40 again resulting to unreconciled variance of Kshs. 39,515,317. Further, the summary statement of appropriation did not include the receipts for the year. Consequently, the

accuracy, completeness and fair presentation of the statement financial assets for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1909. The Fund Account Manager submitted that the balance for the previous year was not brought forward. The financial statement had since been amended. He further indicated that the summary statement of appropriation had since been rectified to include the receipts for the year.

Committee Observations

1910. The Committee observed that inaccuracies during preparation of financial statements was attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1911. The Committee recommends that;

1) **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015: and**
2) **The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

8.1.2.3 Other Grants and Transfers

1912. The statement of receipts and payments for the year indicated other grants and transfers balance of Kshs. 43,138,530 which includes an amount of Kshs. 1,930,000 for environmental expenses. However, there was no supporting documentary evidence on how the individual suppliers for the tree seedlings were identified and quantity supplied determined. Further, the distribution list to confirm how the seedlings were distributed was also not availed for audit. Consequently, the propriety of the environmental expenditure of Kshs. 1,930,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1913. The Fund Account Manager submitted that the following tender documents supporting expenditure of Kshs. 1,930,000 were taken away by EACC investigators for scrutiny;

Quotations, tender opening & evaluation minutes, notification of award and delivery notes.

Committee Observations

1914. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC.

Committee Recommendations

1915. **The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provide a status report to the National Assembly within three months after adoption of this report.**

8.1.2.4 Transfers to Secondary Schools

1916. Note 5 to the financial statements reflected transfers to other government units' balance of Kshs. 50,701,235. Included in this is a transfer to secondary schools' balance of Kshs. 20,900,000. However, supporting schedules for an amount of Kshs. 10,400,000 were not availed for audit. Project inspection in respect to Ambassador Kithi Secondary School revealed that the work done was below expectations as the construction was still at foundation level despite the fact that the whole amount of Kshs. 2,500,000 had already been paid.

1917. Further, the analysis of records revealed that the amount that was paid to Ambassador Kithi Secondary School was a re-allocation from Kaembeni Dispensary for which the CDFC Board had not approved as required under Section 10(2) of the CDF Act, 2013. Consequently, the propriety and validity of the transfers to secondary schools' balance of Kshs. 10,400,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1918. The Fund Account Manager submitted that the supporting schedules for the expenditure of Kshs. 10,400,000 were availed to the auditor. The work done for the construction of 5 classrooms commensurate with the allocation of Kshs. 2,500,000. Re-allocation was sought from the Board. However, it took long for the Board to approve the same when there were only 2 temporary classrooms against form 1 to form 4.

Committee Observations

1919. The Committee observed that documentary evidence and supporting schedules for the expenditure were not availed for audit verification in violation of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents; hence audit query is not resolved.

Committee Recommendations

1920. The Committee recommends that-

1) **The Accounting Officer should ensure that the Fund Account Managers do not re-allocate funds without the approval of the Board as required under the NG-CDF Act 2015; and**
2) **The Accounting Officer should within three months of the adoption of this report, ensure that the Fund Account Manager avails to the Auditor-General the completion certificate for the construction of classrooms for Ambassador Kithi Secondary School.**

8.1.2.5 Committee Meeting Allowances

1921. The statement of receipts and payments for the year ended 30 June 2015 reflected committee expenses amounting to Kshs. 3,731,100 whereas supporting schedules availed for audit review indicated an amount of Kshs. 2,445,500, resulting to unexplained nor reconciled variance of Kshs. 1,285,600. Further, the expenditure was not supported by documentary evidence on who attended the meetings, agenda and minutes of the meetings. As a result, it was not possible to confirm the propriety and completeness of the committee meeting allowances expenditure of Kshs. 3,731,100 for the year ended 30 June 2015.

Submission by the Fund Account Manager

1922. The Fund Account Manager submitted that the documents supporting the expenditure of Kshs. 1,285,600 were taken away by EACC investigators for scrutiny.

Committee Observations

1923. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC.

Committee Recommendations

1924. **The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provide a status report to the National Assembly within three months after adoption of this report.**

8.1.2.6 Transfers to Other Government Units

1925. The statement of receipts and payments showed that the CDF management spent a total of Kshs. 38,905,705 in respect of transfer to other government units. Included in this expenditure is an amount of Kshs. 9,791,235 for unspecified projects. The amount was not supported by an approved budget, PMC minutes and details on the location of the projects. The expenditure is as below:

Payee	Date	Voucher No.	Cheque No.	Amount (Kshs.)
Al-Madina Hardware	7/27/2014	290743	2692	2,405,705.00
Mwepe General Supplies	7/24/2014	290742	2690	2,600,000.00

Devens Building Contractors	8/15/2014	290749	2706	185,000.00
Mabati Rolling Mills	7/24/2014	290741	2691	2,000,290.00
Beyond Chance	8/15/2014	290748	2707	2,600,240.00
Total				**9,791,235.00**

1926. In the circumstances, it was not possible to confirm the propriety and validity of the transfer to other government units' balance of Kshs. 9,791,235 for the year ended 30 June 2015.

Submission by the Fund Account Manager

1927. Mr. Juma, the former Fund Account Manager submitted that the issue was being investigated by EACC and later referred to Court against Mr. Christopher Nyerere Otieno, the former Fund Account Manager whose tenure the query relates to. The matter had been concluded by the courts

Committee Observations

1928. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC. In addition, there was no documentary evidence on the ruling.

Committee Recommendations

1929. **The Committee recommends that within three months of adoption of this report, the Accounting Officer should ensure that the Fund Account Manager submits a certified court ruling on the matter to the Auditor-General for audit review.**

8.1.2.7 Use of Goods and Services

1930. The statement of receipts and payments indicated an expenditure on use of goods and services balance of Kshs. 7,780,390.40 for the financial year 2014/2015. However, schedules of payment vouchers availed for audit review in support of this expenditure only supported an amount of Kshs. 6,570,846, thus leaving an unexplained and unreconciled variance of Kshs. 1,249,544. Further, the expenditures were done through the use of imprests contrary to Government Financial Regulations. Consequently, the propriety of the expenditure on use of goods and services of Kshs. 6,570,846 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1931. The Fund Account Manager submitted that the schedule of payment vouchers amounting to Kshs. 1,249,544 were availed to the auditor. He further submitted that the situation had changed and there is no use of imprests for procurement of goods/services.

Committee Observations

1932. The Committee observed that documentary evidence and supporting schedules for the expenditure were not availed for audit verification.

Committee Recommendations

1933. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.**

8.1.2.8 Outstanding Imprest

1934. The statement of financial assets indicated an outstanding imprest of Kshs. 3,270,500 as at 30 June 2015. However, note 9 to the financial statements reflected Kshs. 6,095,460 resulting to unreconciled or explained variance of Kshs. 2,824,960. Consequently, the accuracy, validity and completeness of outstanding imprests balance of Kshs. 3,270,500 as at 30 June 2015 and its recoverability could not be confirmed.

Submission by the Fund Account Manager

1935. The Fund Account Manager submitted that the imprests warrants and imprest register were availed to the auditors for audit review. He further submitted that it is an historical issue, and that they were engaging the NG-CDF Board to find a solution.

Committee Observations

1936. The Committee observed that supporting documents including the imprests warrants and imprest register were not availed to the auditors to account for the Kshs. 3,270,500 outstanding imprests. The explanation by the Fund Account Manager was not satisfactory.

Committee Recommendations

1937. The Committee recommends that-

1) **The Fund Account Manager adheres to the provisions of Section71 (2) of the PFM Act, No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015; and**
2) **The Accounting officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act 2012 on the timely submission of documents.**
3) **The Accounting Officer institutes administrative action against the Fund Account Manager for failure to adhere to the provisions of the PFM Act and attendant regulations.**

8.1.2.9 Cash and Bank Balances

1938. Included in the bank balance of Kshs. 20,952,103 reflected in the statement of financial assets as at 30 June 2015 are unpresented stale cheques amounting to Kshs. 350,224. Management had not explained why these cheques had not been written back to the cashbook. In addition, included in the bank reconciliation statement was an amount of Kshs. 33,281,440.50 relating to an AIE that was received on 26 June 2015 but not entered in the cashbook. The amount was not included as receipts in the schedule of transfer from CDF board thus understating the amount received by the same amount. It is not clear why the AIE that was received before the end of the year was not posted in the cashbook. Consequently, the accuracy, validity and completeness of the bank balances of Kshs. 20,952,103 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1939. The Fund Account Manager submitted that the cheques amounting to Kshs. 350,224.00 were written back to the Cashbook in the subsequent financial year, 2015/2016. The AIE amounting to Kshs. 33,281,440.50 was posted in the Cashbook and recognized as a receipt in the subsequent financial year, 2015/2016.

Committee Observations

1940. The Committee observed that the Fund Account Manager had reversed the unpresented cheques and amended the anomalies. However, he had not provided supporting documents for audit verification.

Committee Recommendations

1941. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.1.2.10 Transfers to Other Government Units

1942. The statement of receipts and payments reflected a balance of Kshs. 38,905,705 as transfers to other government units. Records made available for audit revealed that during the financial year 2014/2015 the following expenditures relating to projects totaling Kshs. 22,000,000 were reallocated but without the CDF Board approval as required under Section 10(2) of the CDF Act, 2013.

Project Name	Amount (Kshs.)	Reallocation	Amount (Kshs.)
Mbonga Primary	2,000,000	Katendewa	1,500,000
Mwarandinda Primary	1,000,000	Unspecified project	1,000,000
Bamba Primary	1,000,000	Ganze Community	1,000,000

		Solar Project	
Ganze Boys Secondary	2,000,000	Ganze Tractor Project	2,000,000
Kaembeni Dispensary	2,000,000	Ambassador Kithi	1,500,000
		Mwapula Primary School	1,500,000
Mocks and Cats	1,000,000	Duplicating Machine	1,000,000
Meakini Nursery	1,200,000	Katendewa	1,200,000
Bamba Water Project	5,000,000	Mitangani Secondary School	2,500,000
		Kafitsoni Primary School	1,000,000
Juhudi Primary School	1,500,000		
Ganze Water Project	5,000,000	Shangweni	2,500,000
Ndingilia Dispensary	2,000,000	Bamba Police	
		Mwenge Primary School	1,000,000
	22,200,000		22,200,000

1943. No reasons were given for the re-allocation of the projects. Consequently, the management was in breach of the Law.

Submission by the Fund Account Manager

1944. Mr. Juma, the former Fund Account Manager submitted that the re-allocation for the Kshs. 22,000,000 was sought from the Board. However, conditional approval was granted. CDFC's Minutes requesting for the approval were availed to the auditors for review.

Committee Observations

1945. The Committee observed that the Fund Account Manager reallocated funds without the CDF Board approval as required under Section 10(2) of the CDF Act, 2013.

8.1.2.11 Fixed Assets Register:

1946. Note 18.1 to the financial statements disclosed non-current assets balance of Kshs. 10,145,595 owned by the Ganze Constituency Development Fund. The assets include three (3) tractors whose registration numbers are KAV 579K, KAV 580K, KAV 583K and a tractor Disc plough. However, ownership documents for these tractors were not made availed for audit verification. In addition, and as reported in the previous year, the three (3) disc plough was acquired in 2006 at a cost of Kshs. 275,000 each making a total of Kshs.825, 000. However, note 18.1 to the financial statements indicated that the three ploughs were purchased at a cost of Kshs. 2,750,000 resulting to an unexplained and unreconciled variance of Kshs. 1,925,000. Further, the assets balance of Kshs. 10,145,595 is reflected as exactly the same as the balance for the year 2013/2014. However, audited financial statement for the year 2013/2014 indicated assets value of

Kshs. 886,895 resulting to unexplained or reconciled variance of Kshs. 9,258,700. Consequently, the validity and accuracy of assets value of Kshs. 10,145,595 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1947. Mr. Juma Budugar, former Fund Account Manager submitted that the trailers were bought and registered in 2006 in the name of the then M.P, Hon. Joseph Kingi. The Fund Account Manager further indicated that he had on several occasions written to the M.P requesting for change of ownership documents but all in vain. This was a typing error. The correct figure is Kshs. 825,000 for the three (3) disc ploughs.

Committee Observations

1948. The Committee observed that the issue was carried forward from the previous financial year.

8.1.2.12 Receipts from CDF Board

1949. The statement of receipts and payments reflected receipt from CDF board totaling Kshs. 99,844,321. However, schedule of disbursements from the CDF board indicated that the Fund was given AIEs worth Kshs. 153,884,698, hence resulting in an unreconciled or unexplained variance of Kshs. 20,758,936. Consequently, the completeness of receipts from CDF Board of Kshs. 99,844,321 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1950. The Fund Account Manager indicated that Ganze NG-CDF received a total of Kshs. 99,844,321.00 from the Board. Copies of A.I. E's were availed to the Auditors for verification.

Committee Observations

1951. The Committee observed that that Ganze NG-CDF received a total of Kshs. 99,844,321.00 from the Board. The explanations and documentation availed for audit review was satisfactory.

Committee Recommendations

1952. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.1.2.13 Budgetary Control and Performance

1953. The Constituency's total allocation for the year under review was Kshs. 133,113,762, against a total expenditure of Kshs. 97,975,952.40, resulting to under expenditure of Kshs. 35,137,809.60 or 26.40%. This variance comprised of under expenditure of Kshs. 46,911,218 or 35.24% and overs of Kshs. 11,773,408 or 8.84%. Further, scrutiny of the expenditure revealed that there was under expenditure on twelve (12) items and over expenditure on three (3) items as analyzed in the table below:

Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Over Absorption (Kshs.)	% Variance
Compensation of Employees	840,000	709,697	130,303		15.51
Use of goods and services	5,964,317	7,820,390.40		1,856,073.40	31
Committee Expenses	3,665,000	3,731,100		66,100.00	1.8
Capacity Building	1,500,000		1,500,000		100
Bursaries	29,006,255	27,750,000	1,256,255		4.3
Transfer to Schools	26,037,931	20,900,000	5,137,931		19.7
Emergency Reserve	5,400,259	4,019,000	1,381,259		25.6
Health Facilities	19,000,000	11,500,000	7,500,000		39.5
Water projects	35,000,000	7,772,530	27,227,470		78
Nursery schools	1,200,000		1,200,000		100
Sports Activities	2,000,000	1,992,000	8,000		0.4
Environmental Activities	2,000,000	1,930,000	70,000		3.5
Constituency Audit	500,000		500,000		100
Mock and cat	1,000,000		1,000,000		100

1954. It is clear from the above statistics that the Fund failed to utilize a single cent of its allocation on capacity building, nursery schools, MOCK and CAT examinations. The Fund utilized Kshs. 9,851,235 on unspecified projects which had not been budgeted for and it was not explained what those unspecified projects were. The over-expenditure and under-expenditure may be attributed to over or unrealistic budgets or activities and programs not undertaken thereby curtailing service delivery to the residents of Ganze Constituency. The management needs to re-focus on its budget making process with a view to paying attention to priority areas.

Submission by the Fund Account Manager

1955. The Fund Account Manager indicated that the under expenditure was due to delay in disbursement of funds from the NG-CDF Board. Copies of A.I. E's received were availed to the Auditors for verification. The Fund Account Manager further explained that the over-expenditure was occasioned by balances brought forward from the previous year that had not been factored in the summary of appropriation.

Committee Observations

1956. The Committee observed that the under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury. The over expenditure is due to roll over funds from previous years which was utilized in the financial year.

Committee Recommendations

1957. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.1.2.14 Project Implementation

1958. The projects status report availed for audit review indicated that a total of Kshs. 84,536,250, including Kshs. 11,198,319 from the previous year, was allocated and disbursed to 45 projects, out of which Kshs. 82,036,250 or 97% had been spent as at 30 June 2015, leaving unspent balance of Kshs. 2,500,000 or 3%. the following table shows the analysis of the project expenditure for projects funded by Ganze Constituency for the year ended 30 June 2015.

No.	Project Name/ Activities	Allocations for 2014/2015	Disbursements for 2014/2015	Cumulative Achievement (%)	Implementation Status
1	Purchase of computers	300,000	55,000	18%	On going
2	Purchase of office furniture/Equipment	0	500,000	0%	Not started
3	Organizing Constituency sports tournament in football, netball and volleyball	2,000,000	2,000,000	100.00%	On-going
4	Organizing of environmental day during which CDFC will be conducting tree planting in the Constituency	2,000,000	1,930,000	80.00%	Completed
5	Construction of two new classrooms-' Mbonga pry school	2,000,000	900,000	85.00%	Ongoing
6	Construction of two new classrooms-Mangororo pry school	2,000,000	2,000,000	95.00%	Ongoing
7	Construction of two classrooms	2,000,000	2,000,000	100.00%	Complete in use
8	Construction of two classroom-Mwenzamayo pry school	2,000,000	2,000,000	100.00%	Complete in use
9	Construction of two new classrooms-Bamba pry school	2,000,000	100,000	35.00%	Ongoing
10	Construction of six modern improvised jikos at Bahati primary	600,000	600,000	95.00%	Completed
11	Construction of two classroom-Mwenge pry school	0	1,000,000	45.00%	Ongoing
12	Construction of two classroom-Kafitsoni primary	0	1,000,000	50.00%	Ongoing
13	Construction of two new classrooms-Kirimani primary	2,000,000	2,000,000	100.00%	Ongoing
11	Construction of two classroom-Mwenge pry school	0	1,000,000	45.00%	Ongoing
12	Construction of two classroom-Kafitsoni primary	0	1,000,000	50.00%	Ongoing
13	Construction of two new classrooms-Kirimani primary	2,000,000	2,000,000	100.00%	Ongoing
14	Renovation (walling and roofing of community centre)-Gosheni	0	700,000	50%	Ongoing
15	Construction of two classroom-Palakumi secondary	2,000,000	2,000,000	100.00%	Ongoing
16	Construction of two classroom and roofing of administration block-Mayowe secondary	2,000,000	2,000,000	100.00%	Completed
17	Construction of two classroom-Ganze secondary	2,000,000	2,000,000	50.00%	Ongoing
18	Construction of two classroom-Mitingani secondary	2,000,000	2,000,000	100.00%	Completed
19	Construction of girls' dormitory-Jila secondary	0	2,500,000	75.00%	Ongoing
20	Construction of girls' dormitory-Shangweni sec. school	0	2,500,000	65.00%	Ongoing
21	Construction of two-Ambassador Kithi memorial	0	2,500,000	100.00%	Ongoing
22	Fees payment for the needy student physical challenged	2,000,000	2,000,000	60.00%	Ongoing
23	Construction of two classroom-Kwa dudu	1,200,000	1,200,000	40.00%	Ongoing

	primary				
24	Construction of one classroom-Matolani primary	837,931	837,931	40.00%	Ongoing
25	Refurbishment of three classroom roofing and plastering works-Makonjemare primary	1,200,000	1,200,000	75.00%	Ongoing
26	Construction of one new classroom-Ranch primary	1,200,000	1,200,000	80.00%	Ongoing
26	Construction of one new classroom-Ranch primary	1,200,000	1,200,000	80.00%	Ongoing
27	Completion of one classroom and office-Mwapula primary	0	1,000,000	85.00%	Ongoing
28	Refurbishment of two classroom and office (roofing, flooring and plastering works)-Ganze youth polytechnic	0	745,000	100.00%	Completed
29	Construction of five classrooms-Bamba police station	0	1,500,000	45.00%	Ongoing
30	Walling, plastering and finishing works for the main dispensary building-Migumomiri dispensary	0	745,000	100.00%	Completed
31	Construction of drainage system, comprising of soak pit, septic tank and disposal pit and roofing-Ndigiria dispensary	2,000,000	0	0.00%	Not started
32	Walling plastering and finishing works for the main dispensary-Muyuni dispensary	2,000,000	2,000,000	85.00%	Ongoing
33	Construction of a new dispensary (Outpatient/admin block)-Mwariandinda dispensary	2,000,000	2,000,000	75.00%	Ongoing
34	Walling plastering and finishing works for the main dispensary-mbudzi health center	2,000,000	2,000,000	80.00%	Ongoing
35	Walling plastering and roofing of patient wards-Bandari dispensary	5,000,000	5,000,000	20.00%	Ongoing
36	Plastering roofing and fixing of windows of outpatient unit-Nyali dispensary	2,000,000	2,000,000	45.00%	Ongoing
37	Construction of Boyani A Earth dam at Boyani village	2,000,000	2,000,000	45.00%	Ongoing
38	Construction of Majajani Earth pan	5,000,000	5,000,000	75.00%	Completed
39	Construction of Mwabogo Earth dam	5,000,000	5,000,000	45.00%	Ongoing
40	Construction of Petanguo water pan at petanguo	5,000,000	5,000,000	100.00%	Completed
41	Construction of Kiva cha Mulungu Earth dam	5,000,000	5,000,000	50.00%	Ongoing
42	Construction of Kiva cha Msichana Earth dam	5,000,000	5,000,000	85.00%	Ongoing
43	Renovation of broken water tanks-shafaa malanga water project	0	200,000	100.00%	Completed
44	Rehabilitation of several school	0	2,378,060	100%	
45	Extension of water pipeline to petanguo	0	245,259	100	Complete

	secondary school				
	Total	**73,337,931**	**84,536,250**		

1959. The following observations were made:

(a) Out of the 45 Development projects funded by the CDF, 2 projects worth Kshs. 2,500,000 were not implemented. The projects included construction of drainage system at Ndingiria dispensary at a cost of Kshs. 2,000,000 and purchase of office furniture at a cost of Kshs. 500,000.

(b) A water pan was constructed at Mrima wa Ndege at a cost of Kshs. 5 million but the pan had not benefited the community as there is no adequate water to fill the pan. The choice of the location might have been poor and lack of proper information on how to tap the rain water. The pan may be silted and be of no benefit to the people of Ganze Constituency.

(c) There was no budget for the specific projects, yet fourteen (14) projects had spent funds amounting to Kshs. 17,513,060. The funds were reallocations that were not approved by the CDF Board. It was observed that various projects were at various stages of completion even though the funds allocated had all been spent. Many of these projects did not have properly constituted PMCs.

1960. From the observations above, it is noted that there was poor planning and implementation of projects. No explanation was provided as to why the two projects were not implemented despite the allocation of funds. Non-adherence to budgeting and lack of budget for specific items lead to unplanned expenditures and re-allocation of funds from other deserving votes.

Submission by the Fund Account Manager

1961. **The** Fund Account Manager indicated that the funds meant to implement the projects at a cost of Kshs. 2,500,000 were re-allocated. Two dams were built upstream by a private developer/rancher, which drastically reduced the flow of water downstream.

Committee Inspection Visit to the project

1962. Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 where the Committee visited Petanguo Water Pan project and found that:

i. The water pan is located in Petanguo Centre village, Petanguo sub location in Ganze location of Ganze ward in Kilifi County. The site is located 8km West of Ganze market along Ganze – Bamba road;

ii. The scope of work undertaken include bush clearing, excavation of core trench, construction of embankment wall, excavation of reservoir, excavation of spillway, excavation of silt trap and fencing; and

iii. The project is complete and in use.

Committee Recommendations

1963. The Committee recommends that:

1) **The Accounting officer should ensure that PMCs are appointed and properly constituted before projects are initiated for proper implementations in line with section 36 of the NG-CDF Act of 2015, and Regulation 16 of the NG-CDF Regulations, 2016.**
2) **The Accounting Officer should ensure that the Fund Account Managers seek approval for budget re-allocation that is specific for each project.**

8.1.2.15 Project Verification

1964. **The** following observations were made regarding projects costing Kshs. 26,123,060 verified during the audit for the year ended 30 June 2015.

No	Name	Expenditure	Project Details	Observations
1	Palakumi secondary school	2,000,000	Construction of two classrooms	The project is complete and in use
2	Jila Sec. School	2,500,000	Construction of Girls dormitory	Project incomplete. Evidence of cracks at the floor that is still under construction.
3	Shangweni Sec school	2,500,000	Construction of Girls dormitory	The project is still incomplete. No doors windows and plastering
4	Ambassador Kithi Memorial Sec School	2,500,000	Construction of two classrooms	The project is still at the foundation level
5	Ganze Youth Polytechnic	745,000	Refurbishment of two classrooms and office	There was no evidence of any refurbishment being done
6	Bamba police station	1,500,000	Construction of police cells and refurbishment of the existing block	The two cells and an office were done up to the shatter level
7	Ndigiria dispensary	2,000,000	Construction of drainage system, soak pit, disposal pit and roofing	There was no evidence of any work being done during the site visit
8	Chiva Cha Mulungu Earth dam (Mrima wa ndege)	5,000,000	Construction of Earth dam for community use	The dam had no water and workmanship was poor as there is no possibility of holding water in the dam
9	Kiva Cha Msichana Earth dam	5,000,000	Construction of Earth dam for community use	The earth dam was in use and had water in it. There was evidence of soil getting into the dam
10	Education projects	2,378,060	Not specified	No evidence of the projects being undertaken
	Total	**26,123,060**		

1965. From the above table, it is evident that projects visited were not completed in time and satisfactorily. Poor workmanship of projects and slow pace of completion is a disservice to

the residents of Ganze Constituency and it shows lack of supervision and commitment from the CDFC members with consequences that the citizens of Ganze Constituency may fail to obtain value for the money voted for development of their constituency.

Submission by the Fund Account Manager

1966. The Fund Account Manager submitted that the projects were not completed in time and satisfactorily due to the following reasons - The main Ganze NGCDF Account had been frozen by the NGCDF Board for over three (3) months; there was no Clerk of works at that time to supervise the projects; and the transition from NGCDF Act 2013 to NGCDF Act 2015 also impacted negatively on implementation of projects.

Committee Inspection Visit to the project

1967. Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 where the Committee visited Bamba Police Station and found out that:

i. The project is located in Bamba location, Mitsemerini sub-location and was an ongoing project.
ii. The project involved construction of OCS office, construction of gender office, construction of anti-crime office and construction of temporary cells for the offenders and not classrooms as captured by the report.
iii. At the time of the audit, the project was not complete as the two cells and an office were done up to the shatter level. The project is now complete and in use.

Committee Observations

1968. The Committee observed that-

(i) The slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury; and
(ii) NGCDF Board had frozen Ganze NG-CDF Account for over three (3) months.

Committee Recommendations

1969. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1970. The Auditor General raised nine audit Matters during examination of financial statements of Ganze Constituency for the year 2015/2016.

8.1.3.1 Inaccuracies in the financial statements

1971. The financial statements for the year ended 30 June 2016 submitted for audit review contained the following inaccuracies:

a) Opening Balance-Imprests

1972. The statement of assets as at 30 June 2016 reflected opening outstanding imprests balance of Kshs. 3,129,360 while the audited balance for the year 2014/2015 indicated a sum of Kshs. 3,270,500, resulting to a variance of Kshs. 141,140 which had not been explained.

Submission by the Fund Account Manager

1973. Mr. Juma Budugar, the former Fund Account Manager submitted that this was a posting error. The correct figure for outstanding imprests balance is Kshs. 3,129,360. Availed to the auditor were Cashbook extract; Amended reports; and financial statements for the year ended 30th June 2016.

b) Fund Balance Brought Forward

1974. **The** statement of assets reflected fund balance brought forward of Kshs. 24,081,464 while the statement of cash flows reflected a balance of Kshs. 24,084,464, resulting to a variance of Kshs. 3,000 which had not been explained nor reconciled.

Submission by the Fund Account Manager

1975. The Fund Account Manager submitted that this was a posting error. The correct figure for outstanding imprests balance is Kshs. 3,129,360. Amended reports and financial statements for the year ended 30th June 2016 had been availed to the auditor.

c) Reversed Cheques

1976. Note 12 to the financial statements for the year ended 30 June 2016 reflected reversed cheques amounting to Kshs. 1,225,710 but whose supporting cashbook entries had not been availed for audit verification. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1977. The Fund Account Manager submitted that the stale cheques comprised of several bursary cheques amounting to Kshs. 1,225,710. These were later replaced with other cheques and List of replaced cheques and Cashbook extract provided to the auditor for review.

Committee Observations

1978. **The** Committee observed that the financial statements showed inaccuracies and errors and that the omissions and inconsistencies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1979. **The** Committee recommends-

1) **The Accounting Officer to ensure that the Fund Account Manager maintain a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques; and**
2) **The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

8.1.3.2 Bank balance

1980. The statement of assets as at 30 June 2016 reflected a bank balance of Kshs. 43,542,908. Further, the bank reconciliation statement as at 30 June 2016 reflected payments in cashbook not in bank statement of Kshs. 3,117,728.40, out of which Kshs. 1,414,557.40 related to stale cheques not reversed in cashbook. In addition, subsequent bank statements showing clearance of the other cheques amounting to Kshs. 1,703,171 were not availed for audit verification. In addition, the reconciliation reflected payments in bank statement not in cashbook of Kshs. 25,688 in respect of bank charges not recorded in cashbook and hence not expensed during the year under review. Consequently, the accuracy, validity and completeness of the bank balance of Kshs. 43,542,908 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1981. The Fund Account Manager submitted that the stale cheques amounting to 1,414,557.40 were reversed in cashbook as at 30 June 2016. The Fund Account Manager submitted to the auditor the:

i. The Bank statement as at 30 June 2016 showing clearance of the other cheques amounting to Kshs. 1,703,171; and
ii. Amended reports and financial statements for the year ended 30 June 2016. The bank charges amounting to Kshs. 25,688 were expensed during the time of audit.

Committee Observations

1982. The Committee observed that there were inaccuracies on bank balance as cashbook and bank reconciliation statements were not updated.

Committee Recommendations

1983. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.1.3.3 Cash Balance

1984. the statement of assets as at 30 June 2016 reflected a cash balance of Kshs. 93,562. However, the respective Board of Survey Certificate was not availed for audit review.

Submission by the Fund Account Manager

1985. **The** Fund Account Manager submitted that the board of survey Certificate was availed to the auditor for verification.

Committee Observations

1986. **The** Committee observed that the Fund Account Manager had at the time of audit not provided the Board of survey reports to support the cash balance. However, the survey reports were later submitted to the auditor for audit verification and review.

Committee Recommendations

1987. **The Committee recommends that the Accounting officer should ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

8.1.3.4 Outstanding Imprests

1988. The statement of assets as at 30 June 2016 reflected an imprests balance of Kshs. 3,129,360 which had been outstanding for two years, contrary to Regulation 93(5) of the PFM Regulations (National Government) Regulations 2015 which provides that a holder of temporary imprest should account for or surrender the imprest within seven days of return to duty station. Although management had explained that these imprests had since been surrendered, documentary evidence to that effect had not been provided for audit verification. Consequently, the accuracy, completeness and validity of the imprests balance of Kshs. 3,129,360 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1989. The Fund Account Manager submitted that the imprests could not be surrendered because of a pending court case by EACC covering the said period. As a result, the accuracy, validity and completeness of the cash balance of Kshs. 93,562 as at 30 June 2016 could not be confirmed.

Committee Observations

1990. The Committee observed that the supporting documents including the imprests warrants and imprest register were not availed to the auditors to account for the Kshs. 3,270,500 outstanding imprests.

Committee Recommendations

1991. **The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provide a status report to the National Assembly within three months after adoption of this report.**

8.1.3.5 Use of goods and services

1992. The statement of receipts and payments for the year ended 30 June 2016 reflected use of goods and services of Kshs. 4,668,038 as detailed in Note 5 to the financial statements. However, included in this balance were payments totaling Kshs. 2,244,144 reportedly made in respect of the following items but documentary evidence on the expenditure had not been availed for audit review:

Description	Amount (Kshs.)
Utilities, Supplies and Services	104,000
Communication Supplies and Services	311,000
Office and General Supplies and Services	1,769,144
Office Rent	60,000
Total	2,244,144

1993. Further, the use of goods and services balance of Kshs. 4,668,038 included Kshs. 2,345,604 for committee expenses, other allowances of Kshs. 78,290 as disclosed in Note 5 to the financial statements of which payment vouchers, and meeting attendance registers were not availed for audit verification. As a result, the accuracy and propriety of use of goods and services balance totaling Kshs. 2,322,434 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1994. The Fund Account Manager submitted that he availed payment vouchers amounting to Kshs. 2,244,144, 2,345,604 & 78,290, and meeting attendance registers to the auditor.

Committee Observations

1995. The Committee observed that supporting documents for Committee Expenses of Kshs. 2,345,604 and allowances of Kshs.78, 290 were not availed for audit.

Committee Recommendations

1996. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with section 43(11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.**

8.1.3.6 Transfers from Other Government Entities

1997. The statement of receipts and payments for the year ended 30 June 2016 reflected transfers from other government entities of Kshs. 103,281,441 while records maintained by the National Government Constituencies Development Fund Board reflected a figure of Kshs. 70,000,000, resulting to a variance of Kshs. 33,281,441 which had however not been explained. Further, the statement of appropriation for the year ended 30 June 2016 reflected transfers from Constituencies Development Fund Board of Kshs. 124,233,544 while the statement of receipts and payments reflected a balance of Kshs. 103,281,441, resulting to a variance of Kshs. 20,952,103 which had not been explained. Consequently, the accuracy and completeness of Kshs. 103,281,441 balances on transfers from other government units for the year ended 30 June 2016 cannot be confirmed.

Submission by the Fund Account Manager

1998. The Fund Account Manager submitted that this was an omission error. The error had since been rectified. Availed to the auditor were:

1. Amended reports and financial statements for the year ended 30 June 2016.
2. Copy of summary of appropriation.

Committee Observations

1999. The Committee observed that the omissions and inconsistencies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

2000. The Committee recommends that:

1) **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015;and**
2) **The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5%**

administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

8.1.3.7 Compensation of Employees

2001. The statement of receipts and payments for the year ended 30 June 2016 reflected compensation to employees' balance of Kshs. 1,087,151 while the schedule availed for audit review reflected a figure of Kshs. 1,082,868, resulting to a variance of Kshs. 4,283 which however had not been explained. Further, the expenditure of Kshs. 1,082,868 reportedly relates to basic salaries paid to five (5) employees whose designations and job groups were not disclosed for audit review. Consequently, the accuracy and validity of Kshs. 1,087,151 expenditures incurred on compensation of employees for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2002. The Fund Account Manager submitted that the Kshs. 4,283 was an overcast. All the employees had clear job descriptions and designations. Availed to the auditor were:

1. Designation of employees
2. Job group of employees.

Committee Observations

2003. The Committee observed that supporting documents for compensation of employees had not been availed for audit review. The documents were however provided for audit verification and the audit query is resolved.

Committee Recommendations

2004. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.1.3.8 Other Grants and Transfers

2005. The statement of receipts and payments for the year ended 30 June 2016 reflected other grants and transfers of Kshs. 48,303,955 in respect of which the following observations had been made:

a) Bursaries-Secondary Schools, Tertiary Institutions and Special Schools

2006. Note 7 to the financial statements for the year ended 30 June 2016 reflected bursaries to secondary schools of Kshs. 5,272,000, tertiary institutions of Kshs. 2,379,000 and special schools Kshs. 10,000 all amounting to Kshs. 7,661,000. However, approved applications for the bursaries, records showing how the applicants were vetted,

categorized and identified, the cheques dispatch register and evidence that names of successful applicants were published were not availed for audit verification contrary to CDF Board Circular/Vol1/111 of 13 September 2010.

2007. The circular requires Constituency Development Fund Committees (CDFC) to establish a bursary sub-committee to vet, categorize and identify students in need of bursaries; decide on the awards, verify and ensure all cheques were dispatched to schools/colleges, compile a report to the Committee to ratify the awards and ensure that lists of beneficiaries were published. Further, acknowledgement of receipt of bursaries totaling Kshs. 4,052,030 by the institutions was not availed for audit review.

Submission by the Fund Account Manager

2008. The Fund Account Manager submitted that it availed to the auditor the Bursary awarding criteria, Bursary committee minutes, Cheque's dispatch register, List of successful applicants, and Bursary acknowledgement receipts.

Committee Observations

2009. The Committee observed that the Fund Account Manager had not provided at the time of audit, the Bursary Criteria, Bursary Committee Minutes, Cheque Dispatch register, list of applicants, and bursary acknowledgement receipts. The documents were however provided for verification after audit period.

Committee Recommendations

2010. **The NG-CDF Board should develop an overarching bursary policy framework to guide committees' in-line with the needs of the constituency. Each NG-CDF bursary committee to establish criteria and guidelines for identifying, categorizing and awarding of bursaries to needy students.**

b) Kivu Cha Mulungu Water Pan:

1339.Note 7 to the financial statements for the year ended 30 June 2016 reflected expenditure totaling Kshs. 35,769,259 incurred on water projects, out of which Kshs. 5,000,000 had been disbursed for construction of Kiva Cha Mulungu water pan. The records availed for audit indicated that the contract had been awarded to a firm at a cost of Kshs. 4,998,000. However, tender advertisement, quotations, tender committee minutes and minutes of tender evaluation and award committee were not availed for audit review. In addition, the project site was verified in April 2017 and found to have no water which management explained was caused by prolonged drought. However, poor design and orientation of the pan appeared to be the major cause of loss of water.

Submission by the Fund Account Manager

2011. The Fund Account Manager submitted that they had availed the Tender advertisement, Quotations, Minutes, Tender evaluation minutes, and Notification of tender award to the auditor for verification.

Committee Observations

2012. The Committee observed that the Fund Account Manager had not provided at the time of audit the tender advertisement, quotations, tender committee minutes and minutes of tender evaluation and award.

Committee Recommendations

2013. **The Committee recommends that the Accounting Officer ensures that Fund Account Manager ensures compliance with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act 2012 on the timely submission of documents.**

c) Kiva Cha Msichana Water Pan

2014. Note 7 to the financial statements reflected expenditure of Kshs. 35,769,259 for water projects, out of which Kshs. 5,000,000 was disbursed for construction of Kiva Cha Msichana water pan during the year under review. The records availed for audit indicated that the contract was awarded to a firm at a cost of Kshs. 5,136,750. However, tender advertisement, quotations, tender committee minutes, minutes of tender evaluation award committee and progress reports were not availed for audit review.

Submission by the Fund Account Manager

2015. The Fund Account Manager submitted that it availed the Tender advertisement, Quotations, Minutes, Tender evaluation and award, and progress reports to the auditor for verification.

Committee Observations

2016. The Committee observed that the Fund Account Manager had not provided at the time of audit the tender advertisement, quotations, tender committee minutes and minutes of tender evaluation and award.

Committee Recommendations

2017. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

d) Majajani Dam Project:

2018. Note 7 to the financial statements reflected expenditure of Kshs. 35,769,259 for water projects, out of which Kshs. 5,136,000 was disbursed for excavation of Majajani Dam.

Records availed for audit review indicated that the contract sum of the project was Kshs. 5,136,750, and out of this amount, Kshs. 4,676,250 was released to the contractor. However, quotations, tender committee minutes, minutes of tender evaluation and award, engineer's certificates of completion and progress reports were not availed for audit review.

2019. Further, at the time of the project verification in April 2017, the dam had no water and was not fenced yet Kshs. 196,250 out of the total amount paid to the contractor related to fencing. Management explained that water had dried up due to prolonged drought, which implied that the pan's water supply was not reliable. In addition, the project was omitted from the project's implementation status report as at 30 June 2016 availed for audit review.

Submission by the Fund Account Manager

2020. The Fund Account Manager submitted that by the time the audit was being conducted, the records had been taken by EACC.

Committee Inspection Visit to the project

2021. Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 where the Committee visited Majajani Dam and found out that:

a) This project is situated in Kauma location, Vinagoni sub-location in Ganze Ward and borders Kilifi North Constituency and Ganze Constituency.
b) The scope of work included Earth pan with a storage capacity of 4000m^3, embankment wall of 230m long, crest height of the embankment of 4m and Spillway of 5m wide.
c) The excavation works undertaken were not as per the specifications of the BQs since the dam could not hold any water.
d) Despite the payments of Kshs. 196,250 for fencing, works were not undertaken.
e) There was no value for money for the expenditure of Kshs. 5,136,750 expended on the project given that it is incomplete and not in use.

Committee Observations

2022. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit the supporting documents. The documents were however provided for verification after audit period.
(ii) There was no value for money for the expenditure of Kshs. 5,136,750 expended on the project given that it is incomplete and not in use.

Committee Recommendations

2023. The **Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provide a status report to the National Assembly within three months after adoption of this report.**

e) Mwaeba-Katofeni Water Project:

2024. Note 7 to the financial statements reflected Kshs. 35,769,259 for water projects, out of which Kshs. 2,000,000 was disbursed for water distribution from the main (Baricho) water pipe. However, the bill of quantities, quotations, procurement committee minutes, minutes of evaluation and award committees, progress reports and engineer's certificates of completion were not availed for audit review. Further, at the time of project verification in April 2017, the taps had no water since meters had not been installed and the line tested.

Submission by the Fund Account Manager

2025. The Fund Account Manager submitted that at the time the audit was being conducted, the records had been taken by EACC.

Committee Observations

2026. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit the bill of quantities, quotations, procurement committee minutes, minutes of evaluation and award committees, progress reports and engineer's certificates of completion; and

(ii) The documents were however provided for verification after audit period.

Committee Recommendations

2027. The Committee observed that-

1) **The Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provides a status report to the National Assembly within three months after adoption of this report.**
2) **The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor-General during audit as required under section 9(1)(e) Public Audit Act, 2015.**

8.1.3.9 Emergency Projects

2028. Note 7 to the financial statements for the year ended 30 June 2016 reflected Kshs. 186,696 for emergency projects. However, this amount related to purchase of air-tickets but the surrender voucher for the expenditure totaling Kshs. 93,134 was not supported while surrender voucher for the balance of Kshs. 93,562 was not availed for audit verification. Further, expenditure on air-tickets is not categorized as emergency, under Section 8(3) of the National Government Constituencies Development Fund Act, 2015 which defines emergency as an urgent, unforeseen need for expenditure which in the

opinion of the Constituency Development Fund Committee cannot be delayed until the next financial year without harming public interest. Managements claim that relevant documents in support of the expenditure were availed is un-substantiated and further the nature of the emergency had not been disclosed.

Submission by the Fund Account Manager

2029. The Fund Account Manager submitted that it was an emergency because the students had gotten invitation letters within a very short notice and they were from very poor background. Apart from the air tickets, the other monies were used for local travel in Kenya, local travel in India and booking for hostel in India.

Committee Observations

2030. The Committee observed that the Fund Account Manager had not provided air tickets, surrender voucher and authority to travel for audit verification in breach of the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and PFMAct, No. 18 of 2012 on submission of documents to the Office of the Auditor General. The documents were however provided for verification after audit period and audit query is resolved.

Committee Recommendations

2031. **The Committee recommends that the Accounting officer ensures that the Fund Account Manager complies with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

8.1.3.10 Budgetary Controls and Performance

2032. During the year under review, the Fund had a final budget of Kshs. 187,520,920 and spent Kshs. 80,597,075, resulting to under-absorption of Kshs. 106,923,845 or 57% of the budget as shown below:

Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption Kshs.)	Under Absorption (%)
Employee salaries	2,361,303	1,087,151	1,274,152	54
Use of goods and services	12,752,812	4,668,038	8,084,774	63
Transfers to Other Government Units	68,907,931	26,537,931	42,370,000	61
Other Grants and Transfers	95,153,874	48,303,955	46,849,919	49
Acquisition of Assets	8,345,000	-	8,345,000	100
Total	**187,520,920**	**80,597,075**	**106,923,845**	**57**

1340.The under-expenditure of Kshs. 106,923,845 indicates that the budget was not implemented in accordance with the provisions of Article 220(1) of the Constitution of

Kenya which requires budgets of national government to contain estimates of revenue and expenditure, differentiating between recurrent and development and proposals for financing any budget deficit for the period to which they apply. Further, Section 35(1) of the PFMAct, 2012 requires the budget process for the national Government to comprise among other things integrated long term and medium-term planning, and determination of financial and economic policies and priorities at the national level over the medium term and implementation the budget. Therefore, late receipt of funds is not the main cause of the large under expenditure incurred by Ganze Constituency CDF. As a result of the under-expenditure, delivery of goods and services to residents of Ganze Constituency was curtailed.

Submission by the Fund Account Manager

2033. The fund manager submitted that main Ganze NGCDF account had been frozen by the NGCDF Board for over three (3) months. The transition from CDF Act, 2013 to NGCDF Act, 2015 also impacted negatively on implementation of projects.

Committee Observations

2034. The Committee observed that the under-absorption of the budget was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The NGCDF Board had frozen Ganze Constituency Account for over three (3) months.

Committee Recommendations

2035. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.1.3.11 Project Verification:

2036. The projects status report availed for audit review indicated that a total of Kshs. 70,215,840 was allocated and disbursed to 28 projects during the year under review. Out of the total amount disbursed, Kshs. 69,569,395 or 99% had been spent as at 30 June 2016, resulting to unspent disbursements of Kshs. 646,445 or 1%. During projects verification in the month of April 2017, ten (10) projects with a total disbursement of Kshs. 13,600,000 were found to have anomalies as detailed below:

	Project Name	Description	Amount Disbursed Kshs)	Anomaly noted/Documents not availed for Audit verification
1.	Bahati primary school	Purchase of 6 jikos	600,000	During physical verification, only one modern energy saving jiko was presented for verification. Five jikos were not availed for physical verification.
2.	Mayowe sec. school	Construction of Twin Laboratory	2,000,000	The project was verified in April 2017 and found to have stalled at ring beam level.

	Project Name	Description	Amount Disbursed Kshs)	Anomaly noted/Documents not availed for Audit verification
3.	Muyuni Dispensary	Completion of building (super walling, plastering, flooring, fitting & painting)	2,000,000	The project was verified and found complete but not handed over to beneficiaries.
4.	Nyari Health Centre	Construction of Nyari Health Centre	1,000,000	The project's estimated cost was Kshs. 14,803,577.80 but had received Kshs. 4,000,000 at the time of the verification. The project was verified in April 2017, and found to have stalled at the reinforced concrete slab level.
5.	Bandari Dispensary	Construction of Dispensary	2,000,000	At the time of project verification in April 2017, the project was almost complete with only ceiling painting work remaining.
s6.	Midoina Dispensary	Construction of 2 one-bedroom staff houses-Plastering & finishing	500,000	The project was verified in April 2017 and found almost complete with only wall painting work remaining.
7.	Migunnamiri Dispensary	Construction of Dispensary	1,500,000	The project was verified and found complete but not yet handed over to the County Government. Further, a similar facility funded by the County Government is under construction on the same plot under unclear circumstances.
8.	Ndingiria Dispensary	Construction of Dispensary	1,500,000	When the project was verified in April 2017 only the ceiling board had not been fitted but the contractor was not on site.
9.	Mwarandind a Dispensary	Construction of Dispensary	1,500,000	The project was verified in April 2017. Doors and windows and had not been fitted while work on plastering and painting of walls had not been done but the contractor was not on site.
10.	Kaembeni Dispensary	Construction of Dispensary	1,000,000	The project was verified in April 2017. At that time, plastering and painting work had not been done while the ceiling board was yet to be fitted but the contractor was not in site.
Total			**13,600,000**	

2037. Consequently, the propriety of expenditure totaling Kshs. 13,600,000 incurred by the CDF on projects during the year under review could not be confirmed due to the reasons cited here.

Submission by the Fund Account Manager

2038. The Fund Account Manager submitted that in Bahati primary school, one Jiko had been purchased and the other 5 jikos were in the process of being purchased. In Mayowe sec. school Laboratory, Funds allocated commensurate with the works done. However, the project needs additional funding for completion. Health projects had

become a devolved function. The Fund was in the process of handing-over the projects to the County Government.

Committee Observations

2039. The Committee observed that the under-absorption of the budget was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The NGCDF Board had frozen Ganze Constituency Account for over three (3) months.

Committee Recommendations

2040. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.2 KALOLENI CONSTITUENCY

2041. Mr. Elisha Ade, the current Fund Account Manager since 2018 appeared before the Committee on 30th September, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Kaloleni Constituency and was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Ms. Beatrice Otieno, Accountant NGCDF Board
iv) Mr. Anthony Munyao, Former Fund Account Manager (August 2014 to Dec. 2017)
v) Ms. Flora Ndunge, Former, Fund Account Manager (Sept. 2017 to Dec. 2013)
vi) Mr. Kenneth Amanya, Former Fund Account Manager (Dec 2013 to Sept. 2014)

8.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2042. The constituency received a qualified audit opinion from the Auditor General who raised seven audit Matters during examination of financial statements of Kaloleni Constituency for the year 2013/2014.

8.2.1.1 Transfer from the CDF Board

2043. The statement of receipts and payments reflected a balance of Kshs. 99,026, 995 as at 30th June 2014 in respect of transfers from CDF Board. However, audit review of the fund's bank statement revealed that authority to incur expenditure (A.I.E) of the Kshs. 41,865, 588 received on 16 June 2014 was not recorded in the fund's book of accounts. In the circumstance, the accuracy of completeness of transfer of the CDF Board of Kshs. 99,026,955 for the year ended 30 June could not be ascertained.

Submission by the Fund Account Manager

2044. Mr. Kenneth Amanya, Former Fund Account Manager submitted a Bank Statements and copies of A.I. E's for financial year 2013/2014 to show that corrections were done.

Committee Observations

2045. The Committee observed that the Fund Account Manager had corrected the errors and the documentation provided for audit verification, hence audit query is resolved.

Committee Recommendations

2046. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.2.1.2 Outstanding Imprest

2047. The statement of assets and liabilities reflected outstanding imprest of Kshs. 894,000 as at 30 June 2014. Audit review of the supporting schedule revealed that the balance relates to cumulative imprest issued on various dates to the Fund Account Manager before surrendering the previous imprest contrary to Government Financial Regulations and Procedures on imprest management. In the circumstance, the propriety of outstanding balance of Kshs. 894,000 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

2048. Mr. Kenneth Amanya, Former Fund Account Manager submitted that the imprests were surrendered as evidenced by copy of vouchers which were availed to the auditor for review.

Committee Observations

2049. The Committee observed that-

(i) Multiple imprests were issued on various dates to the Fund Account Manager before surrendering the previous imprest ; and

(ii) Fund Account Managers are the only ones who could be advanced imprests as government employees at the CDFC

Committee Recommendations

2050. **The Committee recommends that the Accounting officer should ensure that Fund Account Managers adhere to the provisions of Regulation 93 of the PFM (National Government) Regulation 2015 on management of imprest.**

8.2.1.3 Cash and Cash Equivalents

2051. **Included** in the statement of financial assets and liabilities is cash and cash equivalents balance of Kshs. 11,941,754 as at 30 June 2014. However, it had not been possible to verify the balance of cash and cash equivalents as the project management committee's returns were not availed for audit review. Consequently, the completeness of the cash and cash equivalents balance of the Kshs. 11,941,754 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

2052. The Fund Account Manager submitted that the NGCDFC had records and copies of bank statements which were provided for audit verification.

Committee Observations

2053. The Committee observed that at the time of the audit, the Fund Account Manager had not provided the project management committee's returns for audit review in contravention of Section 68 of the PFMAct, No. 18 of 2012 on the timely submission of

documents. The project management committee's returns had since been provided and audit query is resolved.

Committee Recommendations

2054. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

8.2.1.4 KRA Penalties

2055. Audit review of the April 2014 reconciliation statement revealed that Kenya Revenue Authority deducted Kshs. 4,787,962 from the Fund's Cooperative bank account No. 01120250577700 being penalties on overdue taxes. Additionally, there was no evidence that withholding taxes were being deducted from project contractors and remitted to KRA.

Submission by the Fund Account Manager

2056. **The** Fund Account Manager submitted that KRA had not yet appointed the constituency as a withholding agent hence it was not possible to deduct and remit taxes. In accordance with Section 25A of the Value Added Tax Act, 2013 Government ministries, Departments and Agencies required to withhold VAT hence appointing them as agents was of great essence. The Fund Accounting Manager requested to be appointed as an agent and since then he had diligently been deducting and remitting taxes. Funds deducted from the account affected the construction of NG-CDF Rabai Constituency Office that it had benefited from the mother constituency i.e., Kalolenі. After splitting Rabai constituency allocated funds for construction of the office and the Board approved. Issue resolved on 27th February 2020

Committee Observations

2057. The Committee observed that-

(i) Kenya Revenue Authority deducted Kshs. 4,787,962 from fund's bank account being penalties on overdue taxes which the Fund Account Manager was supposed to withhold; and

(ii) After being appointed as tax agents, the Fund Account Manager had been deducting and remitting taxes.

Committee Recommendations

2058. **The Accounting officer should ensure that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.**

8.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2059. The Constituency received an adverse opinion report from the Auditor General who raised seven audit Matters during examination of financial statements of Kaloleni Constituency for the year 2014/2015.

8.2.2.1 Summary statement of Appropriation

2060. The summary statement of appropriations had arithmetic error on totals for final budget. The final budget balance is reflected as Kshs. 162,766,947 whereas the casted balance is Kshs. 92,269,248.31 resulting to neither unexplained nor reconciled variance of Kshs. 70,497,698.69. In addition, the statement did not indicate which votes were adjusted by the total adjustments of Kshs. 41,865,588. In the circumstances, the accuracy of the summary statement of appropriation for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2061. The Fund Account Manager submitted that this was an error in the financial statement. Correction had been made and financial statements had been availed to the auditor for verification.

Committee Observations

2062. The Committee observed that the financial statements had an error which was cleared in the subsequent year.

Committee Recommendations

2063. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.2.2.2 Transfer from the CDF Board

2064. The statement of receipts and payments for the year ended 30 June 2015 reflected a balance of Kshs.102, 316,265 in respect of transfers from the Constituency Development Fund Board. However, according to the disbursements as per the parent Ministry, a total of Kshs. 21,190,706 was disbursed to Kaloleni CDF during the financial year under audit resulting to unreconciled nor explained variance of Kshs.81, 125,561. In the circumstances, the accuracy and the completeness of the balance of transfers from the Constituency Development Fund Board of Kshs. 102,316,267 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2065. The Fund Account Manager submitted that Kaloleni CDF received the following AIE from the CDF Board as follows:

AIE Number	Amount
750124	Kshs.41,864,588.00
759575	Kshs.39,259,973.00
796921	Kshs.10,000,000.00
799042	Kshs.11,190,706.50

2066. The two AIEs that were received amounted to Kshs. 81,125,561 which were for the previous financial year and were received in 2014/15 FY hence were recorded then. The other two amounts which amounted to Kshs. 21,190,706 was the money that was received in 2014/15 and also belonged to that particular financial year. Therefore, it can be confirmed that the whole amount received for the year ended 30th June 2015 was Kshs. 102,316,267.

Committee Observations

2067. The Committee observed that the Fund Account Manager received Kshs. 102,316,267 and therefore there was no variation.

Committee Recommendations

2068. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.2.2.3 Transfers to other Government Units.

2069. The state of the receipts and payments for the year ended 30 June 2015 reflected a balance Kshs.41, 115,772 in respect of transfers to other government units. Included in this is Kshs.21, 982,748 in respect of the transfer to the primary schools. The balance of Kshs.21, 982,748 include various provisions for fifteen [15] projects amounting to Kshs.10, 412,327 which were not accounted for. There was no documentary evidence on how the provisional sums were spent. In the circumstances, the propriety and the validity of transfers to other government units amounting to Kshs. 10,412,327 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2070. The Fund Account Manager confirmed that the transfers amounting to Kshs. 10,412,327 was distributed as follows:

(a) 16% VAT. An amount of Kshs.5, 304,753 was the total amount that was paid to contractors for them to submit to KRA as VAT. This amount was inclusive of the contractual sum and therefore it was the responsibility of the contractor to submit.

(b) 3% Income Tax, this amount was deducted and submitted to KRA as income tax.

(c) 5% PMC. This is the amount that was paid to the PMCs to facilitate their operations.

(d) Works Officer Provisions, this is the amount that was paid to the works officer to ensure good management of the project. This amount was included to the BQ.

(e) Contingency, this is the amount that was payable to the contractors for any contingency that would occur in the implementation of the project. This had been well illustrated by the proficiency in the BQs.

Committee Observations

2071. The Committee observed that-

(i) At the time of the audit, the Fund Account Manager had not provided documentary evidence on how the provisional sums were spent the project; and

(ii) The documentary evidence had since been provided and reviewed by the auditors.

Committee Recommendations

2072. The **Committee recommends that the Accounting officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

8.2.2.4 Other payments

2073. The statements of the receipts and payments reflected a balance of Kshs.4, 787,962 for the year 30 June 2015 in respect of other payments. According to Note 11 to the financial statements, the balance of Kshs.4, 787,962 is Kenya Revenue Authority penalty charged on the Fund's Cooperative Bank Account No. 01120250577700 during the financial year 2013/2014 for non-deduction and remittance of withholding taxes. However, there was no evidence that the expenditure was authorized by the Constituency Development Fund Board as per approved budget. In addition, there was no evidence that the withholding taxes were deducted and remitted to Kenya Revenue Authority. In the circumstances, the regularly of the payments balance of Kshs. 4,787,962 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2074. The Fund Account Manager submitted that the payment of Kshs. 4,787,962 was deducted from the CDF Account No. 01120250577700 on 19/12/2019 there was no negotiation with KRA on how they arrived on that figure therefore this matter had been on going between the CDF Committee, CDF Board and KRA.

Committee Observations

2075. The Committee observed that-

(i) Kenya Revenue Authority deducted Kshs. 4,787,962 from fund's bank account being penalties on overdue taxes which the Fund Account Manager was supposed to withhold; and

(ii) After being appointed as tax agents, the Fund Account Manager had been deducting and remitting taxes.

Committee Recommendations

2076. **The Accounting Officer should ensure that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.**

8.2.2.5 Budget control and performance.

2077. The summary statement of appropriation reflected a final budget of cash Kshs. 162,766,947, however the correct casted budget is Kshs. 92,269,248.31. The actual expenditure for the year was Kshs. 101,538,099 resulting to an overall over expenditure of Kshs. 9,277,050.69 or 10% of the approved budget, further according to the CDF Board Secretariat Circular on Budget Ceilings, Kaloleni CDF was allocated Kshs.120, 901,359 for the financial year 2014/15. It was not clear how adjustment of Kshs.41, 865,588 was approved.

Submission by the Fund Account Manager

2078. The Fund Account Manager submitted AIEs as received from the Board as per the approved budget ceiling to show that funds were from the previous financial year.

Committee Observations

2079. The Committee observed that over expenditure is due to roll over funds from previous years which was utilized in the financial year, hence audit query is resolved.

Committee Recommendations

2080. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.2.2.6 Committee expenses

2081. Committee expenses were overspent by Kshs.2, 702,200 or 107% of the budget. This implies irregular sittings were held.

Submission by the Fund Account Manager

2082. The Fund Account Manager indicated that the committee expenses were not overspend because this vote included committee bench marking which is an expensive item, therefore, all this expenditure is inclusive of committee trainings and other expenses, therefore there were no irregular sittings as implied.

Committee Observations

2083. The Committee observed that:

(i) The Fund Account Manager did not provide documentation to support expenditure at the time of audit; and

(ii) The total expenses of Kshs.2, 702,200 included committee trainings and benchmarking that was provided for in the budget.

Committee Recommendations

2084. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with section 43 (11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.**

8.2.2.7 Other payments

2085. Other payments for Kshs.4, 787,962 was without budget provisions. The management did not avail for audit the authority to spend on this vote.

Submission by the Fund Account Manager

2086. Mr. Kenneth Amanya, Former Fund Account Manager submitted that this was a deduction directly by KRA as penalties on overdue taxes not withhold.

Committee Observations

2087. The Committee observed that-

(i) Kenya Revenue Authority deducted Kshs. 4,787,962 from fund's bank account being penalties on overdue taxes which the Fund was supposed to withhold; and

(ii) The Fund Account Manager has continued to deduct and remit taxes after the constituency was appointed as tax agents.

Committee Recommendations

2088. **The Accounting Officer should ensure that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.**

8.2.2.8 Project implementation.

a) Katsomeni primary school

1339.The school was allocated Kshs. 2,000,000 for the construction of two classrooms. According to project records, the project commenced on 01/08/2014 and was expected to be completed on 02/11/2014. However according to the records, the project was completed on 8th June 2015, thus project was behind schedule by seven months. It is not clear why the project took long to complete. An audit inspection at the school on March 2016, revealed that 9 months after the completion of the classrooms, they were not in use. The management had indicated that they were still waiting for the county government to take over the school. In addition, the land title deed where the classrooms were constructed was not availed for audit review thus casting doubts whether project had been put up on public land.

Submission by the Fund Account Manager

2089. The Fund Account Manager submitted that the project had been completed in time. However, there was a delay in the county government in receiving the project. Project photos and handing over certificate was provided for confirmation.

Committee Observations

2090. The Committee observed that:

(i) The Fund Account Manager did not provide a title deed for Katsomeni Primary School.

(ii) The two classrooms have been completed and handed over to the ministry of education as part of the school.

Committee Recommendations

2091. The committee recommends that:

(i) The Accounting Officer should ensure that all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and

(ii) In line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

b) Maandani Primary School and Gabriel Kahindi Primary School

2092. Each school was allocated Kshs.2, 000,000 for the construction of 2 classrooms. However, they were no project records indicating the project dates of commencement and completion. It was not possible to determine whether the project was implemented within schedule. In addition, the audit inspection at both schools in March 2016 revealed that 9 months after completion of the classrooms, they were cracks on the

walls and floor thus casting doubt on the quality of works. The residents of Kaloleni Constituency may not have realized value for money spent on the project.

Submission by the Fund Account Manager

2093. **The** Fund Account Manager submitted that the works officer had been consulted on the same and correction were done. The project photos and completion certificate were provided for verification.

Committee Observations

2094. The Committee observed that-

(i) At the time of the audit, the Fund had not provided documentary evidence indicating the project dates of commencement and completion dates of the project. The documentary evidence had since been provided and reviewed by the auditor; and

(ii) The cracks on the walls had been rectified within the defect liability period.

Committee Recommendations

2095. **The Committee recommends that:**

1) **The Accounting Officer ensures that the Fund Account Manager only makes payments for works done based on completion certificates issued by the works officer; and**
2) **The Fund Account Managers should ensure that projects are implemented as per the specifications under the BQs and the funds be retained for defect liability period.**

c) Kirumbi Girls Secondary School

2096. The school was allocated Kshs.5, 000,000 for the construction of a dormitory. The project records availed for audit did not indicate the commencement date and completion date although the agreement was signed on 25th 05 2015. According to the available records a total of Kshs.5, 225,315 was spent due to contract variation. However, audit inspection due on March 2016 revealed that although the dormitory had already been occupied by the students, though electrical work had not been done. In addition, the contractor was not on site. It is not clear why the school management approved an incomplete dormitory to be occupied by students which poses a health hazard. The citizens of Kaloleni Constituency may not have obtained value for money on the construction of the dormitory.

Submission by the Fund Account Manager

2097. The Fund Account Manager submitted that the project that was a construction of a dormitory had a variation of over Kshs. 800,000. The money for the variation was not available within that financial year and therefore the school made a decision on occupying the dormitory before it was finally completed. However, when the money for

the following financial year was received the project had been allocated the variation and hence the project had been completed. The manager provided the photos and completion certificate for verification.

Committee Observations

2098. The Committee observed that:

i) The project's electrical work had not been completed during the period under review given that variation in the contract price was funded in the subsequent financial year;
ii) The project documentation was provided for verification by the auditor; and
iii) The electrical works were completed and project is in use.

Committee Recommendations

2099. The Committee recommends that:

1) **The Accounting Officer ensures that the Fund Account Manager only makes payments for works done based on completion certificate issued by the works officer:**
2) **The Fund Account Managers should ensure that projects are implemented as per the specifications under the BQs and the funds be retained for defect liability period; and**
3) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2100. The Constituency received a qualified opinion from Auditor General who raised seven audit Matters during examination of financial statements of Kaloleni Constituency for the year 2015/2016.

8.2.3.1 Unsupported balances

2101. The financial statement for the year ended 30th June 2016, reflected unsupported balances of Kshs.13, 431,806. Consequently, the propriety of expenditure totaling Kshs.13, 431,806 for the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2102. Mr. Kenneth Amanya, Former Fund Account Manager submitted that the vouchers amounting to Kshs.13, 431,806 had been availed for audit verification hence the propriety of the expenditure can be confirmed.

Committee Observations

2103. The Committee observed that the Fund Account Manager did not provide payment vouchers to support the expenditure of Kshs. 13,431,806.

Committee Recommendations

2104. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.2.3.2 Other receipts

2105. Note 2 to the financial statement for the year ended 30th June 2016 reflected nil interest received against a bank balance of Kshs. 40,084,618. However, the same note reflected interest received of Kshs. 60,746 for the year 2014/15 with a closing bank balance of Kshs. 12,117,007, an indication that interest earned on funds held in bank had not been disclosed in the financial statements. Consequently, the accuracy and completeness of the other receipts of Kshs. 80,000 for the year ended June 2016 could not be confirmed.

Submission by the Fund Account Manager

2106. The Fund Account Manager submitted that the receipts of Kshs. 80,000 had been proceeds from rent. The note that captured the Kshs. 6,700 was erroneous since there was no interest earned.

Committee Observations

2107. The Committee observed that Kshs. 60,746 captured as interest earned was erroneous since there was no interest earned on funds held in the bank.

Committee Recommendations

2108. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.2.3.3 Bank Statements

2109. The statement of the financial assets as at 30th June 2016 reflected a bank balance of Kshs. 40,084,618. However, the bank reconciliation statement as at 30th June 2016 for the bank account reflected payments in cashbook not yet recorded in bank statements of Kshs. 17,320,777.25 out of which stale cheques totaled cash Kshs. 10,524,894.25. Further bank statements confirming when cheques totaling cash 6,795,883 were subsequently cleared by the bank were not provided for audit review. In addition, the bank reconciliation statement reflected receipts in bank statements not yet recorded in cashbook of Kshs. 26,000. The management had not explained the reason why these transactions were not reversed in the books of accounts. In addition, the bank balance was understated by undetermined interest income on cash in bank, given that in the year 2014/15 interest on bank balance was Kshs.60, 746 with a closing bank balance of 12,117,007. Consequently, the validity and accuracy of bank balance of Kshs.40, 084,618 as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2110. The Fund Account Manager submitted that the huge stale cheques that amounted to Kshs. 10,524,894.25 was occasioned by a cheque of Kshs. 10,000,000 that was meant for Kaloleni Technical and Vocational College. This cheque went stale for the period that the CDF committee was not operational due to change in the Act. Hence since it had some correction it could not be made in time. However, the same cheque had been banked. The remaining Kshs. 524,897.25 were stale bursary cheque which had been reversed in the books of account. Therefore, the validity and accuracy of bank balance as at 30th June 2016 can be confirmed.

Committee Observations

2111. The Committee observed that-

(i) The Fund Account Manager had stale cheques which had not been reversed to the cashbook which is contrary to International Public Sector Accounting Standards (IPSAS) framework on preparation of financial statements.

(ii) The cheques were however reversed and the supporting documents provided to the auditor for audit verification.

Committee Recommendations

2112. The Committee recommends that:

1) **The Accounting Officer to ensure that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries; and**
2) **The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

8.2.3.4 Cash balance.

2113. The statement of assets as at 30th June 2016 reflected a nil balance but the respective board of survey certificate was not availed for audit review. Consequently, the accuracy of the cash balance could not be confirmed.

Submission by the Fund Account Manager

2114. The Fund Account Manager submitted that the board of survey certificate had been provided for audit verification. Therefore, the accuracy of the nil cash balance as at 30th June 2016 can be confirmed.

Committee Observations

2115. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit the Board of survey reports to support the cash balance which is contrary to the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and PFMAct, No. 18 of 2012 on submission of documents to the Office of the Auditor General; and

(ii) The survey reports were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

1340.The Committee recommends that the Accounting Officer ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.2.3.5 Acquisition of Assets

2116. The statement of receipts and payments for the year ended 30th June 2016 reflected acquisition of assets figure of Kshs. 2,003,506 which related to renovation of Kaloleni Constituency Office but the respective completion certificate was not availed for audit review. Consequently, the propriety of Kshs. 2,003,506 and the quality of workmanship

of the Kaloleni Constituency Office for the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2117. The Fund Account Manager submitted that the constituency office was renovated and the completion certificate was provided for audit verification.

Committee Observations

2118. The Committee observed that the Fund Account Manager did not provide at the time of audit the completion certificate for the renovation of Kaloleni constituency office.

Committee Recommendations

2119. The Committee recommends that:

1) **The Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures that the Fund Account Manager only makes payments for works done based on completion certificate issued by the works officer; and**
3) **The Fund Account Managers should ensure that projects are implemented as per the specifications under the BQs and the funds be retained for defect liability period.**

8.2.3.6 Transfers to primary schools.

2120. Note 6 to the financial statement for the year ended 30th June 2016 reflected transfers to primary school of Kshs.31, 393,294 out of which Kshs 855,407 was disbursed towards construction of 4 classrooms at Muungano Primary School. However, records availed for audit review indicated that the project was completed in 2014/15 at a contract price of Kshs, 3,489,988. The additional expenditure of Kshs.855, 407 was a contract variation but evidence of approval of the variation by the accounting officer was not availed for audit verification. Section 139(1) (a) of the Public Procurement and Assets Disposal Act, 2015 requires the approval of any contract variation by the awarding authority who is the accounting officer. Consequently, the propriety of the expenditure of Kshs.855, 407 incurred on the contract variation on the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2121. The Fund Account Manager submitted that the variation of Kshs. 855,407 was approved by the board and also CDF committee. Approval for the variation was provide for verification.

Committee Observations

2122. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit evidence of approval of the contract variation by the Board.

(ii) The documentations were however provided to auditors for review.

Committee Recommendations

2123. The Committee recommends that the Accounting Officer ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

8.2.3.7 Transfer to secondary schools.

2124. Note 6 to the financial statement for the year ended 30th June 2016 reflected transfers to secondary schools of Kshs. 11,000,000 out of which 5,000,000 was disbursed to Kizurini Secondary School being contribution towards the purchase of a school bus. However tender advertisement, evaluation and award minutes and mechanical engineer's inspection reports were not availed for audit review. Consequently, the propriety of expenditure totaling 5,000,000 incurred on the purchase of the school bus during the year under review could not be confirmed.

Submission by the Fund Account Manager

2125. The Fund Account Manager submitted that the school bus was bought by the school which had received a grant of Kshs. 5,000,000 from Kaloleni CDF. The procurement process was carried out by the school.

Committee Observations

2126. The Committee observed that the Fund Account Manager did not provide at the time of audit the tender advertisement, evaluation and award minutes and mechanical engineer's inspection reports.

Committee Recommendations

2127. The Committee recommends that the Accounting Officer ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.2.3.8 Transfers to Tertiary Institutions

2128. Note 6 to the financial statements for the year ended 30th June 2016 reflected transfers to tertiary institution of Kshs.10, 000,000 being funds disbursed for construction of Kaloleni Technical and Vocational College. However, the part of the phase financed by the funds was not specified, contrary to section 49 of the National Government

Constituencies Development Fund Act, 2015 which provides that the Board may consider part funding of project from other sources so long as the part funding goes to a definite unit or part or phase. Further tender evaluation and award minutes, bill of quantities and certificate of completion and expenditure returns were not availed for audit reviewing. In addition, the title deed for the land which the institute is situated was not availed for audit review. Consequently, the propriety of expenditure of Kshs.10, 000,000 on construction of the college for the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2129. The Fund Account Manager submitted that the Kshs. 10,000,000 was the CDF contribution toward the construction for Kaloleni Technical and Vocational College. The role of the CDF committee was to transfer their share of Kshs 10,000,000 as per the Circular from the Board. It was not the role of CDF committee to carry out the procurement process hence it was the role of the mother institution.

Committee Observations

2130. The Committee observed that the Fund Account Manager transferred Kshs 10,000,000 as per a circular from the Board. The Board sanctioned this across all Constituencies and CDFCs had no role in the procurement process.

Committee Recommendation

2131. **The Committee recommends that the Accounting Officer at all times guides the Fund Account Managers in compliance with the provisions of PFM Act, 2012, and the NG-CDF Act 2015 when providing counterpart funding to the projects.**

8.2.3.9 Transfers to Health Institutions

2132. Note 6 to the financial statements for the year ended 30 June 2016 reflected transfers to health institutions of Kshs. 643,844 relating to purchase of maternity equipment for Chalani Dispensary but the delivery goods received notes and the inspection and acceptance committee report were not availed for audit review. Assentation made by the management that all goods and equipment were received were unsupported. Further, a field audit carried out on May 2017, failed to trace and inspect the equipment. Consequently, the propriety of the expenditure totaling Kshs.643, 844 incurred on maternity equipment during the year under review could not be confirmed.

Submission by the Fund Account Manager

2133. The Fund Account Manager submitted that the Kshs 643,844 was the amount transferred to Chalani Dispensary for the purchase of maternity equipment. The procurement process was carried out by the dispensary. The equipment was bought and it is operational.

Committee Observations

2134. The Committee observed that the Fund Account Manager did not provide at the time of audit the delivery goods received notes and the inspection and acceptance committee report which is contrary to the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and PFM Act, No. 18 of 2012 on submission of documents to the Office of the Auditor General.

Committee Recommendations

2135. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

8.2.3.10 Other Grants and Transfers

2136. Note 7 to the financial statement reflected emergency projects expenditure of Kshs. 2,730,000 out of which payments of Kshs. 1,830,000 were not supported with the written opinion of the Constituency Development Fund Committee, contrary to section 8 [3] of the National Government Constituency Development Fund Act, 2015. The section defines emergency as an urgent, unforeseen need for the expenditure for which, in the opinion of the Committee, cannot be delayed until the following financial year without harming the public interest of the constituents. Consequently, the propriety of the expenditure totaling Kshs.1, 830,000 incurred on emergency for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2137. The Fund Account Manager submitted that all the emergencies were discussed and approved by the CDF Committee and therefore, the propriety of expenditure totaling Kshs. 1,830,000 for emergency can be confirmed.

Committee Observations

2138. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit minutes of CDFC approving the projects as emergency; and

(ii) The documentations were however provided to the auditors for review.

Committee Recommendations

2139. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

8.2.3.11 Budgetary controls and performance

2140. During the year under review, the constituency had a final budget of Kshs. 192,463,049 but spent Kshs. 95,584,075 or 50% of the budget, resulting to under expenditure of Kshs. 96,878,974 or 50%. Management attributed underutilization of funds by Kshs. 96,878,974 or 50% to, disbursement of funds by the board late in May and June 2016. As a result of the large ration of under expenditure, delivery of goods and services to residents of Kaloleni constituency was curtailed to a significant extent.

Submission by the Fund Account Manager

2141. The Fund Account Manager submitted that under expenditure was caused by delay in the disbursement of funds by the CDF board.

Committee Observations

2142. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2143. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.2.3.12 Project implementation status.

2144. The project status report availed for audit review indicated that a total of Kshs. 53,296,287 was disbursed to 29 projects. Out of which Kshs. 53,263,287 or 99% had been spent as at 30th June 2016. Further the report indicated all the 29 projects were complete by the year end, however review of the project status report revealed that 20 projects planned and approved to be implemented in the year through allocations totaling to Kshs. 51,711,342 did not receive funding. The situation may have impacted negatively on the delivery of goods and services to the residents of Kaloleni Constituency.

Submission by the Fund Account Manager

2145. The Fund Account Manager submitted that there was late disbursement of funds by the Board.

Committee Observations

2146. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury, hence audit query is resolved.

Committee Recommendations

2147. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.2.3.13 Project Verification -Tree seedlings project.

2148. The project involved purchase and distribution of tree seedlings to various schools within the constituency at a cost of Kshs.2, 400,000. Five schools namely Ndatani Primary School, Baraka Primary School, Mariakani Primary School, Mahenzo Primary School and Walea Primary School were visited and the trees seedlings bought and planted found to have withered. As a result, the residents of Kaloleni Constituency did not get value for money from the project. This is a clear indication that there was lack of communication between the Constituent Committee and school management on how to take care of the seedlings to maturity.

Submission by the Fund Account Manager

2149. The Fund Account Manager submitted that the CDF provided funds for purchase and distribution of seedling to various schools. However, there was no funds for running the project. It is the responsibility of the school to take care of the seedlings. The seedlings in some schools withered as a result of carelessness while other schools took good care of the seedlings, and thus, have not withered. Therefore, the project had value to the residents.

Committee Observations

2150. **The Committee observed that it was the responsibility of the school to take care of the seedlings once planted, hence audit query is resolved.**

8.3 KILIFI NORTH CONSTITUENCY

2151. Ms. Gladys Ngala, the current Fund Account Manager since March 2020 appeared before the Committee on 30th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Kilifi North Constituency for the financial years 2013/14, 2014/15 and 2015/16. She was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Mr. Yaye Skosi, Former Fund Account Manager (2012 to March 2020)

8.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2152. The Constituency received a qualified opinion from Auditor General who raised seven audit Matters during examination of financial statements of Kilifi North Constituency for the year 2013/2014.

8.3.1.1 Fraudulent withdrawal

2153. Examination of records availed for audit revealed that an amount of Kshs. 2,500,000.00 was withdrawn from the CDF bank account during the year without the management approval. The funds were ear marked for rural electrification project which was never implemented. Although management states that the matter is being investigated by Central Bank of Kenya Anti-Corruption Fraud Unit, the payment had neither been incorporated in these financial statements nor a disclosure made in the notes regarding the contingency loss in line with International Accounting Standards 37. In the circumstances, it had not been possible to confirm that the accuracy and validity of total payment figure of Kshs 42,352,251.25 reflected in these financial statements as at 30th June 2014.

Submission by the Fund Account Manager

2154. Fund Account Manager submitted that the Bahari Constituency was split into two Kilifi North and South. Before the split Bahari CDFC incurred a loss of Kshs 5,249,000.00 from the 2012/13 allocation through fraud and the case is ongoing at the Kilifi law Court being pursued by Opulu and Company Advocates. This was minuted in a joint CDFC meeting held on 18th June 2013 in Kilifi attended by members from the 3 CDFCs. Minutes dated 18th June 2013 had been provided for verification.

2155. The Fund Account Manager further submitted that the actual amount of Kshs 5,249,000.00 was not available for handing over to the new CDFCs, it was only handed over to Kilifi North and Kilifi South CDFC members as a liability. Hence the 2,500,000 liabilities in Kilifi North.

Committee Observations

2156. The Committee observed that the matter was active in Kilifi Law Court.

Committee recommendation

2157. **Within three months of adoption of this report, The Accounting Officer should within three months of the adoption of this report, follow up the matter and provide a status report to the Auditor-General for reporting in the next audit cycle.**

8.3.1.2 Receipts

2158. During the year ended 30th June 2014, it was observed that the bank accounts of defunct Bahari Constituency Development Fund remained operational throughout the year under review and received a total of Kshs 85,000,000 which was expensed jointly by officials of Kilifi North and Kilifi South CDF management. However, no supporting documents were availed for audit review in support of how funds were used and no authority for accessing the funds from CDF Board was availed for review. Consequently, it had not been possible to confirm the accuracy and validity of receipts of Kshs 45,761,492.00 for Kilifi North CDF for year ended 30th June 2014

Submission by the Fund Account Manager

2159. The Fund Account Manager submitted that the defunct Bahari CDF account was in operation as at 30th June 2014 with signatories from Kilifi North and South CDFCs. Through circular Ref No. CDF BOARD/CIRCULARS/VOLI.I/165 of 16th April 2013 from the CDF Board, all Fund Account Managers and secretaries were informed that funds for projects in newly created constituencies will continue to be disbursed through the Bank Account of the original constituency as per the Authority to Incur Expenditure and the projects GFS code lists. NGCDF Board Circular Ref: BOARD/CIRCULARS/VOLI.I/165 of 16th April 2013 from the CDF Board had been provided for verification.

2160. He further submitted that all projects handed over to Kilifi North NGCDF from Bahari CDF were successfully implemented through the Authority to Incur Expenditure (AIE) number A711841, AIE A735934 and GFS code list. The AIE's were for Bahari CDF and projects falling within Kilifi North Constituency were handed over to Kilifi North NGCDF for implementation.

Committee Observations

2161. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit the supporting documents in support of how funds were used and evidence of authority for accessing the funds from CDF Board which is contrary to the provisions of

section 68 of the PFMAct, No. 18 of 2012 on submission of documents to the Office of the Auditor General; and

(ii) The documentation was however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

2162. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**

8.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2163. The Auditor General raised seven audit Matters during examination of financial statements of Kilifi North Constituency for the year 2014/2015.

8.3.2.1 Fraudulent withdrawal

2164. As reported in the financial year 2013/2014, examination of records availed for audit revealed that an amount of Kshs 2,500,000.00 was withdrawn from the CDF bank account during the year without the management approval. The funds were ear marked for rural electrification project which was never implemented. Although management states that the matter is being investigated by Central Bank of Kenya Anti-Corruption Fraud Unit, the payment had neither been incorporated in these financial statements nor a disclosure made in the notes regarding the contingency loss in line with International Public Sector Accounting Standards. In the circumstances, it had not been possible to confirm the accuracy and validity of the brought forward cash and cash equivalent of Kshs 3,409,240.75as at 30th June 2015.

Submission by the Fund Account Manager

2165. The Fund Account Manager submitted that the Bahari constituency was split into two Kilifi North and South. Before the split Bahari CDFC incurred a loss of Kshs 5,249,000.00 from the 2012/13 allocation through fraud and the case is in court in Kilifi. The actual amount of Kshs 5,249,000.00 was not available for handing over to the new CDFCs, it was only handed over to Kilifi North and Kilifi South CDFC members as a liability. Hence the 2,500,000 liabilities in Kilifi North.

2166. The Fund Account Manager further submitted that the said amount was received by Bahari CDF in 2012/2013. A full report of projects handed over from Bahari CDF and implemented by Kilifi North NGCDF had been provided for verification.

Committee Observations

2167. The Committee observed that matter was active in Kilifi Law Courts and was carried forward from the previous financial year.

Committee recommendation

2168. **Within three months of adoption of this report, The Accounting Officer should within three months of the adoption of this report, follow up the matter and provide a status report to the Auditor-General for reporting in the subsequent audit cycle.**

8.3.2.2 Budget Control and Performance

2169. **The** fund was allocated Kshs 132,706,153 by the Constituency Development Fund Board for financial year 2014/2015. The fund had an opening balance of Kshs 45,761,492.00 as per audited financial statements and disbursement due for previous year 2013/2014 therefore the fund had resources amounting to Kshs 178,467,645 available for the year under review. The Fund Account Manager made transfers and payments amounting to Kshs 139,015,430.56 which amounts to 78% utilization of the total available funds of Kshs 178,467,645, thus indicating a 22% underutilization of funds. The unspent money is opportunity lost for a development project or efforts to spur good, locally based implementation of projects that reflect the priorities of the constituents of Kilifi North. The management should ensure that funds allocated to various projects and programmes are used on a timely manner to avoid overlapping of projects and delays in completion of projects to the detriment of the citizens of the constituency of Kilifi North.

Submission by the Fund Account Manager

2170. The Fund Account Manager submitted that the Kilifi North NGCDF received a total of Kshs 178,467,645.00 from the NGCDF Board during the 2014/2015 financial year as follows:

Balance for 2013/2014 financial year		
08.08.14	A 750229	45,761,492.00
Allocation for 2014/2015 financial year		
05.12.14	A750466	33,176,538.25
29.01.15	A796575	14,905,922.95
23.02.15	A796802	14,910,442.30
20.05.15	A796987	39,896,884.00
2.07.2015	A796107	29,816,365.50
Total		**132,706,153.00**

2171. He further submitted that in FY 2014/2015, the percentage of project utilization as at 30th June 2015 was 78% due to the delay in receipts of the last AIE of Kshs 29,816,365.50.

Committee Observations

2172. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury hence audit query is resolved.

Committee Recommendations

2173. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.3.2.3 Project Implementation

2174. Records availed showed 39 projects with a cumulative budget of Kshs 132,706,153.00 had been approved for implementation in financial year 2014/15. By 30 June 2015, five (5) projects with cumulative approved budget of Kshs 14,000,000.00 had not started as indicated below:

Location	Sub-Project / Activity	Allocation (Kshs)	Disbursement (Kshs)
Chumani	Construction of a school Dormitory	5,000,000	5,000,000
Watamu / Dabaso	Purchase of 10 motor bikes for 2 Chiefs and Assistant Chiefs in Watamu and Dabaso locations	1,500,000	1,500,000
Kilifi	Purchase of a 9-seater Toyota Land Cruiser for Kilifi North CDF	6,500,000	6,500,000
Ngerenya	Electricity installation, construction of a ramp for use by people with disability and extension of the office	1,000,000	1,000,000
Total		**14,000,000**	**14,000,000**

2175. Failure to complete projects on a timely manner unnecessarily ties up funds for development and weakens future implementation of projects due to weakening of the shilling and overlapping of project implementation. It is advisable that in future, the management should be proactive in following up the disbursement of the funds in order to complete the project on a timely manner for the benefit of the citizens of the Constituency.

Submission by the Fund Account Manager

2176. The Fund Account Manager submitted that the delay in completion of projects was attributed to late disbursement of funds from the NGCDF Board. However, upon receipt of Kshs 29,816,365.50 which was credited into the Constituency account on 26th June 2015 and the corresponding AIE dated 2nd July 2015, all projects that were incomplete as at 30th June 2015 are now complete and in use.

2177. He further submitted that the project implementation status report for these projects had been provided for verification. Certificates of practical completion and inspection and acceptance certificates had also been provided for verification.

Committee Observations

2178. The Committee observed that-

(i) The delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury; and

(ii) All projects that were incomplete as at 30th June 2015 were complete and in use.

Committee Recommendations

2179. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.3.2.4 Project Verification

2180. Project verification during the period under review indicated the following state of affairs on the specific projects:

2181. Among the reasons given for slow or non-implementation of the projects was that funds from the CDF Board were not received in good time, PMCs not having capacity to conduct procurement procedures as required and that most projects completed remain unutilized because other government agencies do not come in to hire staff or equip the projects such the dispensaries. Further, it was noted that some PMCs change the projects from the one approved to new projects because of the need at the time of receiving the funds.

2182. This is an indication of lack of proper consultation with relevant government departments before coming up with projects which require the relevant departments to equip the project and allocation of funds to non-deserving projects at the expense of priority projects.

Submission by the Fund Account Manager

2183. The Fund Account Manager submitted that an updated implementation status report of these projects had been provided for verification. All projects listed were complete and in use except for Dzunguni Ezamoyo Water Project which was not started. Bank statement for Dzunguni Ezamoyo Water Project account had been provided for verification.

2184. The manager further submitted that PMCs were now taken through training on procurement and project management. Management also ensures that relevant technical departments were consulted appropriately before projects were implemented.

Committee Inspection Visit to the project

2185. The Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 where the Committee visited the following projects:

(a) **Construction of Dormitory of 16 Cubicles and Ablution area at St. Thomas Girls Secondary School** and made the following findings:

- The project was started in 2013/14 financial year where Kshs.3, 000,000 was utilized. However, it rolled over to 2014/15 financial year where additional Kshs.8, 000,000 was allocated.
- The dormitory had 16 cubicles with washing area and ablution block are in good condition.

(b) **Construction of a Maternity wing and Placenta pit at Mavueni Dispensary** and made the following findings:

- The project is located in Mnarani Ward and involved construction of a maternity wing and a placenta pit in an existing dispensary.
- The County Government of Kilifi had provided delivery beds and other maternity equipment and is currently in use under the devolved function.

Committee Observations

2186. The Committee observed that-

(i) All the projects had been implemented except for Dzunguni Ezamoyo Water Project which could not be implemented because it is a devolved function; and

(ii) Funds were kept lying in the account for too long when they could have been reallocated. The funds for the project were returned from PMC account to the CDF account.

Committee Recommendation

2187. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.3.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2188. The Constituency received a qualified opinion from Auditor General who raised seven audit Matters during examination of financial statements of Kilifi North Constituency for the year 2015/2016.

8.3.3.1 Bank balances

2189. The statement of financial assets as at 30 June 2016 reflected a bank balance of Kshs.18, 810,287.09. However, bank reconciliation statement as at 30 June 2016 presented for audit review reflected unpresented cheques amounting to Kshs. 2,646,024, out of which Kshs. 426,000 relates to stale cheques not reversed in cashbook as at 30 June 2016. Further, bank charges of Kshs. 36, 983.89 were included in the reconciliation statement and therefore omitted in these financial statements and therefore understating the total payments amount of Kshs 94,051,168 by the same amount. Consequently, the accuracy and completeness of the bank balance of Kshs.18, 810,287.09 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2190. The Fund Account Manager submitted that the amount that was un-presented by 30th June 2016 were mostly amounts relating to bursary issued to needy students. The delay in cheque presentation is attributed to students and parents who keep the cheques for a long period of time before they present them to the respective banks. However, the stale cheques were reversed on 01/08/2016, 02/02/2017, 27/02/2017, 11/04/2017 and 07/11/2017. The CDFC had further resolved to ensure that all bursary cheques are delivered to the respective banks on behalf of the students and institutions in good time to solve the problem of un-presented cheques in future.

2191. The Fund Account Manager further submitted that bank charges of 36,983.89 were charged in the cashbook on 28/04/2017 via voucher number 416. Vouchers for bank charges were currently prepared on a monthly basis to avoid accumulation of bank charges. Copies of Bank reconciliation statement for the month of November 2017, cashbook extracts for the month of August 2015, February 2017, April 2017 and November 2017 had been provided.

Committee Observations

2192. The Committee observed that-

(i) The Fund Account Manager had unpresented cheques amounting to Kshs. 2,646,024, out of which Kshs. 426,000 relates to stale cheques not reversed in cashbook as at 30 June 2016;

(ii) The Fund Account Manager omitted in the financial statements bank charges of Kshs.36, 983.89 and therefore understating the total payments amount by the same amount; and

(iii)The unpresented cheques were later reversed and the bank charges were included in the financial statements.

Committee Recommendations

2193. The Committee recommends that:

1) **The Fund Account Manager maintains a register detailing all the cheques issued for bursaries; and**
2) **The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

8.3.3.2 Cash Balance

2194. The statement of financial assets as at 30 June 2016 and cashbook reflected a nil cash balance. However, Board of Survey Report and certificate on cash was not availed for audit review. As a result, the accuracy of the nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2195. The Fund Account Manager submitted that the Board of Survey Report and certificate on cash for 2015/2016 financial year had since been availed to the auditors for verification.

Committee Observations

2196. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit the Board of survey reports to support the cash balance; and

(ii) The survey reports were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

2197. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

8.3.3.3 Budgetary Controls and Performance

2198. During the year under review, the Fund had a final budget of Kshs.183, 700, 877.00 but received only Kshs. 70,000,000 (38%) from the National Government –

Constituency Development Board. The Fund had an actual expenditure amounting to Kshs. 94,051,168.10 equivalent to 51% of the budget as detailed below:

Vote Item	Final Budget Kshs)	Actual on Comparable Basis (Kshs)	Budget Under Utilization Difference (Kshs)	Under Absorption %
Compensation of Employees	5,682,720	1,959,320	3,723,400	66
Use of goods and services	13,443,306	8,788,121	4,655,185	34
Transfers to Other Government Units	83,002,448	41,502,448	41,500,000	50
Other grants and transfers	72,872,402	33,101,279	39,771,123	55
Social Security Benefits	13,800	12,000	1,800	13
Acquisition of Assets	8,700,000.00	8,700,000	0.00	0.00
TOTALS	183,700,877	94,051,168	89,649,709	49

2199. From the above analysis, there was an under absorption of Kshs. 89,649,709 (49%). The underutilization of the budget implies some development projects earmarked for implementation were not undertaken which affects delivery of goods and services to the citizens of the constituency

Submission by the Fund Account Manager

2200. The Fund Account Manager submitted that the underutilization of the budget is mainly attributed to late disbursement of funds from the NG-CDF Board. As at 30th June 2016, only 47% of the funds had been disbursed from the NGCDF Board hence the delay in project implementation.

Committee Observations

2201. The Committee observed that underutilization was due to late disbursement of funds by the NG- CDF Board and the National Treasury, hence audit query is resolved.

Committee Recommendations

2202. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.3.3.4 Project Implementation

2203. The project status report availed for audit review indicated that a total of Kshs. 96, 844,320.80 was allocated for sixty-three (63) projects while disbursements to these projects totaled Kshs.72, 946,080.10. Further, out of sixty-three (63) projects, nine (9)

projects with total allocation of Kshs. 24,772,649 had not been completed as detailed below:

Project No.	Project Name	Projects Description /Activities	Allocation (Kshs)	Current Status
1	Bursary	Bursary to needy students	10,342,649.70	On going
2	Kizingo Police Post Pmc	Fencing of police post	1,000,000.00	On going
3	Soyo Pry pmc	Tree planting at soyo primary school	530,000.00	Not started
4	East Camar Env Group	Tree planting	400,000.00	Not started
5	Mkenge Social Hall Pmc	Resource centre	3,000,000.00	Not started
6	Konjora Dispensary	Installation of electricity	1,000,000.00	Complete but not in use
7	Mbaraka Chembe Pry Pmc	Construction of class rooms	1,000,000.00	Complete but not in use
8	Chumani Sec Pmc	Construction of class rooms	6,000,000.00	Complete but not in use
9	Chumani Sec Pmc	Construction of class rooms	1,500,000.00	Not started
	Total		**24,772,649.00**	

2204. From the above, the budget was not fully implemented as envisaged. This had resulted to projects not being implemented as planned, slow and lack of completion of projects to the detriment of service provision to the residents of Kilifi North Constituency.

Submission by the Fund Account Manager

2205. The Fund Account Manager submitted that the budget was not fully implemented due to late disbursements from the National Government Constituencies Development Fund Board. An updated project implementation status report had been provided for verification.

Committee Inspection Visit to the project

2206. Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 and found that Construction of classrooms at Chumani Secondary School was completed and in use.

2207. The Committee also inspected construction of dormitory funded in F/Y 2017/18 with 16 cubicles, washing area and ablution block and observed that the project is complete and in use with good workmanship.

Committee Observations

2208. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2209. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.3.3.5 Project Inspections

2210. During the year under review, ten (10) projects worth Kshs 23,400,000 were visited for verification and the following state of affairs of the specific projects were observed:

Name	Cost (Kshs.)	Project	Observations
Cowdrey Dispensary	1,000,000	Renovation of dispensary (maternity wing)	The project was complete but the plumbing works and drainage system had not been functioning; there was a leakage and the walls had developed moulds.
Dongo Kundu Dispensary	4,000,000	Construction of a dispensary	The project was complete but was not in use and had been abandoned. The building was in bad state as cracks had started forming through the walls while the floor was peeling off. Further, the dispensary had no equipment nor staff.
Dongo Kundu Dispensary	1,500,000	Installation of power and water works	Installation of power and electricity had not been completed, hence delaying the commissioning of the dispensary.
Mkangagani Primary School	600,000	Construction of a 4No. door pit latrine	The project had been completed and was in use as intended and in great shape although it had not been handed over to the community representatives through a public forum.
Mkangagani Primary School	1,000,000	Renovation of 8No. classrooms	The classrooms had been renovated and were in use as intended although six of the classes the doors had not been placed but they were on a site store
Mkongani Primary Schools	1,500,000	Renovation of 3No. classrooms	The classrooms had been renovated and in use as intended although they had not been handed over to the community through a public forum.
Kararacha Primary School	4,800,000	Construction of 4No. classrooms	The classrooms had been constructed and in use as intended although they had not been handed over to the community through a public forum. The floor is peeling off.
Mbaraka Chembe Primary School	1,000,000	Construction of a toilet block	The toilet block had been constructed and was in use as intended although they had not been handed over to the community representatives through a public forum
F.B Tuva Secondary School	2,000,000	Construction of 2No. classrooms	The project was complete and in use but it had been turned to a staff room thus not used as intended.
Chumani Secondary School	6,000,000	Complete construction of a dormitory	The project was 95% complete and in good condition. One window is not fixed.

2211. The reasons given for slow or non-implementation of the projects was that funds from the CDF Board were not received in good time. However, most projects completed remain un-utilized because other government agencies do not come in to hire staff or

equip the project such as the dispensaries. This is an indication of lack of proper consultation with relevant government departments before coming up with projects which require the relevant departments to equip the project and allocation of funds to non-deserving projects at the expense of priority projects.

Submission by the Fund Account Manager

2212. The Fund Account Manager submitted that the funds from the NGCDF Board were received in phases and on different dates depending on funds availability from the NGCDF Board. Despite this challenge, all projects were implemented to completion upon receipt of funds from the Board. An updated report of these projects had been provided for verification.

2213. The manager further indicated that NG-CDFC members had been trained on project implementation hence there was more consultation with relevant government departments to ensure that completed projects were staffed, equipped and utilized. PMCs had also been discouraged by NGCDFC members from un-necessary changing of project activities.

Committee Observations

2214. The Committee observed that-

(i) The delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury; and

(ii) All projects that were incomplete as at 30th June 2015 are now complete and in use.

Committee Recommendations

2215. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.4 KILIFI SOUTH CONSTITUENCY

2216. Mr. George Juma Onesmus, the former Fund Account Manager from 2013 to 2016 appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Kilifi South Constituency and was accompanied by:

i) Mr. Robert Masese, Chairman, NGCDF Board
ii) Mr. James Chebii, Ag. Manager Field Financial Services
iii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iv) Mr. Stephen Charo, Former Fund Account Manager from May 2018 to May 2019.

8.4.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2217. The Auditor General raised seven audit Matters during examination of financial statements of Kilifi South Constituency for the year 2013/2014.

8.4.1.1 Transfer from CDF Board

2218. The statement of receipts and payments as at 30 June 2014 reflected a balance of Kshs.31, 336,712 as transfer from the CDF Board. However, a review of the Fund's bank statement indicates that the Fund received an amount of Kshs. 47,065,068 on 26th June 2014 from the Constituency Development Fund Board which had not been recorded in the Fund's books of accounts as at 30 June 2014. Consequently, the accuracy and completeness of transfers from the CDF Board amount of Kshs. 31,336,712 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

2219. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the Kshs. 47,065,068 was received on 26th June 2014 but was not receipted in the Cashbook during that year but was receipted in the cashbook on 12th August 2014. The cashbook extract was provided.

Committee Observations

2220. The Committee observed that-

(i) The Fund Account Manager received an amount of Kshs. 47,065,068 on 26th June 2014 from the Constituency Development Fund Board which had not been recorded in the Fund's books of accounts as at 30 June 2014; and
(ii) The amount was recorded on 12th August 2014 after the audit and the documentation provided for audit review.

Committee Recommendations

2221. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.4.1.2 Disbursements to the Former Bahari Constituency

2222. The former Bahari Constituency was split into Kilifi South and Kilifi North Constituencies according to CDF Financial Management Guidelines reference CDF Board Circulars/Vol. 1.1/167 dated 17 July 2013, the banks of the parent constituency were to be used for disbursement of funds for the financial year 2012/2013 and the preceding financial years and be closed after all such funds were disbursed to Project Management Committees (PMCs) and on preparation of bank reconciliation statements. According to the bank statement of the defunct Bahari Constituency, a total of Kshs. 91,637,490 was received from CDF Board during the financial year. Further, the bank]statement of the defunct fund indicates that a total of Kshs.93, 473, 256 was disbursed from the bank account during the financial year. However, the funds disbursed to projects in Kilifi South Constituency had not been accounted for in these financial statements.

Submission by the Fund Account Manager

2223. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the former Bahari CDF was an entity on its own with its own books of accounts and all the transactions to Project Management Committees were done from its books of accounts. No funds were transferred to Kilifi South or Kilifi North Constituencies.

Committee Observations

2224. The Committee observed that the former Bahari CDF was an entity on its own with its own books of accounts and all the transactions to Project Management Committees were done from its books of accounts. No funds were transferred to Kilifi South or Kilifi North Constituencies.

Committee recommendations.

2225. **The committee recommends that the NG-CDF Board develops clear guidelines on handing over from one constituency to another in cases where a constituency is split. This is to avoid a situation where new constituencies continue to use the bank account of a defunct constituency.**

8.4.1.3 Bank Balances.

2226. Included in the statement of financial assets and liabilities as at 30 June 2014 is cash and cash equivalents balance of Kshs. 8,416,956. However, a review of the bank reconciliations indicated that the Fund had received an amount of Kshs.47, 065,068

which had not been in the reported bank balance as at 30 June 2014. In addition, there was no evidence that the bank balances as at 30 June 2014 for the various Project Management Committees had been included in the Fund's cash and cash equivalents balances of Kshs.8, 416,956. In the circumstances, the accuracy and completeness of Kshs.8, 416,956 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

2227. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the Kshs. 47,065,068 received on 26th June 2014 was recorded in the cashbook on 12th August 2014 hence was recognized as a receipt in the subsequent year. PMC balances were reported as an annex to the statement, however, they do not affect the CDFC cash and cash equivalents balance. The manager provided the projects expenditure reports as at 30th June 2014 showing balances of projects bank account.

Committee Observations

2228. The Committee observed that-

(i) The Fund Account Manager received an amount of Kshs. 47,065,068 on 26th June 2014 from the Constituency Development Fund Board which had not been recorded in the Fund's books of accounts as at 30 June 2014; and

(ii) This was however recorded on 12th August 2014 after the audit and the documentation provided for audit review.

Committee Recommendations

2229. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.4.1.4 Outstanding imprest.

2230. The statement of assets and liabilities reflected an outstanding imprest balance of Kshs.302, 000 as at 30 June 2014. However, audit review of the imprest records revealed that the balance relates to multiple imprests issued to one officer on different dates during the year under review that had not been surrendered as at 30 June 2014. In addition, the imprest balance as per the cashbooks provided for audit was Kshs.450, 000 resulting in an unexplained and unreconciled variance of Kshs.148, 000.

2231. Consequently, the validity and accuracy of the outstanding imprest balance of Kshs.302, 000 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

2232. The Fund Account Manager submitted that the outstanding imprest comprised of various imprests totaling to Kshs.450, 000. The amount had been fully surrendered and copies of the relevant surrendering vouchers provided for verification.

Committee Observations

2233. The Committee observed that-

(i) Multiple imprests were issued on various dates to an officer before surrendering the initial issued ones, which is contrary to the provisions of Section 71 (2) of the PFMAct, No. 18 of 2012; and

(ii) Fund Account Managers are the only ones who could be advanced imprests as government employees at the CDFC.

Committee Recommendations

2234. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager adheres to the Regulation 93 of PMF (National Government) Regulations 2015 on management of imprests.**

8.4.1.5 Transfers to Other Government Entities and Other Grants and Transfers

2235. During the year under audit, the Constituency Development Fund Committee made payments amounting to Kshs.18, 228,754 being transfer to other Government entities of Kshs.12, 630,000 and other grants and transfers of Kshs.5, 598,754. However, contrary to Section 33 of the CDF Act 2013, the Project Management Committees did not provide for audit project expenditures reports. In the circumstances, the accuracy, propriety and regularity of the transfers to other Government entities amounting to Kshs.12, 630,000 and other grants and transfers amounting to Kshs.5, 598,754 could not be ascertained.

Submission by the Fund Account Manager

2236. The Fund Account Manager presented that:

a) Kshs.12, 630,000 were transfers made to different learning institutions (both primary and secondary schools) within Kilifi South Constituency. Summary of the project's expenditure, payment voucher and completion certificates had been provided for verification.

b) Kshs.5, 598,754, comprised of moneys paid in respect of bursaries to different learning institutions. A summary report and acknowledgement receipts had been provided for verification.

Committee Observations

2237. The Committee observed that-

(i) At the time of the audit, the Fund had not provided the project expenditures reports returns for audit review in contravention of

Section 68 of the PFMAct, No. 18 of 2012 on the timely submission of documents; and

(ii) The project management committee's returns had since been provided.

Committee Recommendations

2238. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents.**

8.4.1.6 Unremitted Taxes.

2239. Bank reconciliation statement as at 30 June 2014 reflected outstanding cheques amounting to Kshs.928, 959 which includes Kshs. 88,172 in respect of PAYE, which had not been remitted to Kenya Revenue Authority. In addition, there was no evidence of deducting withholding taxes upon payment to contractors and remittance of the same to Kenya Revenue Authority. Consequently, the Fund in is contravention of the Income Tax Law.

Submission by the Fund Account Manager

2240. The Fund Account Manager submitted that KRA took long to issue Kilifi South CDF with a KRA PIN. However, immediately it was issued with one, a PAYE cheque totaling to Kshs. 204,000 was made to KRA. The manager further submitted that the Funds were disbursed to Project Management Committee as grants and payment were made at the Project Management Committee level where the PMCs were not withholding tax agents but only the Sub-County Accountant.

Committee Observations

2241. The Committee observed that Kenya Revenue Authority had not issued Kilifi South CDF with a KRA PIN at the time of audit review. The Constituency paid the PAYE as soon as it was issued with a KRA PIN hence the audit query is resolved.

Committee Recommendations

2242. **The Accounting Officer to ensure that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance**

8.4.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2243. The Auditor General raised seven audit Matters during examination of financial statements of Kilifi South Constituency for the year 2014/2015.

8.4.2.1 Bank balances

2244. Included in the statement of financial assets is bank balance of Kshs.25, 037,783 as at 30 June 2015. However, a review of the bank reconciliation statement as at 30 June 2015 revealed that included in this were unpresented cheques amounting to Kshs. 6,023,294. This include stale cheques totaling to Kshs.409, 912 which had not been reversed in the cashbook. In addition, a bank deposit of Kshs. 22,000 and bank charges of Kshs.1, 100 were not recorded in the cashbook hence excluded in these financial statements. Consequently, the accuracy and completeness of bank balance of Kshs. 25,037,783 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2245. **Mr**. George Juma Onesmus, the former Fund Account Manager submitted that the stale cheques had been reversed. Bank charges and bank deposits had also been posted in the cashbook. The Cashbook extract was provided for audit verification.

Committee Observations

2246. The Committee observed that the stale and unpresented cheques were later reversed and replaced and omitted deposits and payments recorded in the cashbook after the audit review.

Committee Recommendations

2247. The Committee recommends that-

1. **The Accounting Officer to ensure that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries;**
2. **The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques; and**
3. **Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.4.2.2 Transfers to other Government Entities

2248. The statement of receipts and payments reflected an amount of Kshs.149, 441,350 for the year ended 30 June 2015 in respect of transfers from other Government entities.

However, according to the disbursements as per the Parent Ministry, Kshs. 114,098,716 was disbursed during the financial year resulting to unexplained nor reconciled variance of Kshs.35, 342,634. In the circumstances, the accuracy and completeness of transfers from other government entities of Kshs. 149,441,350 for the year ended could not be confirmed.

Submission by the Fund Account Manager

2249. The Fund Account Manager submitted that the actual amount disbursed by the parent Ministry and received by the constituency in the financial year 2014/2015 was Kshs.149, 441,350. Out of it, Kshs.47, 005,068 was for the previous financial year allocation 2013/2014 but received within financial year 2014/2015.

Committee Observations

2250. The Committee observed that the actual amount received by the Constituency was Kshs.149, 441,350 for the year ended 30 June 2015 and the variance was as a result of roll-over of funds occasioned by late disbursements from the previous financial year.

Committee Recommendations

2251. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.4.2.3 Other Grants and transfers.

2252. Statement of receipts and payments reflected a balance of Kshs.71, 513,738 for the year ended 30 June 2015 in respect of other grants and other transfers. Included in the balance of other grants and transfers of Kshs.71, 513,738 is expenditure of Kshs.8, 709,622 on emergency projects. Included in the emergency projects is expenditure amounting to Kshs. 2,360,000 as indicated:

Activity	Amount
Construction of fishermen rescue shade	1,500,000
Construction of chief's office-Pingilikani	110,000
Purchase of furniture	150,000
Purchase of fishermen rescue boat-Mtwapa	300,000
Purchase of fishermen rescue boat-Kikambala	300,000

2253. However, there was no evidence that the expenditure was requested and approved by the Constituency Development Fund Committee. It was not clear how projects were classified as emergency. This is contrary to Section 12 (3) of the CDF Act 2013 which defines emergency as urgent and unforeseen need for expenditure which cannot be delayed until the next financial year without harming the public interest of constituents.

In the circumstances, the propriety and regularity of other grants and other payments amounting to Kshs.2, 360,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2254. The Fund Account Manager submitted that the projects were community-based projects that were requested by the community and at the discretion of the CDFC qualified for emergency funding. However, measures had been put in place to ensure emergency fund were spent for projects emergency in nature. The requests and CDFC minutes were provided for audit verification.

Committee Observations

2255. The Committee observed that the Fund Account Manager utilized Kshs. 2,360,000 from emergency funds on projects which do not qualify to be considered emergency as provided under Section 12(3) of the Constituency Development Fund Act 2013.

Committee Recommendations

2256. **The Committee recommends that the Accounting Officer should ensure that all the Fund Account managers and CDFC adhere to the provisions of section 8 of the NG-CDF Act of 2015 on emergency projects.**

8.4.2.4 Budget Controls and Implementation

2257. According to summary statement of appropriation, Kilifi South CDF had a budget of Kshs.167, 806,805 compared to financial year 2013/2014 budget of Kshs.78, 341,780 representing 114% rise. However, according to the Constituencies Development Funds Board's circular on budget ceiling for the financial year 2014/2015. Kilifi South CDF was allocated Kshs. 112,736,282. It is not clear how additional Kshs. 55,070,523 was approved.

Submission by the Fund Account Manager

2258. The Fund Account Manager submitted that the final budget of Kshs. 167,806,805 constitute; current years' allocation, balance brought forward and amount due from the Board for the previous years. This is so since the financial reporting for constituency is on cash basis.

Committee Observations

2259. The Committee observed that The Fund's budget was Kshs. 167,806,805 which included allocation for 2014/15, balance brought forward and amount due from the board for the previous years.

Committee recommendations.

2260. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.4.2.5 Project Implementation

2261. According to project implementation status report as at 30th June 2015, the following eight (8) projects with a total of Kshs. 17,891,380 did not receive disbursement during the year under review as shown in the following table:

No	Activity	Project Activity	Financial Year	Allocation
1.	Ren Secondary School	Construction of 1 classroom and supply of 30 lockers	2014/2015	1,450,000
2.	Shariani Secondary School	Purchase of a school bus	2014/2015	5,000,000
3.	Mwembeswere Lubondo road-Utalii College	Grading of 4km road (Kshs. 1,000,000) and CDF office beach road (Kshs.1,000,000)	2014/2015	2,000,000
4.	Shariani Vipingo Secondary Road	Grading of 1.5km road	2014/2015	1,000,000
5.	Shariani Chief's office	Renovation of chief's office	2014/2015	700,000
6	Majengo Primary School	Construction of 2No. new classrooms	2013/2014	3,000,000
7.	Vipingo Health Centre	Construction of two fabricated staff houses	2013/2014	2,241,380
8.	Mikanjuni Primary School	Construction of 2No. new classrooms	2013/2014	2,500,000
	Total			**17,891,380**

2262. The management had attributed non implementation to delayed funding from the Constituency Development Fund and had indicated that the school bus for Shariani Secondary School and renovation of chief's office were undertaken in financial year 2015/2016. However, funds for the remaining six (6) were re-allocated to other projects due to among other reasons lack of land or the projects were planned and budgeted before land issue were sorted out and it also an indication of poor project co-ordination at the County level. In addition, a review of the project expenditure status report revealed that nine (9) projects with total disbursements of Kshs. 16,780,000 had not commenced as at 30th June 2015 and as detailed below:

No.	Project	Financial Year	Disbursement
i.	Chije Primary School	2013/2014	480,000
ii.	Kireme Girls Secondary School	2013/2014	1,200,000
Iii,	Mitulani Primary School	2013/2014	1,200,000
iv.	Shariani Primary School	2014/2015	1,000,000

v.	St, Martin Primary School	2014/2015	50,000
vi.	Dzitsoni Primary School	2014/2015	700,000
vii.	Mbuyuni Secondary School	2014/2015	1,450,000
viii.	Msumarini Secondary School	2014/2015	7,500,000
ix	Vipingo Tailoring Workshop	2014/2015	2,500,000
	Total		**16,780,000**

2263. This implies that the funds were lying idle. Non-implementation of development projects affects delivery of goods and service to the public and the intended goals of the projects may take long to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

2264. The Fund Account Manager submitted that the projects were identified and requested by the community. The delay in implementation was attributed to delay in disbursement of funds by CDF Board. However, some Projects were awaiting approval by the NG-CDF Board for re-allocation and change of activity during the time of audit.

2265. The Fund Account Manager also submitted that after the valuer gave the estimates for the Mikanjuni Primary School and Majengo Primary School pieces of land, the sellers changed to a high price and it was unrealistic to purchase the land above the valuer's estimated price. Therefore, the CDF re-allocated the funds.

2266. He also submitted that during the time of audit the projects had not been implemented. However, they were currently complete and in use.

Committee Observations

2267. The Committee observed that at the time of audit, some projects were awaiting approval by the NG-CDF Board for re-allocation of funds and change of activity due to challenges on identification of appropriate land for the construction of the schools.

Committee recommendations

2268. The Committee recommends that;

1) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and**
2) **In line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority**

projects are selected, appropriate budget is provided, and quality works are produced.

8.4.2.6 Project Inspection

2269. Inspection of projects implemented during the year under review indicated the following state of affairs of the following specific projects: -

No.	Project Name	Cost (Kshs)	Project Activity	Observations
1.	Tunzanani Health Centre	2,241,380	Construction of one fabricated house	Although the house was built the dispensary had since ceased operation.
2.	Lampada Club-Mtwapa Elite Road	1,000,000	Laying of cabro	Barriers had been erected on both ends of the road by a hotelier which contravenes Section 22(1) of the CDF Act 2015 that requires projects to be community and benefits were available to a widespread cross section of the inhabitants of a particular area
3.	Shariani Market Street Lighting	1,000,000	Street lighting at Shariani market	Although the project had been completed, power had been disconnected due to unpaid bills.

2270. Although the management had indicated that the health center and street lights shall be handed over to the County Government once the new Constituency Development Fund Committee had taken over public funds were going to waste and the intended purpose of the projects may take long to realize which affect service delivery to the residents. Further, the audit inspection revealed that most of the projects implemented were not branded. Although the management had attributed this to acts of vandalism of the signs, it was difficult to confirm whether the Constituency Development Fund, County Government or any other government agency, undertook the projects.

Submission by the Fund Account Manager

2271. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the projects were up and working and the branding was re-done. The photos and status of the project were provided for verification.

Committee Observations

2272. The Committee observed that the projects had been completed, branded and are in use.

Committee Recommendations.

2273. **The Committee recommends that the Accounting officer should ensure that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project.**

8.4.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2274. The Constituency received a qualified opinion from Auditor General who raised seven audit Matters during examination of financial statements of Kilifi South Constituency for the year 2015/2016.

8.4.3.1 Bank Balances

2275. The statement of financial assets reflected bank balance of Kshs.63, 359,909 as at 30 June 2016. However, audit review of the bank reconciliation statement as at 30 June 2016 revealed that included in the unpresented cheques amounting to Kshs.5, 042,474 were stale cheques totaling Kshs.603, 707 which had not been reversed in the cashbook as at 30 June 2016. In addition, the bank reconciliation statement as at 30 June 2016 included receipts totaling Kshs.100, 000 which had not been recorded in the cashbook for more than six months. Although the management had indicated that the cashbook was subsequently updated, it was not explained clearly why this was done after year end. Further, the bank reconciliation statement reflected cheque reversals totaling Kshs.285, 000 and bank charges of Kshs.30, 594.96 as reconciling items. It was not clear why these were treated as reconciling items. Consequently, the accuracy and completeness of bank balance of Kshs.63, 359,909 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2276. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the cheques were stale due being held for long by the students/guardians before making payment to the necessary learning institution. However, all the stale cheques as at 30th June 2016 were reversed as at 31st December 2016. The receipts of Kshs.100, 000 and bank charges of Kshs. 30,594.96 were posted in the cashbook. A bank reconciliation statement and cashbook extract as at 31st December 2016 had been provided for verification.

Committee Observations

2277. The Committee observed that the stale and unpresented cheques were later reversed and replaced and omitted deposits and payments were later recorded in the cashbook.

Committee Recommendations

2278. The Committee recommends that:

1) **The Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3)**

of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015;and

2) **The Accounting Officer to ensure that the Fund Account Manager maintain a register detailing all the cheques issued for bursaries.**
3) **The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

8.4.3.2 Unremitted Taxes

2279. According to the statement of receipts and payments, a total of Kshs.82, 805,335 was disbursed as transfers to other government units of Kshs. 37,920,000 and other grants and transfers of Kshs. 44,885,335 during the period under audit. Included in the disbursements of Kshs. 82,805,335 were transfers totaling to Kshs.56, 982,760 to undertake various construction projects. However, there was no evidence of withholding taxes being deducted from contractors and remitted to Kenya Revenue Authority contrary to Regulation 4(1) of Income Tax Rules 2001, which provides that a person who makes payment of or on account of any income which is subject to withholding tax shall deduct tax there from in the amount specified. As a result, the management did not comply with income tax requirements and possible fines and penalties accruing due to non-compliance had not been provided for in this financial statement. Consequently, the management was in breach of the law and effects of non-compliance with the Income Tax Act, Cap. 470 could not be ascertained for the year ended 30 June 2016.

Submission by the Fund Account Manager

2280. The Fund Account manager submitted that the funds were disbursed to Project Management Committee as grants and payment were made at the Project Management Committee level where the PMCs were not withholding tax agents but only the Sub-County Accountant.

Committee Observations

2281. The Committee observed that the Fund Account Manager was not deducting and withholding taxes on payments made by PMCs in breach of Regulation 4(1) of income Tax Rules 2001.

Committee Recommendations

2282. The Committee recommends that-

1) **The Accounting Officer should ensure that the Fund Account Managers and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance: and**

2) **The Accounting officer to ensure that the Fund Account Manager sensitises PMCs on the tax laws obligations and ensure compliance.**

8.4.3.3 Budgetary Control and Performance

2283. According to the National Government Constituencies Development Fund Board's appropriation, during the financial year 2015/2016, NGCDF-Kilifi South was allocated Kshs.119, 010,969 representing 5.5% rise compared to the 2014/2015 budget of Kshs.112, 736,282. The summary statement of appropriations: recurrent and development reflected final budget figure of Kshs.154, 348,752 where Kshs.139, 520,779 being 90% of the total budget was allocated to projects (other government units and other grants). During the financial year the NGCDF-Kilifi South received Kshs.129, 310,969 from National Government Constituencies Development Funds Board representing 83.78% of the final budget. The CDF overall budget for the year under review was Kshs. 154,348,752 against total expenditure of Kshs. 90,944,843 resulting to under absorption of Kshs. 63,403,909 or 41% as summarized below:

Budget Item	Final Budget	Expenditure (Kshs)	Unspent Balance (Kshs)	% Of utilization
Compensation of Employees	4,524,825	1,934,456	2,590,369	43
Use of goods and services	10,303,148	6,205,062	4,098,096	61
Transfers to Other Government Units	72,250,000	37,920,000	34,330,000	52
Other grants and transfers	67,270,779	44,885,335	22,385,444	67
Total	**154,348,752**	**90,944,843**	**63,403,909**	**41**

2284. The following observations were made from the above summary:

(i) The Fund Account Manager incurred total under-expenditure of Kshs.63, 403,909 representing 41% of the budget as per the summary statement of appropriation. This implies that the public funds were lying idle at the expense of the deserving areas.

(ii) The underutilization of the funds may have negatively impacted on the delivery of goods and services to the citizens of Kilifi South or may be an indication of over budgeting in the NGCDF hence need to re-evaluate the budgeting process to focus on priority areas as guided by public participation in budget making process.

(iii)In addition, the CDF underspent by 52% and 67% on transfers to other government units and other grants and transfers respectively which represents project funds not disbursed for implementation. The under-expenditure adversely affected public service delivery to the residents of Kilifi South Constituency contrary to values and principles of public service as provided for under Article 232(1) (c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services to citizens.

Submission by the Fund Account Manager

2285. The Fund Account Manager submitted that the Kshs. 63,403,909 was funds not received from the Board and bank balance. The under expenditure was a result of delay in disbursement of funds from the NG-CDF Board secretariat.

Committee Observations

2286. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2287. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.4.3.4 Project Implementation

2288. According to the project implementation status report as at 30th June 2016, the following twenty (20) projects allocated total budget of Kshs. 25,950,000 were not implemented during the period under review:

No.	Name of project	Project Activity	Allocation (Kshs)
1.	Bundacho Secondary School	Construction of a new laboratory	2,500,000
2.	Vwevwesi Polytechnic Social Hall	Renovation of social hall-doors and windows fixing, plastering and painting	1,000,000
3.	Mtomondoni Secondary School	Completion of 4 classrooms on 1st floor	3,800,000
4.	Mwarakaya Secondary School	Construction of a new laboratory	2,500,000
5.	Dzitsoni Secondary School	Construction of a new dormitory	2,500,000
6.	Mtepeni Primary School	Construction of 2No. 3door pit latrines.	700,000
7.	Sirini Primary School.	Construction of 2No. 3door pit latrines	700,000
8.	Mapawa Primary School	Re-roofing of 4 classrooms	900,000
9.	Ngamani Primary School	Re-roofing of 4 classrooms	900,000
10.	Kitsoeni Primary School	Re-roofing of 4 classrooms	900,000
11.	Pingilikani Primary	Re-roofing of 6 classrooms	1,200,000

	School		
12.	Bodoi Primary School	Re-roofing of 6 classrooms	1,200,000
13.	Kizingitini Primary School	Construction of 1No. classroom	1,300,000
14.	Gongoni Primary School	Demolition of condemned classroom and construction of a new one	1,500,000
15.	Tunzanani Primary School	Re-roofing of 4 classrooms	900,000
16.	Chengoni Primary School	Construction of 2No. 3 door pit latrines	700,000
17.	Junju Primary School.	Re-roofing of 2 classrooms	400,000
18.	Karimboni Primary School	Re-roofing of 11 classrooms	450,000
19.	Mwarakaya Primary School	Re-roofing of 11 classrooms, office and administration block	1,000,000
20.	Mwezang'ombe Primary School	Re-roofing of 3 classrooms, office and administration	900,000
	Total		**25,950,000**

2289. The Fund Account Manager had attributed non-implementation of the projects to delayed funding from NG-CDF secretariat whereby the last AIE of Kshs.60, 010,969 was received in July 2016. Non-implementation of development projects affects service delivery to the public and purposes for which the projects were initiated may take long to be realized. In addition, it casts doubt on the effectiveness of the project monitoring and evaluation carried out by the National Government Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

2290. The Fund Account Manager submitted that the projects were not implemented within the financial year under review due to delay in disbursement of funds from the NG-CDF Board secretariat. The last A.I.E of Kshs. 60,010,969 was received on July 2016. However, the projects were implemented in the subsequent financial year.

Committee Observations

2291. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury, and audit query is resolved.

Committee Recommendations

2292. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.4.3.5 Project Inspection

2293. Audit inspection of projects during the month of March 2016 indicated the following state of affairs of the following specific projects:

No.	Project Name	Project Allocation (Kshs)	Project Activity	Observations
1.	Secondary School Computers	800,000	25 computers distributed to Ng'ombeni Girls Lutsangani Boys and Diradiri Secondary	The computer memory was too low, at 7Gmb and could not perform the expected functions
2.	Baharini Primary School	1,300,000	Construction of one classroom	The project was not branded considering the County Government had also implemented similar project in the school
3.	Mtwapa Health Centre	4,200,000	Completion of paediatric ward	Not branded
4.	Vipingo Central Primary School	1,400,000	Construction of 4No. 3 door pit latrines	Not branded
5.	Vipingo Central Primary School	1,300,000	Construction of 1 classroom	Not branded

2294. Although the management had indicated that branding of the projects is underway, it was not possible to confirm whether the projects were undertaken by the CDF, County Government or any other government agency. Further, there was no evidence that Kilifi South NG-CDF handed over the devolved projects including health facilities, water, roads and street lighting to the County Government of Kilifi. Failure to hand over projects to the County Government could affect their maintenance and sustainability adversely.

Submission by the Fund Account Manager

2295. The Fund Account manager submitted that the projects which had not been branded at the time of audit had since been branded.

Committee Observations

2296. The Committee observed that-

(i) The projects, which had not been branded, had been branded; and

(ii) The observation on project no. 1 was withdrawn by the Auditor-General during the meeting.

Committee Recommendations.

2297. **The Committee recommends that the Accounting officer should ensure that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project.**

8.5 MAGARINI CONSTITUENCY

2298. Mr. Yare Skosi, the current Fund Account Manager from April 2020 appeared before the Committee on 1st September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Magarini Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Mr. Stephen Charo, Former Fund Account Manager from Dec. 2013 to Nov. 2017.

8.5.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2299. The Auditor General raised seven audit Matters during examination of financial statements of Magarini Constituency for the year 2013/2014.

8.5.1.1 Environmental Expenses

2300. Included in the statement of receipts and payments for the year ended 30 June 2014 is other grants and transfers amounting to Kshs. 24,208,032.26 which includes an amount of Kshs. 1,956,122.26 for environmental expenses without support documents to show how the individual suppliers for tree seedlings were sourced and what quantities they were supposed to supply. There was no evidence to confirm how the seedlings were distributed. It was therefore not possible to confirm the propriety of the expenditure of Kshs. 1,956,122.26 for the year ended 30 June 2014.

Submission by the Fund Account Manager

2301. Mr. Stephen Charo, Former Fund Account Manager submitted that the supporting documents for the Kshs. 1,956,122.26 environmental expenses to show how the individual suppliers were sourced, the quantities and how the seedlings were distributed had been provided for verification.

Committee Observations

2302. The Committee observed that at the time of audit, the supporting documents on environmental expenses were not provided for audit review. No information to show how the individual suppliers for tree seedlings were sourced and what quantities they were supposed to supply. There was no evidence to confirm how the seedlings were distributed. The documents were later provided to auditors for review and verification.

Committee Recommendations

2303. The Committee recommends that:

1) **The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents; and**
2) **The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor-General during audit as required under section 9(1)(e) of the Public Audit Act, 2015.**

8.5.1.2 Transfer to secondary schools

2304. Note 5 to the financial statements indicate transfers to secondary schools' balance of Kshs. 24,491,227.80 which includes an amount of Kshs 7,014,073.40 for construction of a twin laboratory at Marafa Secondary School. The original contract price was Kshs. 5,900,722.80 which was later revised to Kshs 7,014,073.40, giving rise to a variation of Kshs. 1,113,350.60 (18.86%). However, the minutes of the tender committee approving the variation on the contract were not availed for audit review. Further, Urembo Construction was awarded a tender to construct a dormitory at Mapimo Girls Secondary School at a cost of Kshs. 2, 900,000. However, no documentation was availed for audit review to show how the tender was awarded thus contravening the Public Procurement and Disposal Act, 2005. Consequently, it was not possible to confirm that the tendering process complied with the Public Procurement and Disposal Act, 2005.

Submission by the Fund Account Manager

2305. Mr. Stephen Charo, Former Fund Account Manager submitted that the variation at Marafa Secondary School for extra works was caused by the need to turn the original plan (science laboratory) to a twin laboratory in order to carter for the increased number of students. The variation for the project was approved through a minuted resolution of the tender committee. The variation was done through CDFC after receiving a report from the works officer. It is supported by the following documents;

i) CDFC minutes
ii) Report from the Public Works Department.

2306. The Fund Account Manager further indicated that the documents for the construction of a dormitory at Mapimo Girls' Secondary School at Kshs 9000,000 had been availed for audit which included; Tender documents, Awarding letter, CDFC minutes and the Code List.

Committee Observations

2307. The Committee observed that supporting documents and minutes of tender committee approving variation of the contract were not provided for audit review. No documentations were availed for audit review to show how the tender was awarded. However, the documents were later provided to auditors for review and verification.

Committee Recommendations

2308. **The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor-General during audit as required under section 9(1)(e) of the Public Audit Act, 2015.**

8.5.1.3 Compensation of Employees

2309. Review of the staff records for the year under review indicated that an expenditure of Kshs. 1,005,723.84 was paid in regard to compensation to employees during the year under review. However, it was revealed that staff employed at the CDF office were not recruited competitively and procedurally as there was no advertisement and formal application for five (5) staff members employed during the year. There was no indication of interviews conducted to determine their suitability. This is in contravention of Article 232 (1) (i) of the Constitution which provides that the values and principles of public service include affording adequate and equal opportunities for appointment, training and advancement at all levels of public service.

2310. Further, section 5 (2) of the Employment Act, 2007 states that an employer shall promote equal opportunity in employment and strive to eliminate discrimination in any employment policy or practice. Section 5 (3) (b) of the Employment Act, 2007 further emphasizes that there shall be no discrimination in respect of recruitment, training, promotion, terms and conditions of employment. Consequently, it was not possible to confirm the propriety of the expenditure on compensation to employees amounting to Kshs. 1,005,723.84 incurred for the year ended 30 June 2014 and that the management was in breach of the Constitution and Employment Act, 2007.

Submission by the Fund Account Manager

2311. The Fund Account Manager submitted that the staff were competitively recruited as evidenced through advertisements at the local chiefs' office, receipt of application letters, selection and interviewing of applicants. The Fund Account Manager provided as evidence the following documents relating to the staff recruitment:

i) Advertisements
ii) Application letters
iii) Interview score list
iv) Letters of appointments
v) CDFC minutes.

Committee Observations

2312. The Committee observed that the Fund Account Manager had not provided documents to support recruitment of staff. The documents were however submitted after the review period;

Committee Recommendations

2313. **The Committee recommends that:**

1. **The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, 2015; and**
2. **The Accounting officer ensures that All Fund Account Managers comply with the provisions of the Constitution and Employment Act, 2007 when recruiting or terminating staff.**

8.5.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2314. The Auditor General raised seven audit Matters during examination of financial statements of Magarini Constituency for the year 2014/2015.

8.5.2.1 Cash & Cash equivalents

2315. The reconciliation made available indicated that the un-presented cheques amounted to Kshs. 18,460,303. However, cheques amounting to Kshs. 1,441,660 were stale. Among the stale cheques included NHIF and NSSF statutory deductions which accrue penalties if not paid in time. Further the bank reconciliation statement reflected receipts in bank not recorded in cashbook of Kshs. 950,000 and payments in bank statement not recorded in cashbook of Kshs.1, 007 made up mainly of bank charges.

Submission by the Fund Account Manager- (Unrepresented cheques of Kshs. 18,460,302.80)

2316. Mr. Stephen Charo, Former Fund Account Manager submitted that the stale cheques comprised of project cheque (Mkono Wa Jongoo Primary School Kshs. 1, 400, 000) several bursary cheques amounting to Kshs. 20,000 and stale statutory deduction cheques amounting to Kshs. 21,600. These were later replaced as follows

CHQ No	Amount	Project	Replacement CHQ No	Amount
3610	1,400,000	Mkono Wa Jongoo Pry Sch	5098	1,400,000
4073	200,000	Bursary	4768	20,000
NSSF/NHIF	21,600.00	NHIF/NSSF		21,600.00
Total				**1,441,600**

Committee Observations

2317. The Committee observed that-

(i) The Fund Account Manager had unpresented and stale cheques which had not been reversed to the cashbook as at 30th June 2015;

(ii) Bank deposit and bank charges had not been recorded in the cashbook as at 30th June 2015; and

(iii) The stale and unpresented cheques were later reversed and replaced, and omitted deposits and payments recorded in the cashbook.

Committee Recommendations

2318. The Committee recommends that:

1) **The Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015; and**
2) **The Accounting Officer to ensure that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

8.5.2.2 Marereni Police Station

2319. **The** statements of receipts and payments reflected grants and transfers of Kshs. 78,469,714.45. This includes security expenditure of Kshs. 5,700,000. Documents availed for audit revealed although Kshs. 5,000,000 was transferred to PMC. The amount had not been used due to dispute raised by the security department on the site for the police post. The security department stated that a police station could not be within a 16 kilometers radius of another police station. The money therefore remained idle in the PMC account.

Submission by the Fund Account Manager

2320. The Fund Account Manager submitted that the dispute raised by the security department on the site for the police post was resolved and the project implemented to completion. The project is complete and in use.

Committee Observations

2321. The Committee observed that-

(i) The dispute raised by the security department on the site for the police post was resolved and the project implemented to completion; and

(ii) The project is complete and in use.

Committee Recommendation

2322. **The committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

8.5.2.3 Budgetary Control and Performance.

2323. The fund had an overall expenditure of Kshs.176, 217,001 resulting to an overall under absorption of Kshs.43, 481,844.34 or 20%.

Submission by the Fund Account Manager

2324. Mr. Stephen Charo, Former Fund Account Manager submitted that the underutilization of the budget was a result of funds disbursed by the CDF Board very late into the month of June 2015.

Committee Observations

2325. The Committee observed that underutilization of the budget was occasioned by late disbursements of funds by the CDF Board.

Committee Recommendations

2326. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.5.2.4 Project implementation status

2327. A review of the project status reports indicates that 3 out of 51 projects were not complete and one project – Kadzandani electrification had not started and the amount set aside for this project was reallocated. No reason was given for not starting the project.

Submission by the Fund Account Manager

2328. The Fund Account Manager submitted that the project (Kadzandani electrification project) was taken over by Kenya Rural Electrification Authority (REA) and its allocation reallocated. Reallocation schedules and CDFC minutes were provided for verification.

Committee Observations

2329. The Committee observed that Kadzandani electrification project was taken over by Kenya Rural Electrification Authority and funds were reallocated to other projects.

Committee Recommendations

2330. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

8.5.2.5 Project inspection

2331. The project inspection revealed that two of the completed projects amounting to Kshs. 9,700,000 were not in use and other two projects amounting to Kshs.5, 800,000 were also completed although the records on how the projects were funded were not availed for audit review therefore it was not possible to ascertain whether the value for money on the two projects worth Kshs. 5,800,000 was obtained for the people of Magarini Constituency.

Submission by the Fund Account Manager

2332. The Fund Account Manager submitted that the two projects were Galana Teachers Training College allocated (Kshs 8,000,000) and Magarini Hill Secondary School (Kshs. 1,700,000). The two projects were completed and put into use.

Committee Observations

2333. The Committee observed that the two projects that were inspected were Galana Teachers Training College which was allocated (Kshs 8,000,000) and Magarini Hill Secondary School (Kshs. 1,700,000). The two projects were completed and put into use.

Committee Recommendations

2334. **The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.**

8.5.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2335. The Auditor General raised seven audit Matters during examination of financial statements of Magarini Constituency for the year 2015/2016.

8.5.3.1 Bank Balance

2336. The statement of financial assets as at 30th June 2016 reflected a bank balance of Kshs 80,476,069.89. However, the bank reconciliation statement as 30th June 2016 included receipts in the bank statement not recorded in the cashbook of Kshs 4,432,590.00 dating back to 2014, bank charges of Kshs, 58,946.50 and stale cheques of 1,000.00 The management had not explained why these transactions had not been recorded in the cashbook.

Submission by the Fund Account Manager

2337. Mr. Stephen Charo, Former Fund Account Manager submitted that this was an omission error. The error of not recording Kshs 4,432,590.00 in the cashbook dating back to 2014 had since been corrected in the cashbook as shown in the Cashbook extract as at 30 June 2016. Bank charges of Kshs, 58,946.50 were recorded and stale cheques reversed and financial statements amended.

Committee Observations

2338. The Committee observed that omitted deposits and payments were later recorded in the cashbook.

Committee Recommendations

2339. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.5.3.2 Cash Balance

2340. The statement of financial assets as at 30th June 2016 reflected nil cash balance. However, the board of survey report was not availed for audit review. Consequently, the accuracy and completeness of cash and cash equivalent of Kshs 80,476,069.81 as at 30th June 2016 could not be ascertained.

Submission by the Fund Account Manager

2341. The Fund Account Manager submitted that the board of survey report was not available at the time of audit review. The board of survey report had been availed for review.

Committee Observations

2342. The Committee observed that-

(i) The Fund Account Manager had not provided at the time of audit the Board of survey reports to support the cash balance; and

(ii) The survey reports were later submitted to the auditor for review and verification.

Committee Recommendations

2343. **The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.**

8.5.3.3 Transfer to other Government Units

2344. The statement of receipts and payments for the year ended 30 June 2016 contained various payments totaling Kshs. 50,586,573. Included in this figure are transfers to secondary schools' amount of Kshs.31, 000, 000 and transfers to tertiary institutions amounting to Kshs.7, 500,000 as detailed in note 6 to the financial statements. However, a perusal of project files revealed that the Constituency Development Fund Committee (CDFC) used request for quotation for works four (4) projects above Kshs 500,000 contrary to National Treasury Legal Notice No. 106 of 2013 threshold matrix for class C entities:

1. Kaembeni Secondary School plus desks Kshs. 5,110,240
2. Kibokoni Secondary School-Girl's hostel Kshs. 8,154,361
3. Majenjeni Secondary School – Twin Lab Kshs. 7,853,242
4. Waresa TTI Kshs. 10,000,000

All totalling to Kshs 38,669,779

2345. Further, management did not avail for audit review prequalification and tender documents to show how the process of identifying, evaluating and awarding of contract was done to support an expenditure of Kshs 10,000,000 transferred to Waresa TTI for construction of a technical training institute which was a joint project of Magarini NG-CDF and the National Government. In addition, no project file was availed for audit verification to confirm whether the project design and construction met the specifications. The inspection of the project revealed that the project had stalled since March, 2016 after the demise of the contractor. Consequently, the regularity of the expenditure of Kshs. 38,669,799 as funding for various project for the year ended, 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2346. Mr. Stephen Charo, Former Fund Account Manager submitted that the use for quotation for projects above Kshs 500,000 contrary to National Treasury legal notice No. 106 of 2013 threshold matrix for class C entities was used on three projects and not four projects.

1. Kaembeni Secondary School plus desks Kshs. 5,110,240
2. Kibokoni Secondary School-Girl's hostel Kshs. 8,154,361
3. Majenjeni Secondary School – Twin Lab Kshs.7, 853,242.

2347. The Fund Account Manager further submitted that the mistake had since been corrected and Magarini Constituency Development Fund Committee (CDFC) now use tenders instead of quotations for all projects above Kshs 500,000.

2348. He also submitted that for Waresa Technical Training Institute the procurement was done by the mentoring institution (Godoma Technical Training Institute). The Fund Account Manager further submitted that the Magarini Constituency Development Fund Committee (CDFC) was provided with a copy of the LSO and respective certificate of works. Magarini NGCDFC transferred the funds to Godoma Technical Training Institute on the basis of public works payment certificates. The mentoring institution (Godoma Technical Training Institute) was responsible for making payments to the contractor. The project had been given to another contractor and is now over 60% complete.

Committee Observations

2349. The Committee observed that-

(i) The Fund Account Manager breached Section 105 of the Public Procurement an Asset Disposal Act, 2015 by selecting suppliers through request for quotations above the maximum of Kshs. 500,000; and

(ii) The transfer of Kshs 10,000,000 had been sanctioned by the NG-CDF Board.

Committee Recommendations

2350. **The Committee recommends that the Accounting Officer ensures that the Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.**

8.5.3.4 Acquisition of Assets.

2351. The Statements of receipts and payments for the year ended 30th June 2016 reflected acquisition of assets of figure of Kshs. 7,245,411. However, Fixed Assets register reflected movements of Kshs 7,160,944, resulting to neither unexplained nor unreconciled variance of Kshs. 84,467. As a consequence, the accuracy and

completeness of acquisition of assets of Kshs. 7,245.411 for the year ended 30 June 2016 could not be ascertained

Submission by the Fund Account Manager

2352. The unexplained nor unreconciled variance of Kshs. 84,467 in the acquisition of assets as at 30 June 2016 was a result of a casting error. This casting error had since been corrected in the asset register as at 30 June 2016. Copy of asset register as at 30 June 2016 had been provided.

Committee Observations

2353. The Committee observed that the financial statements were amended and variations corrected and relevant documentations were later presented for review and verifications.

Committee Recommendations

2354. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.5.3.5 Budgetary Controls and Performance

2355. The Constituency had a budget of Kshs. 201, 241,502 compared to the 2014/2015 budget of Kshs. 219, 698,845 representing a decrease of Kshs.18, 457,343 or 8%. The Fund had an actual expenditure of Kshs. 120,765,432 resulting to an overall under absorption of Kshs. 80,476,070 or 40% as detailed in the table below:

Vote Item	Final Budget (Kshs)	Actual Receipt/ Expenditure (Kshs)	Under Absorption (Kshs)	% Under Absorption
Compensation of Employees	4,282,098	2,340,721	1,941,377	25.3%
Use of goods and services	21,517,158	14,689,118	6828,040	48.99%
Transfers to Other Government Units	83,048,642	50586573	32462069	60.1%
Other grants and transfers	80,893,605	45,903,609	34,989,996	31.7%
Acquisition of Assets	11,500,000	7245411	4254589	61.3%
Total	**201,241,503**	**120,765,432**	**80 476 070**	**40%**

2356. From the table below the financial performance analysis, there was an under absorption of Kshs.80, 476,070 or 40% of the final budget. The underutilization of the budget implies development projects earmarked for implementation were not undertaken which affects delivery of goods and services to citizens of Magarini Constituency.

Submission by the Fund Account Manager

2357. Mr. Stephen Charo, Former Fund Account Manager submitted that the overall under absorption of Kshs. 80,476,070 or 40% was caused by the transition from the CDF Act, 2013 to National Government Constituencies Development Fund Act, 2015. During the transition period the NGCDF Board froze the disbursements of funds to all constituencies until the Gazettement of the NGCDFCs. Magarini NGCDFC was gazetted on 23 June, 2016. The inaugural meeting was held on 29th June, 2016 a day before the close of the financial year. The funds were therefore disbursed to the constituency after the close of the finical year 2015/2016. This caused under absorption.

Committee Observations

2358. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2359. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies**

8.5.3.6 Project Implementation

2360. According to the project implementation status report, fifty-one (51) projects with an approved budget of Kshs.157, 759,658 were budgeted for by Magarini CDF as at 30 June 2016. Thirty-two (32) out of fifty-one (51) projects were completed and put in use while nineteen (19) projects with a total budget of Kshs. 40,500,000 had not started and were still waiting for funds from the National Government Constituency Fund Board

Submission by the Fund Account Manager

2361. The Fund Account Manager presented that they agree that project implementation and service delivery was affected during the year under review by caused by the transition from the CDF Act, 2013 to National Government Constituencies Development Fund Act, 2015. However, all the pending projects had been satisfactorily implemented together with the current projects.

Committee Observations

2362. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury and audit query is resolved.

Committee Recommendations

2363. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.5.3.7 Project Inspection

2364. A total of twelve (12) projects with a budget of Kshs. 47, 700,000 were inspected during the month of March 2017. Six (6) of the projects visited were complete and in use while five (5) projects with allocation of Kshs.14,700,000 had outstanding issues as detailed in the table below:

Project Description	Allocation as per approved proposal	Expenditure in 2015/2016 (Kshs)	Amount Outstanding as at 30th June	Current Status
Mjanaheri Secondary school	Completion of two classrooms		600,000.00	Complete and in use
Kaembeni Secondary School	Construction of four classrooms with desks	4,000,000.00	1,250,000.00	Waiting for funds
Waresa Secondary School	Construction of two new classrooms with desks		3,000,000.00	Waiting for funds
Kibokoni Secondary School		5,000,000.00	3,000,000.00	Waiting for funds
Waresa Technical Training Institute	Constituency contribution towards National Government project - Construction of one workshop op	10,000,000.00	5,000,000.00	Waiting for funds
Adu Police Station	Construction of 10 rooms staff quarters		3,000,000.00	On-going Not Started
Hawa Wanje Police Post	Construction of new police post		2,000,000.00	Not Started/reallocated to Marereni police station

Bura Chiefs Office	Construction of new chief's office		1,000,000.00	Not Started/complete d
Gandini Assistant Chiefs Office	Construction of new chief's office		1,000,000.00	Not Started/complete d

2365. These projects had not been completed as at 30 June 2016. This is an indication of lack of focus in the budget making mechanism and therefore there is need for the management to prioritize projects with a view to undertaking the projects which will be completed within the year and improve the standards of living for the citizens of Magarini Constituency.

Submission by the Fund Account Manager

2366. The Fund Account Manager submitted that the delays in completion of the projects was due to late disbursement of funds, and that projects were completed and handed over to the community.

Committee Observations

2367. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury and that projects are complete and in use.

Committee Recommendations.

2368. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies**

8.6 MALINDI CONSTITUENCY

2369. Mr. George Juma, the current Fund Account Manager from January, 2020 to date appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Malindi Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
iii) Mr. Nelson Alfayo, Former Fund Account Manager from Dec. 2013 to Nov. 2016.

8.6.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2370. The Auditor General raised seven audit Matters during examination of financial statements of Malindi Constituency for the year 2013/2014.

8.6.1.1 Un-presented Cheques amounting to Kshs 4,514,507

2371. Unpresented cheques amounting to Kshs 4,514,507 but some of the cheques remained un-presented since year 2005 and no explanation had been given for not reversing the amount to the cashbook. The accuracy and validity of the cashbook balance of Kshs. 32,405,597 as at 30th June, could not be confirmed.

Submission by the Fund Account Manager

2372. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the amount of Kshs 4,514,507 was as a result of expenditures incurred just at close of the financial year ended 30th June 2014 and had since been cleared. Included in the cashbook balance were unclaimed bursary cheques issued to needy students and the amount had since been reversed in the cashbook. The Fund Account Manager submitted that the balance in the cashbook was accurate and valid since the transaction was correctly posted in the cashbook. Unpresented cheques amount in the bank could not invalidate the figures in the cash as long as they had been correctly posted.

Committee Observations

2373. The Committee observed that the corrections had since been made and the audit issue is resolved.

Committee Recommendations

2374. The Committee recommends that-

1) **The Accounting Officer to ensure that the Fund Account Manager maintain a register detailing all the cheques issued for bursaries;**
2) **The NG-CDF Board should consider allowing direct bank debits to beneficiary**

institutions to increase efficiency in disbursement and reduce cases of stale cheques;

3) **The Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015; and**
4) **The Accounting Officer ensures that the Fund Account Manager complies with the provisions of PFM Regulation (NG) 2015, Regulation 90(1) on preparation of bank reconciliation statement.**

8.6.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2375. The Auditor General raised seven audit Matters during examination of financial statements of Malindi Constituency for the year 2014/2015.

8.6.2.1 Mzizima Water Project FY 2014/2015

2376. During the year under review, the fund closed the bank account operated at KCB and transferred all funds to Equity Bank. During this process, outstanding and stale cheques were either replaced or reversed. However, a cheque of Kshs 1,800,000 issued on August, 2013 for Mzizima Secondary School for construction of class rooms was instead issued to Mzizima Water Project, a project that was not initially approved by the Board and that the water project had also been moved to Kilifi North CDF. There was no evidence of reallocation of funds by the CDF Board to move funds from Mzizima Secondary School to Mzizima Water Project. In the absence of approval from the CDF Board, the validity and propriety of payment of Kshs 1,800,000 to Mzizima Water project for the year ended June 2015 could not be ascertained.

Submission by the Fund Account Manager

2377. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the project was handed over to Kilifi North CDF for implementation. However, the community, through a public baraza (13/10/2014) wrote to Malindi -CDF requesting for the funding of Mzizima Water project given the harsh water condition at the area at that time. The project was implemented by Kilifi North CDF and was complete and in use. The transaction is valid since it passed through the cashbook.

Committee Observations

2378. The Committee observed that-

(i) The Fund Account Manager reallocated Kshs. 1,800,000 meant for Mzizima Secondary School for construction of class rooms to Mzizima Water Project without the approval by the NG-CDF Board; and

(ii) The project was implemented by Kilifi North CDF and was complete and in use.

Committee Recommendations

2379. The Committee recommends that-

1) **The National Government Constituencies Development Fund Board should within three months of the adoption of this report, take administrative action**

against the Fund Account Manager for reallocating funds without the approval of the Board contrary to section 10 (2) of the CDF Act, 2013; and

2) The Accounting Officer ensures that All Fund Account Managers comply with the provisions of section 6(2) and section 31 of the NG-CDF Act, 2015.

8.6.2.2 Galana Water Project

2380. The Project Management Committee comprised of CDFC members and locals were not involved in the management of the project contrary to Section 35(2) of the CDF Act, 2013 which states that a community shall maintain an elected committee to represent the interest of the community during and after the implementation of the project.

Submission by the Fund Account Manager

2381. The Fund Account Manager presented that the project was very technical and hence the Project Management Committee (PMC) could not efficiently implement and manage the project. There was fear amongst them that PMC could not achieve the intended goal hence the CDFC implemented the project. The community was involved during the identification stage and implementation of the project.

Committee Observations

2382. The Committee observed that the project was managed and implemented by the CDFC and not PMC as required by the provisions of the CDF Act.

Committee Recommendations

2383. **The committee recommends that the Accounting Officer should ensure that Fund Account Managers comply with the provisions of the law as relates to project management and implementation.**

8.6.2.3 Tender

2384. Quotations were issued instead of tendering despite the amount of the project being Kshs 4,301,883.20 contrary to Public Procurement and Asset Disposal Regulations, Regulation 6(1). A site visit to the project showed that the project had stalled despite the fact that the contractor had been paid. The BQ indicted that three (3) water kiosks would be constructed but none was constructed at the time of project visit

Submission by the Fund Account Manager

2385. The Fund Account Manager presented that the normal tender was done by inviting potential bidders. During audit visit the project was on going. The three water kiosks were completed and the project is in use.

Committee Observations

2386. The Committee observed that the project tender was awarded through quotations instead of open tender contrary to provisions of the Public Procurement and Disposal Act, 2005.

Committee Recommendations

2387. The Committee recommends that-

1) **The NG-CDF Board should within three months of the adoption of this report, investigate the award of the contracts to determine the irregularities and takes action against the Fund Account Managers and any other officers involved in the procurement process and report to the National Assembly; and**
2) **The accounting Officer ensures that All Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.**

8.6.2.4 Budget Control and Performance

2388. During the year under review, it was noted that the fund had a budget of Kshs. 156,418,242. The fund made transfers and payments amounting to Kshs. 115,184,280 which constitute 74% of budgeted funds. This resulted in under absorption of Kshs 41,233,963 or 26%. The idle funds could have been used to enhance the well-being of the community if all projects were efficiently implemented. The Fund Account Manager did not explain the reasons for the underutilization. The citizens of Malindi Constituency failed to receive crucial goods and services on idle funds resulting in underdevelopment.

Submission by the Fund Account Manager

2389. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the Transfers to Other Government Units for the year in question was 29,959,466,70 and actual expenditure was 39,042,225.75 translating to a 130% utilization rate which surpass the budgeted funds for that financial year. This means that there were no idle funds and the wellbeing of the community was far much met.

2390. The Fund Account Manager also submitted that the underutilization of funds in question as a result of the delay of disbursement of funds from the CDF Board. The funds were received after the close of the financial year on 30th June 2015. The committee ensured constituents received crucial goods and services. This is evidenced by the following:

(a) Transfer to other Government units 130%
(b) Other grants and transfers 81%.

Committee Observations

2391. The Committee observed that the underutilization of funds was a result of the delay of disbursement of funds from the CDF Board. The funds were received after the close of the financial year on 30th June 2015.

Committee Recommendations

2392. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.6.2.5 Project Implementation

2393. Records availed for the audit showed that 52 projects with a cumulative budget of Kshs. 102,316,235.75 and emergency allocation of worth Kshs 5,400,259 all totaling to Kshs 107,716,495 had been approved for implementation in the Financial Year 2014/2015. However, by 30th June, 2015, nine (9) projects with a cumulative approved budget of Kshs 36,600,000 had not been started.

2394. Slow implementation of development projects affects:

(i) Service delivery;

(ii) The intended purpose of the project may take longer to be realized; and

(iii) Casts doubt on the effectiveness of the project monitoring and evaluation team.

Submission by the Fund Account Manager

2395. The Fund Account Manager presented that the non-implementation of projects in question was a result of the delay of disbursement of funds from the CDF Board. The funds were received after the close of the financial year 30th June 2015 and it was not possible to implement the projects.

Committee Observations

2396. The Committee observed that the non-implementation of projects in question as a result of the delay of disbursement of funds from the CDF Board.

Committee Recommendations

2397. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.6.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2398. The Auditor General raised seven audit Matters during the examination of financial statements of Malindi Constituency for the year 2015/2016

8.6.3.1 Presentation of Financial Statements

2399. A review of financial statements availed for audit revealed the following presentation anomalies:

i). The numbering of the notes in the statement of receipts and payments and the statement of assets were not consistent with the actual notes as detailed below.

ii). Accounting Policy No 1 on page 9 to the financial statements states that figures had been rounded to the nearest shilling. However, the figures in the financial statement had not been rounded off.

Submission by the Fund Account Manager

2400. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the anomaly had been noted and Financial Statements adjustments were done for verification.

Committee Observations

2340. The Committee observed that the anomalies have since been corrected and revised statements presented for audit verification.

Committee Recommendations

2341. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.6.3.2 Bank Balance

2342. The statement of financial assets as at 30 June 2016 reflected a bank balance of Kshs. 32,244,655.75. However, the bank reconciliation statement as at 30 June 2016 presented for audit review reflected un-presented cheques amounting to Kshs. 819, 102.05 out of which the sum Kshs 442,889.25 relates to stale cheques not reversed in cashbook as at year-end. In addition, subsequent bank statements were not availed for audit to confirm when cheques amounting to Kshs 376,752.20 outstanding as at 30 June 2016 were cleared. Further, from the books of account, receipts in the bank but not in the cashbook of Kshs. 1,320.20 had remained outstanding since 15 October 2014 and bank charges of Kshs 58,927 were not recorded in the cashbook.

Submission by the Fund Account Manager

2343. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the un-presented cheques of Kshs 819,102.02 resulted from bursary cheques which were issued just at the close of the financial year and the amount was cleared in the cashbook. All stale cheques/uncleared cheques amounting to Kshs. 442,889.25 had been reversed and cleared.

Committee Observations

2344. The Committee observed that the stale and unpresented cheques were later reversed and replaced and omitted deposits and payments recorded in the cashbook after the audit period.

Committee Recommendations

2345. The Committee recommends that:

1) **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015; and**
2) **The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries.**
3) **The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.**

8.6.3.3 Unaccounted Transfers

2346. A review of bank statements revealed that two transactions of Kshs. 2 million each were done on 11th December 2015, where funds were transferred from the CDF main account to CDF Office Project Management Committee. However, a review of the PMC bank account statements for the period availed did not reflect this amount. It was not therefore possible to ascertain where the funds amounting to Kshs. 4 million were transferred to.

Submission by the Fund Account Manager

2347. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the payments were done on 11 December, 2015 and posted to the cashbook. However, at the time of audit verification, the cheques had not been presented to the bank. The item had been cleared in the bank.

Committee Observations

2348. The Committee observed the Fund Account Manager did not produce support documents such as bank deposits or PMC statements to indicate that the money had been deposited into the account.

Committee Recommendations

2349. The Committee recommends that within three months of the adoption of this report, the Accounting Officer ensures that the Fund Account Manager submits to the Auditor-General for audit review and reporting in the subsequent audit cycle, evidence of cheque clearance for the payments.

8.6.3.4 Outstanding Imprests

2350. The statement of assets as at 30 June 2016 reflected outstanding imprests Kshs 468,000 which had not been supported with a schedule. Further, the imprests warrant a book, supporting approvals and imprest register/ ledger and surrender vouchers were not made available for audit review. Consequently, the propriety and accuracy of the imprests balance of Kshs 468,000 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2351. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the payment Vouchers for a financial year were normally kept and held in one file for easy access and accountability. The voucher in question was also in the file folder among other vouchers. In regard to the imprest warrant, the said warrant had been in the warrant book at the time of audit. However, the imprest in question had been cleared.

Committee Observations

2352. The Committee observed that-

(i) During the audit review period, the Fund had not submitted imprests warrant a book, supporting approvals and imprest register/ ledger and surrender vouchers for audit verification; and

(ii) The documents were later submitted to the auditors for review and verification.

Committee Recommendations

2353. The Committee recommends that the Accounting officer ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.6.3.5 Failure to Remit Statutory Deductions

2354. The statement of receipts and payments reflected compensation of employee's figure of Kshs. 2,024,816. Included in this amount are statutory deductions amounting to Kshs. 290,300. However only Kshs. 9, 600 was remitted to the statutory bodies, resulting in unremitted statutory deductions of Kshs. 280,700.

Submission by the Fund Account Manager

2355. The Fund Account Manager presented that the un-cleared amount was as a result of some staff not registering with the respective institutions. However, the amount had been reversed and remittance is done.

Committee Observations

2356. The Committee observed that the following registration by the employees with the respective statutory bodies, the funds had been remitted.

Committee Recommendations

2357. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with statutory deduction requirements and ensure statutory deductions are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.

8.6.3.6 Irregular Termination of Employees' Contracts

2358. The employment contract of four employees was terminated by the Constituency Member of Parliament vide letter dated 19 April 2016. This was irregular as only the CDF Committee had the authority to terminate an employee's contract.

Submission by the Fund Account Manager

2359. The Fund Account Manager submitted that the issue was presented to the NG-CDF Board for adjudication and direction for resolution was provided.

Committee Observations

2360. The Committee observed that the issue had been adjudicated and resolved by the NG-CDF Board.

Committee Recommendations

2361. The Committee recommends that the Accounting Officer ensures that All Fund Account Managers comply with the provisions of the Constitution and Employment Act, 2007 when recruiting or terminating staff.

8.6.3.7 Transfer to other Government Units

2362. The statement of receipts and payments for the year ended 30 June 2016 reflected transfers to other government units amounting to Kshs 8,979,014 as detailed in note 6 of the financial statements. Included in the balance is expenditure in respect of transfers to secondary schools amounting to Kshs 1,000,000 paid to the Project Management Committee for construction of administration block at Barani Secondary School. The work was to be completed by 7th August 2016 but the project stalled at the lintel stage and no work had been carried out since April 2016 as all funds allocated to the project amounted to Kshs. 3.5 million were spent and paid to the contractor. The fund had allocated Kshs. 2.5 million to the project in the financial year 2014/2015 and Kshs. 1 million in financial year (2015/2016) under review. Records availed for audit reveal no additional funds were allocated in the financial year 2016/2017 hence the project will not be completed despite Kshs. 3.5 million of public funds having been spent.

Submission by the Fund Account Manager

2363. The Fund Account Manager presented that the project had since been completed and in use. The project did not stall as such but it was because the CDFC tenure came to an end hence could not continue with the implementation of the project but to wait for a new board to be in place. Additional funding was allocated to the school of Kshs. 4.5M, FY 2017/18 to allow for the completion of the project. The project is complete and in use.

Committee Observations

2364. The Committee observed that the CDFC tenure ended hence could not continue with the implementation of the project. The project had since been completed and in use.

Committee Recommendations

2365. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.6.3.8 Security Projects

2366. A review of documents availed for audit indicated that the fund applied request for quotations for Kakuyuni Administration Police posts projects of Kshs. 7,992,636 thus exceeding the threshold matrix of Kshs 6 million sets by the First Schedule of the Public Procurement and Disposal Regulations 2006 as amended in 2013. The validity and propriety of the expenditure amounting to Kshs. 7,992,636 incurred on projects during the year under review could not be confirmed.

Submission by the Fund Account Manager

2367. The Fund Account Manager presented that the project had been implemented at a time when the area was experiencing a high level of insecurity and outcry from the public arising from criminal activities. The Committee, therefore, used a restricted method given that there was urgency as the police officers did not have anywhere to stay and insecurity and killings became rampant within the area and managing time and risk associated with the insecurity activities. Procurement documents were available for verification.

Committee Observations

2368. The Committee observed that the project tender was awarded through a request for quotations instead of open tender in contravention of the Public Procurement and Asset Disposal Act, 2015.

Committee Recommendations

2369. The Committee recommends that-

1) **The NG-CDF Board should within three months of the adoption of this report, investigate the award of the contracts to determine the irregularities and takes action against the Fund Account Managers and any other officers involved in the procurement process and report to National Assembly; and**
2) **The accounting Officer ensures that Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.**

8.6.3.9 Emergency

2370. The statement of receipts and payments reflected other grants and other payments of Kshs. 33,668,569 as disclosed under Note to the Financial Statements. Included in this figure are payments of Kshs. 3,841,800 in respect of emergency projects. Records availed revealed that a contractor was paid Kshs. 1,200,000 for the emergency grading works on road C103-Malindi Baolala (Sala Gate) road and another contractor was paid Kshs. 2,000,000 for construction of Malindi CDF/MP office civil works and storm water drainage works through single-sourcing.

Submission by the Fund Account Manager

a) Malindi Baolala (Sala Gate) Road C103 Kshs 1,200,000

2371. The Fund Account Manager submitted that the road was impassable as a result of heavy rains because it was a murram. It required immediate light grading and murram patching. The contractor was identified through restricted tendering from among prequalified contractors.

b) Malindi CDF/MP office civil works and storm water drainage works Kshs 2,000,000

2372. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the location of the official site was on a low-level area and during the rainy season the area gets flooded hence necessitating the construction of the office. This was also as a result of adjacent development by neighboring institutions i.e., DCC's office raised their ground level through murraming. KPLC and Municipal Council of Malindi constructed a boundary wall hence interfering with the water channel. Therefore, water was clogging at the CDF site area affecting the construction works and hence there was an urgent need to secure the site

2373. The Fund Account manager also submitted that the construction of the tarmac road from Total petrol station rounder about to the new stage blocked the water and resulting water clogging at the site area. Given the above, there was an urgent need to raise the ground level for the works to continue. In regard to the above, a contractor was identified through a restricted method from a list of prequalified contractors.

Committee Observations

2374. The Committee observed that-

(i) The project tender was awarded through single sourcing, contrary to section 102 of the Public Procurement and Asset Disposal Act, 2015; and

(ii) The projects were treated as emergency projects while they do not qualify as emergency projects as per the CDF Act, 2015.

Committee Recommendations

2375. The Committee recommends that-

1) **The NG-CDF Board should within three months of the adoption of this report, investigate the award of the contracts to determine the irregularities and takes action against the Fund Account Managers and any other officers involved in the procurement process and report to the National Assembly; and**
2) **The Accounting Officer ensures that the Fund Account Manager complies with provisions of Public Procurement and Asset Disposal Act, 2015 and its Regulations.**

8.6.3.10 Acquisition of Assets

2376. The fund spent a total of Kshs 6,050,000 to acquire land as follows: Kshs 5,000,000 was paid to the land vendor and Kshs 1,050,000 was paid to a single-source consultant to verify the land details. Records availed did not provide information on how the piece of land and the vendor were identified. A perusal of payment details revealed that the land was acquired and paid for before valuation. The fund had not acquired ownership

documents and the matter was under investigation by Ethics and Anti-Corruption Commission (EACC). Examination of documents availed for audit indicated that construction of the office commenced before the land sale agreement was signed.

Submission by the Fund Account Manager

2377. Mr. Nelson Alfayo, Former Fund Account Manager submitted that it considered the following factors when identifying the parcel of land and consultant.

- Proximity to other government offices
- Proximity to access road
- Proximity to utilities like electricity and water
- Security

2378. The Fund Account Manager also submitted that the consultant was sourced through restricted tendering, through the pre-qualified list of contractors. Normal procurement procedures were followed to identify the consultant.

Committee Observations

2379. The Committee observed that:

i. The Fund Account Manager acted in breach of the Public Procurement and Asset Disposal Act, 2015 on the procurement method used; and

ii. The Fund had not acquired ownership documents and the matter was under investigation by EACC.

Committee Recommendations

2380. The Committee recommends that-

1) **The Accounting Officer follows up with the Ethics and Anti-Corruption Commission (EACC) on the status of the investigation on the matter and reports to the National Assembly within three months after the adoption of this report; and**
2) **The Accounting Officer ensures that Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.**

8.6.3.11 Budgetary Control and performance

2381. The fund was allocated Kshs 126,114,546 and in addition to an opening balance of Kshs. 43,593,563 as per the audited financial statements for the 2014/15 financial year. The fund had resources amounting to Kshs. 169,708,108 available for use for the year under review. Out of allocation amounting to Kshs. 126,114,546 for the year, only Kshs. 63,000,000 (50%) was disbursed by the CDF Board. During the year, the fund made transfers and payments amounting to Kshs. 74,255,866 or 44% of funds available

and therefore the fund did not utilize Kshs. 95,452,242 or 56% of the resources available. The management did not execute the budget as planned and the development agenda of the constituency was not met.

Submission by the Fund Account Manager

2382. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the underutilization of funds was due to delay of disbursements of funds from the CDF Board. The funds were disbursed just at the close of the financial year-end.

Committee Observations

2383. The Committee observed that underutilization of funds was due to delay of disbursements of funds from CDF Board.

Committee Recommendations

2384. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.6.3.12 Project Implementation

2385. During the year under review, disbursement to projects budgeted in the year 2015/16 was Kshs 30,559,014.40 and further, the total cost of projects carried forward from the previous year (2014/15) amounted to Kshs. 21,556,768. Project verification during the year under review indicated the following state of affairs.

8.6.3.13 Construction of Building and Other Civil Works Projects.

2386. The following are the cconstruction of Building and Other Civil Works Projects:

a) **Kasimbiji Primary School**
Accumulated cost Kshs: 1,990,055
Project: Construction of Administration block
Observation: Building completed and in use, however, the building had developed cracks on the wall.

b) **Name: Langobaya Primary School**
Accumulated cost Kshs: 4,700,000
Project: Renovation of 12 classroom roofs and painting
Observation: although the works were certified as complete, a site visit revealed that the work was not completed and the painting was poorly done. Only external walls of some classes were painted.

c) **Name: Barani High School**

Accumulated cost Kshs: 7,595,334
Project: Construction of Administration block
Observation: The project stalled at the lintel level due to underfunding. The contractor left the site over a year ago. Only funded up to Kshs 3,500,000.

d) **Name: CDF Office**
Accumulated cost Kshs: 23,750,101.84
Project: Fund and Constituency office, office furniture.
Observation: complete and in use.

e) **Name: Security lights**
Accumulated cost Kshs: 5,000,000
Project: Installation of street lights
Observation: No signage, street lights installed at Majengo road not functional.

f) **Name: Kakuyuni AP Post**
Accumulated cost Kshs: 7,992,635.88
Project: Construction of staff houses and office
Observation: No signage. Work done differs from bills of quantities availed.

g) **Name: Malindi Police Line**
Accumulated cost Kshs: 1,998,593
Project: Painting
Observation: Complete and in use.

h) **Name: Mere AP Post**
Accumulated cost Kshs: 4,923,000
Project: Renovation of Staff Houses
Observation: Works amounting to Kshs 981,610 had not been done. Some fittings not fitted, doors and windows not replaced.

i) **Name: Weru Technical Institute**
Accumulated cost Kshs: 4,000,000
Project: Co-funded with Ministry of Education
Observation: Technical Institute completes and waiting for the supply of equipment.

Submission by the Fund Account Manager

2387. The Fund Account Manager submitted that the projects were complete and in use as per the following status report:

a) Name: Kasimbiji Primary school Ksh. 1,990,005 Cracks on walls

This was a result of the nature of the soil around the area. A standard BQ was used disregarding the uniqueness of the soil type hence the cracks. This has since been rectified and the building repaired.

b). Name: Langobaya Primary School Accumulated Cost: 4,700,000
During the time of visit by the auditors, the works were still ongoing. However, the work is completed and the building is in use.

c) **Name: Barani High school**
The project is complete and in use.

d) **The NG-CDF office, Malindi:** The office is complete and is in use

e) **Security lights – Ksh. 5,000,000**
The signage was erected but vandalized during the by-election period in Malindi Constituency. The lights were officially handed over to the county government for maintenance.

f) **Name: Kakuyuni AP Post:** The project is complete and is in use. Signage in place.

g) **Malindi Police station:** The project is complete and is in use.

h) **Mere AP Post:** The project is complete and in use.

i) **Weru Technical institute:** The project is complete and is in use.

Committee Observations

2388. The Committee observed that-

(i) The projects which had not been completed had since been completed and in use; and

(ii) The projects which had defects were repaired and corrected within the defect's liability period.

Committee Recommendations

2389. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.6.3.14 Verification of Road Projects

2390. Audit verification of Roads carried out in April 2017 revealed that no signposts were erected on all the road projects undertaken by the Malindi Constituency Development Fund even though the signposts were part of the works as sums in respective the contract and the cost of erecting the signposts. The management paid for road works totaling 49kms in length but only 27 kilometers were executed. 22 km of road worth Kshs 2,280,537 were not worked on. The Fund Account Manager did not explain the reason for the variance in between distances paid and actual work done which resulted in the nugatory expenditure of Kshs 2,820,537.

Submission by the Fund Account Manager

2391. The Fund Account Manager submitted that the signage were erected but vandalized due to political activities. On the kilometers done, the amounts were allocated by the CDFC without involving KeRRA engineers due to the short time availed for proposal preparation.

2392. He further submitted that during the implementation, KeRRA realized several aspects that were not factored that could compromise the quality of the work hence causing the difference. The amount allocated to the project was insufficient to complete the work as advised by KeRRA and so murram patching on the critical areas was done to completion on the remaining part of the project.

Committee Observations

2393. The Committee observed that during the initiation stage of the project, the Fund did not involve KERRA which violates Section 46(1) of the National Government Constituency Development Fund Act, 2015 which requires the Fund to consult with the relevant Government departments to ensure that cost estimates for the projects are realistic.

Committee Recommendations

2394. The Committee recommended that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.7 RABAI CONSTITUENCY

2395. Ms. Flora Ndunge Mutua, the current Fund Account Manager since 2013 appeared before the Committee on 1st October, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Rabai Constituency and was accompanied by:

i) Mr. James Chebii, Ag. Manager Field Financial Services
ii) Ms. Christine Mwangolo, Ag. Manager Field Operations

8.7.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2396. The Auditor General raised seven audit Matters during the examination of financial statements of Rabai Constituency for the year 2013/2014.

8.7.1.1 Transfer to other Governments units and Cash and Cash Equivalent

2397. Statement of receipt and payments reflected Kshs.16, 984,366 as expenditure on transfer to other Government units. However, projects expenditure reports availed for audit review indicate, out of the total amount of Kshs. 12,911,414 was still in the project management committee bank accounts as at 30th June 2014. Therefore, the transfer to other government units' figure of Kshs.16, 984,366 is overstated by Kshs.12, 911,414 while at the same time the cash equivalent balance of Kshs. 41,659,368.20 is understated by the same amount of Kshs. 12,911,414 as at 30th June 2014.

2398. Consequently, the validity and accuracy of the expenditure on transfer to other Governments units and cash equivalents balance of Kshs. 16,984,366 and Kshs.41, 659,368 respectively as at 30th June 2014 could not be confirmed.

Submission by the Fund Account Manager

2399. The Fund Account Manager submitted that the funds disbursed to PMC remain in the PMC account during the period of implementation in line with section 31 (6) of CDF Act, 2013 that provides that funds remain allocated to a project as approved. Therefore, transfer to other Governments units and cash equivalents balance of Kshs.41, 659,368 respectively as at 30th June 2014 is correct as stated.

Committee Observations

2400. The Committee observed that funds disbursed to PMC remain in the PMC account during the period of implementation in line with Section 31 of the CDF Act, 2013 which provides that funds remain allocated to a project as approved.

Committee Recommendations

2401. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.7.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2402. The Auditor General raised seven audit Matters during the examination of financial statements of Rabai Constituency for the year 2014/2015.

8.7.2.1 Bank Balances

2403. The statements of financial assets reflected the balance of Kshs.17, 803,932 as at 30 June 2015. However, a review of the bank reconciliation statement as at 30th June 2015 revealed that included in the unpresented cheques amounting to Kshs.1, 763,238 were stale cheques amounting to Kshs.5, 000 which had not been reversed in the cashbook. In addition, bank charges amounting to Kshs.15, 422 were not recorded in the cashbook hence omitted from these financial statements.

Submission by the Fund Account Manager

2404. The Fund Account Manager submitted that the non-reversal and not expensing of Kshs. 15,422 stale cheques and Kshs. 5,000 bank charges respectively were an omission. The amount was reversed on 21/09/2015. Bank charges were expensed vide payment voucher no.451 of Kshs. 75, 814.50 on 30/06/2016.

Committee Observations

2405. The Committee observed that-

(i) The Fund Account Manager had stale and unpresented cheques which had not been reversed to the cashbook and unrecorded bank charges; and

(ii) The unpresented cheques were reversed and bank charges recorded and the supporting documents had since been provided and reviewed by the auditor.

Committee Recommendations

2406. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.7.2.2 Transfers from CDF Board

2407. The statement of receipts and payments reflected an amount of Kshs.99, 898,256 for the year ended 30th June 2015 in respect of transfers from the CFDC Board. However, according to the disbursement as per the parent ministry, a total of Kshs. 137,574,475 was disbursed to Rabai CDF during the financial year under review resulting in an unexplained and unreconciled variance of Kshs.37,676,219.

Submission by the Fund Account Manager

2408. The Fund Account Manager indicated that the transfer from CDF Board for the year ended 30/06/2015 amounted Kshs. 99,898,256 as evidenced by the A.I.E and bank statement.

Committee Observations

2409. The Committee observed that the exact amount transferred to the Rabai CDF was Kshs. 99,898,256 and therefore there was no variation.

8.7.2.3 Budget Control and Performance

2468. According to the year, 2014/15 approved budget, the Constituency Development Fund had a total budget of Kshs.141, 457,621 compared to the 2013/2014 financial year budget of Kshs. 52, 077,517 which represents an increase of 172%. The Fund had a total expenditure of Kshs. 124,508,341 resulting to an under expenditure of Kshs. 16,849,282 or 12% as shown below:

Vote	Budget	Expenditure	Underutilization	% Under-utilization
Compensation to employees	2,012,800	1,059,850	952,950	47
Use of goods	4,289,249	2,267,748	2,021,501	47
Committee Expenses	6,007,609	4,059,370	1,948,239	32
Transfers to other government units	44,222,025	39,221,924	5,001,101	11
Other grants and transfers	60,361,661	55,746,587	4,615,074	8
Social Security	40,000	28,800	11,200	28
Acquisition of assets	21,724,277	22,124,061	(399,784)	102
Other payments	2,800,000	0	2,800,000	0
Total	141,457,621	124,608,340	16,849,282	12

2469. From the above analysis, the under expenditure was Kshs. 16,849,282 or 12 % of the total budget. Included the balance of Kshs. 16,849,282 was the allocation of the Kshs. 2,800, 000 which had not been utilized as at the end of the financial year. The management had explained the amount was for the strategic plan and audit fees which had not been paid. This implies that public funds could have been lying idle at the expense of other deserving areas. The underutilization of the funds may have impacted negatively on the delivery of goods and services to the citizens of Rabai or may be an indication of over budgeting in CDF hence need to re-evaluate the budgeting process to

focus on more priority areas as guided by the Public Participation in budget marking process

Submission by the Fund Account Manager

2470. The Fund Account Manager submitted that the under expenditure of Kshs.16, 849,282(12%) was a result of late disbursement of funds from the NG CDF Board. The funds were however received on 22nd April 2015.

Committee Observations

2471. The Committee observed that under expenditure of the funds was due to late disbursement by the NG- CDF Board and the National Treasury.

Committee Recommendations

2472. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.7.2.4 Project Implementation

2473. According to the project implementation status report as at June 30 2015, the following nine (9) projects with a total budget of Kshs. 18,776, 318 did not receive disbursement during the financial year as shown below:

No	Project Name	Sub project activities	Financial Year	Allocation Kshs.
1	Rabai Secondary School	Purchase of school Bus	2014/15	5,000,000
2	Mwawesa water project	Fixing water pipes	2014/15	1,413,794
3	ACK Bishop Lawrence Dena	Construction of 3 no classrooms and an office	2014/15	4,000,000
4	Kawala primary School	Construction of 2 no classrooms	2014/15	2,100,000
5	Chonyi Primary School	Construction of 2no classrooms and an office	2014/15	2,725,000
6	Chiferi primary school	Flooring and plastering	2014/15	418,965.50
7	Mleji primary School	Flooring and plastering	2014/15	418,965.50
8	Kaliang'ombe primary school	Fitting water gutters and water tank	2014/15	399,593
	Strategic plan	Prepare a five years strategic plan for Rabai Constituency	2014/15	2,300,000
	Total	18,776,318		

2474. The management had attributed the non –disbursement to delayed funding from the CDF Secretariat and had indicated that the school bus for the Rabai Secondary School will be purchased in the financial year 2015/2016 while funds for the other projects

were reallocated to projects which were being implemented in the financial year 2015/16. It was not clear why funds for approved projects were reallocated. This may cast doubt on public participation in the identification of the priority projects to be implemented.

2475. In addition, a review of the project expenditure status report reveals that six (6) projects with a total disbursement of Kshs. 6,117,123 had not commenced as at 30 June 2015 as detailed below:

No	Project Name	Financial Year	Disbursement Kshs.
1	Chiferi primary School	2014/15	418,965
2	Chonyi primary school	2014/15	2,725,000
3	Kawala primary school	2014/15	2,100,000
4	Mleji primary school	2014/15	418,965
5	Makobeni primary school	2014/15	54,600
6	Rev. Canon Kuri Sec.Sch	2014/15	399,593
Total	6,117,123		

2476. This implies that public funds were lying idle. Non- implementation of development projects affects the delivery of goods and services to the public and the intended purpose of the project may take longer to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC)

Submission by the Fund Account Manager

2477. The Fund Account Manager submitted that the projects stated had not been funded due to the late disbursement of funds from the Board. The projects were however implemented in the subsequent year after receipt of funds. The projects whose funds were reallocated were the following: -

NO	Project Name	Status
1.	Rabai Secondary School	Bus purchased and handed over to the school
2.	Mwawesa Water Project	Co-funded project the other party withdrew
3.	ACK Bishop Lawrence Dena	Management of the primary and secondary schools had disputes
4.	Kawala Primary School	Typing error of Kawala primary instead of Kawala secondary school
5.	Chonyi Primary School	one of 2no classrooms and an office was done to completion and handed over school
6.	Chiferi Primary School	Flooring and plastering were done to completion and handed over

NO	Project Name	Status
		to school
7.	Mleji Primary School	Flooring and plastering were done to completion and handed over to school
8.	Kaliang'o-mbe Primary School	Donors (Coins for Kenya) implemented the same project
9.	Strategic plan	Prepare a five years strategic plan for Rabai Constituency was done and launched

2478. Projects totaling to Kshs. 6,117,123 had since been completed.

Committee Observations

2479. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the CDF Board and the National Treasury and the projects are complete and in use.

Committee Recommendations

2480. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.7.2.5 Project inspection

2481. Inspection of projects implemented during the year under review indicated the following state of affairs of the specific projects: -

a) **Composition of project management committees**

2482. Audit review of the composition of the Project Management Committee revealed that the Constituency Development Fund Committee members were also members of the Project Management Committees. This was contrary to section 31(1) of the CDF Act, 2013 which requires projects to be implemented by the project management committee in each case, with the assistance of the relevant department of the Government while the role of members of the constituency Development committee and the Board is monitoring the implementation of projects as per section 31(1) of the CDF Act, 2013. Although the management had explained that CDFC members were incorporated in PMCS for capacity building, it is not clear which of the roles was being achieved. This may compromise the role of oversight expected to be undertaken by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

2483. The Fund Account Manager submitted that the CDFC passed a resolution to involve CDFC members in specific PMCs for one year for capacity building in preparation of

monthly and KRA returns in the FY year 2013/14. Rabai has hived off Kaloleni Constituency and was therefore implementing projects for the first time. The CDFC members were withdrawn thereafter.

b) Rev. Canon Kuri Secondary School- Construction of 4no. Toilets

2484. The project was for the construction of 4 no. Toilets at the school at a cost of Kshs. 350,000. Audit inspection at the school revealed that the size of the toilets constructed was smaller than the standard toilets considering it is expected to service a large population. More funds may be needed to build more toilets which could be costly in the long run.

Submission by the Fund Account Manager

2485. The Fund Account Manager submitted that Rev. Canon Kuri Secondary School 4no. Toilets were constructed as per BQ and drawing from the public works officer.

Committee Observations

2486. The Committee observed that-

(i) The CDFC passed a resolution to involve CDFC members in specific PMCs for a period of one year for capacity building in preparation of monthly and KRA returns in the FY year 2013/14; and

(ii) The construction of the toilets was as per the BQ and drawing from the public works officer.

Committee recommendations

2487. **The Committee recommends that the Accounting Officer ensures compliance with the NG-CDF Act 2015 on the composition of the PMCs and the CDFCs.**

8.7.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2488. The Auditor General raised seven audit Matters during the examination of financial statements of Rabai Constituency for the year 2015/2016.

8.7.3.1 Bank statements.

2489. The statement of asset reflected a bank balance of Kshs. 22,044,819 as at 30 June 2016. However, the cashbook and bank reconciliation statement as at 30 June, 2016 reflected a balance of Kshs. 21,764,633 resulting in a variance of Kshs. 280,186 and which was reflected in the bank reconciliation statement as an under-cast. Although the management indicated that the error was subsequently corrected, the cashbook was not availed for verification. Consequently, the accuracy and completeness of the bank balance of Kshs.22, 044,819 as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2490. The Fund Account Manager submitted that the corrected cashbook had since been availed to the auditor for review. Cashbook extract and bank reconciliation were provided for verification.

Committee Observations

2491. The Committee observed that the variance of Kshs. 280,186 which was reflected in the bank reconciliation statement as an under cast was subsequently corrected and the supporting documents were later provided to auditors for review

Committee Recommendations

2492. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.7.3.2 Cash Balances

2493. The statement of financial assets reflected a nil cash balance as at 30 June 2016. However, an audit review of the Cashbook revealed a cash balance of Kshs.549, 000 as at 30 June 2016. It was not clear how the balance was accounted for in these financial statements. Consequently, the accuracy, validity and completeness of nil cash balance as at 30 June 2016 could not be ascertained.

Submission by the Fund Account Manager

2494. The Fund Account Manager presented that Kshs. 549, 000 was as a result of mis-posting of imprest whereby imprest surrendered during the financial year totaling to Kshs. 289,000 was recorded in July (FY2016/2017) and Kshs. 260,000 imprests issued in July (FY2016/2017) and was recorded in June (FY 2015/2016). The cashbook had since been corrected. The board of survey certificate had been availed to the auditor for review.

Committee Observations

2495. The Committee observed that the miss-posting error of Kshs 549,000 had since been corrected and the cashbook extract was shared with the auditor for verification. The board of survey certificate had been availed to the auditor for review.

Committee Recommendations

2496. **The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.**

8.7.3.3 Budgetary Controls and Performance

2497. Records available from National Government Constituencies Development Fund Board indicated that during the Financial Year 2015-2016, Rabai Constituency was allocated Kshs. 123,603,484 compared to the 2014/2015 budget of Kshs. 99,989,256 representing 24% rise. The summary statement of appropriations: recurrent and development reflected a final budget figure of Kshs. 123,603,484 where Kshs. 87,726,524 being 71% of the total budget was allocated to projects that is transferred to other government units totaling Kshs. 36,230,449.

2498. The National Government Constituency Development Fund (NG-CDF) – Rabai Constituency received an allocation of Kshs. 105,799,552 being 86% of the budget for the financial year under review. The CDF overall budget for the year under review was Kshs.101, 679,665 resulting to under absorption of Kshs.21, 923,819 or 18% as summarized below.

Budget line	Final budget (Kshs)	Expenditure (Kshs)	Under absorption (Kshs)	Under absorption %
Compensation of employees	1,840,130	1,541,860	298,270	16%
Use of goods and service	11,303,281	7,413,408	3,889,873	34%

Budget line	Final budget (Kshs)	Expenditure (Kshs)	Under absorption (Kshs)	Under absorption %
Transfer to other Government units	56,428,075	51,496,075	4,932,000	9%
Other grants and transfers	47,115,775	36,230,449	10,885,326	23%
Acquisition of assets	3,616,223	2,697,873	918,350	25%
Other payments	3,300,000	2,300,000	1,000,000	30%
Total	123,603,484	101,679,665	21,923,819	18%

2499. The following were observations from the above summary:

(i) The Fund Account Manager had a total under-expenditure of Kshs. 21,923,819 representing 18% of the budget. This implies that public funds were lying idle at the expense of other deserving areas. The underutilization of the funds may have impacted negatively on the delivery of goods and services to the citizens of Rabai constituency or may be an indication of over-budgeting hence there is a need to re-evaluate the budgeting process to focus on more priority areas as guided by public participation in the budget-making process.

(ii) In addition, the CDF under spent by 23% on other grants and transfers which represents project funds not disbursed for implementation. This may affect public service delivery to the residents of Rabai. The constituency which is contrary to values and principles of public service as provided for under Article 232(1) (c) of the Constitution requires the responsive, prompt, effective, impartial and equitable provision of services.

Submission by the Fund Account Manager

2500. The Fund Account Manager stated that the under expenditure of Kshs. 21, 923,819(18%) was occasioned by late disbursement of funds from the CDF Board with Kshs. 55, 799,552 AIE dated 27 May 2016.

Committee Observations

2501. The Committee observed that underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2502. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.7.3.4 Project Implementation

2503. According to the implementation status report as at 30 June 2016, the following five (5) projects with a total budget of Kshs.14, 532,000 were not fully implemented during the period under review.

No	Name of project	Project Activity	Approved budget	Disbursement as at 30/06/2016
1	Mikahani Secondary School	Construction of a science laboratory	7,500,000	7,500,000
2	Jimba Secondary School	Construction of an office	1,500,000	1,500,000
3	Ziro Primary School	Construction of 2 No. classrooms	2,500,000	2,500,000
4	Benyoka Primary School	Construction of 2 No. classrooms	2,550,000	2,550,000
5	Buni Primary School	Purchase of 105 No. desks	482,000	482,000
	Total		14,532,000	14,532,000

2504. Although the management had attributed non-implementation to delayed funding from the NGCDF Secretariat where the last AIE of Kshs.55, 799,552 was received on 27th May 2016, non-implementation of development projects affects goods and service delivery to the public and the intended purpose of the projects may take longer to be realized. In addition, it also casts doubt on the effectiveness of project monitoring and evaluation carried out by the National Government Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

2505. The Fund Account Manager submitted that five (5) projects had since been completed and handed over.

Committee Observations

2506. The Committee observed that delay in implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects have since been implemented and in use.

Committee Recommendations

2507. **The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.**

8.7.3.5 Project Inspection

2508. Out of 15 projects inspected in March 2017, five (5) projects with a total cost of Kshs. 14,952,489 were found to have issues as indicated below: -

NO.	Project	Project Activity	Amount	Observations
1	Mwatsama Primary School	Construction of 2 No. classrooms	2,452,489	Not branded despite a provision of Kshs.50,000 in the Bills of Quantities
2	Gandani Primary School	Construction of 3 classrooms and an office	5,600,000	Not branded despite a provision of Kshs.50,000 in the Bills of Quantities
3	Benyoka Primary School	Construction of two classrooms	2,550,000	The class floor had cracks
4	Boyani Primary School	Construction of 1 No. classroom	600,000	Not branded
5	Masaani Primary School	Construction of two classrooms	3,750,000	Floor had cracks
	Total		**14,952,489**	

Committee Observations

2509. The Committee observed that the defects on the constructions were corrected within the defect liability period. Further, the projects which had not been branded were branded.

Committee recommendations.

2510. **The committee recommends that the Accounting officer ensures that all projects undertaken by NG-CDF are properly branded including the year of funding, and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project.**

CHAPTER NINE

9.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

2511. During the examination of these reports, the Committee made the following general observations and recommendations which cut across the twenty-six (26) constituencies in the Counties of Mombasa, Kilifi, Kwale, Taita Taveta, Lamu and Tana River for financial years 2013/2014, 2014/2015 and 2015/2016.

9.1 Bookkeeping, Preparation & Accuracy of the Financial Statements

2512. The Committee observed that the bookkeeping and preparation of financial statements is a big challenge in almost all the Constituency Offices. Further, the Fund Account Managers faced challenges in submitting supporting documents to the auditors in time because the documents are usually in the custody of the Sub-County Accountants (formerly District Accountants). The Sub- County Accountants are required to sign the financial statements as per the templates issued by the Public Sector Accounting Standard Board. However, they did not undertake this responsibility and more often than not, did not cooperate with the Fund Account Managers during the audit to ensure timely submission of documents for audit review.

2513. The delays in the preparation of complete financial statements are also attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The Sub- County Treasuries (formerly District Accountant) in charge of maintaining books of accounts for all national government offices at the Sub-County is also maintaining accounting records and various supporting documents of the fund at the Constituencies.

2514. The Committee recommends that:

1) **The National Government Constituencies Development Fund Board strengthens the Constituency Offices by establishing Treasury units to serve the Constituencies; and**
2) **The NG-CDF Board should consider employing qualified Accountants for the Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

9.2 Compliance to Reporting Standards and Accuracy of the Financial Statements

2515. The Committee observed that Fund Account Managers experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in the preparation of financial statements. The Committee also observed that the PSASB reviews the IPSAS Standards periodically to take into account emerging issues and conform to best accounting practices. The Committee found that some Fund

Account Managers experienced challenges in the application of these standards while preparing financial statements as evidenced by the audit Matters.

2516. The Committee recommends that:

1) **The NG-CDF Board should conduct continuous capacity building on financial reporting standards for Constituency Committees and the PMC to improve the quality of reporting and enhance compliance; and**
2) **The NG-CDF Board should consider employing qualified Accountants for the Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

9.3 Standardization of the NG-CDF Construction Projects

2517. The Committee observed that there were inconsistencies in design, costs, and quality of similar projects across the constituencies in the Coastal region. This creates a challenge in determining the value for money since the cost of construction and the designs are not similar. Further, there is no policy guidelines and cost estimates provided by the NG-CDF Board to guide the CDF Committees and PMCs in undertaking similar projects in their Constituency.

2518. The Committee recommends that:

1) **The NG-CDF Board fast tracks the recruitment of independent quantity surveyors and architects to address the inconsistencies in the projects across the constituencies;**
2) **The Accounting officer ensures that all projects undertaken by NG-CDF are branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project; and**
3) **Within three months of the adoption of this report, the NG-CDF Board initiate the development of an overarching policy guideline that include designs and cost estimates for NG-CDF projects.**

9.4 Late Disbursement and Underutilization of Funds

2519. The Committee observed that there was underutilization of funds in different constituencies due to late disbursement of funds by the NG- CDF Board and the National Treasury hence roll over of Funds from subsequent years due to late receipts.

2520. The Committee recommends that:

1) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and**
2) **The Cabinet Secretary National Treasury shall submit to the National Assembly Constituency exchequer disbursements schedule not later than the 15th day after the end of each quarter.**

9.5 Re-Allocation of Funds without Approval of the NG-CDF Boards

2521. The Committee observed that some Fund Accounts Managers implemented projects and re-allocated funds without seeking prior approval from the NG-CDF Board. This was in contravention of section 6(2) and section 31 of the NG-CDF Act, 2015. The Act provides reallocation of funds during the financial year must at all-time be with the approval of the NG-CDF Board.

2522. The Committee also noted that some National Government Constituencies Development Fund Committees had not engaged the services of a Clerk of Works as provided in the NG-CDF Board guidelines.

2523. The Committee recommends that:

1) **The NG-CDF Board takes administrative action against Fund Account Managers that reallocated funds without the approval of the Board contrary to Section 6 of the NG-CDF Act, 2015.**
2) **The Accounting Officer ensures that all the Fund Account Managers enforce compliance with section 6(2) and section 31 of the NG-CDF Act, 2015; and**
3) **The Accounting Officer ensures that all Fund Account Managers and PMCs consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.**

9.6 Guidelines on the use of Emergency Funds

2524. The Committee observed that some of the projects funded using emergency funds did not meet the threshold set out in Section 8 of the NG-CDF Act, 2015.

2525. **The Committee recommends that within three months of the adoption of this report, the NG-CDF Board issues guidelines to all the Constituencies and PMCs clarifying the use of the emergency funds .**

9.7 Compliance with Audit Cycle Timelines

2526. The Committee observed that there were delays by the Fund Account Managers in preparation of the financial statement and submission to the Office of the Auditor-General. The Accounting Officer, the Fund Account Manager and the Sub –County Accountants (formerly District Accountants) are required to work jointly in preparation and signing of the financial statement. However, there seems to be poor coordination between the Fund Account Manager and the Sub –County Accountants who is not an employee of the NG-CDF Board.

2527. The Committee further observed that some Fund Account Managers did not avail some documents that were subject of examination by the Auditor-General for verification at the time of audit. The documents not availed for audit-included cashbooks, bank statements, payment vouchers, project completion certificates, procurement records and Bills of Quantities. These are accountable documents, which are under the custody of the Sub –County Accountants at the Sub-County Treasuries.

2528. . The Committee recommends that:

1) **The National Government Constituencies Development Fund Board strengthens the Constituency Offices by establishing Treasury units to serve the Constituencies; and**
2) **The NG-CDF Board should consider employing qualified Accountants for the Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.**

9.8 Bursary Fund Allocations and Disbursements

2529. The Committee observed some incidences of delays in disbursement of bursaries to beneficiary institutions, non-presentation of issued bursary cheques to institutions and cancellation of issued bursary cheques.

2530. The Committee recommends that:

1) **Within three months of the adoption of the report, the National Government Constituencies Development Fund Board reviews the 2010 *Guidelines* on Issuance of Bursaries to Beneficiaries;**
2) **The NG-CDF Board should develop an overarching bursary policy framework to guide Constituencies in line with the needs of the constituency. Each NG-CDF bursary committee to establish criteria and guidelines for identifying, categorizing and awarding bursaries to needy students; and**
3) **Within three months of the adoption of this report, the National Government Constituencies Development Fund Board should consider adopting electronic funds transfer in the disbursement of bursaries.**

9.9 Non-remittance of Statutory Deductions

2531. The committee observed that some Fund Account Managers failed to file and remit various statutory deductions, such as NHIF and NSSF, as required by the law. The Funds paid penalties for non-compliance.

2532. The Committee recommends that:

1) **The Accounting Officer should ensure that All Fund Account Managers comply with the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No 9 of 1998; and**
2) **The Accounting Officer in liaison with the KRA should put in place sensitization programmes on taxation for the Fund Account Managers and the PMCs with the aim of enhancing tax compliance.**

Signed: ..... Date 29/11/2021

HON. KATHURI MURUNGI, M.P.
CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE



THE SPECIAL FUNDS ACCOUNTS COMMITTEE
ADOPTION SCHEDULE

We, the undersigned Members of the Special Funds Accounts Committee, today 29/11/2022 do hereby affix our signatures to this **ELEVENTH REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE TWENTY-SIX CONSTITUENCIES IN THE COUNTIES OF MOMBASA, TAITA TAVETA, KILIFI, KWALE, TANA RIVER AND LAMU** to affirm our approval and confirm accuracy, validity and authenticity: -

NAME	SIGNATURE
1. Hon. Kathuri Murungi, M.P. - **Chairperson**	
2. Hon. William Chirchir Chepkut, M.P. - **Vice- Chairperson**	
3. Hon. Justus Kizito Mugali, M.P.	
4. Hon. Shakeel Shabbir Ahmed, CBS, M.P.	
5. Hon. (Dr.) Robert Pukose, M.P	
6. Hon. Dennitah Ghati, HSC, M.P.	
7. Hon. Erastus Kivasu Nzioka, M.P.	
8. Hon. Alfred Agoi Masadia, M.P.	
9. Hon. Marwa Kitayama Maisori, M.P.	
10. Hon. Esther M. R. Passaris, OGW, M.P.	
11. Hon. Mwambu Mabongah, M.P.	
12. Hon. Geoffrey Omuse, M.P.	
13. Hon. Mark Lomunokol, M.P	
14. Hon. Mohamed Ali, M.P	
15. Hon. Faith Gitau, M.P.	
16. Hon. Jared Okelo, M.P.	
17. Hon. Mohamed Ali Lokiru, M.P.	
18. Hon. (Dr.) Enock Kibunguchy, MP	
19. Hon. Koske Gideon Kimutai, M.P.	