



*Approved*  
*SNA*  
*9/4/25*

REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT – FOURTH SESSION

THE NATIONAL ASSEMBLY


.....

FIFTH REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE  
(DFAC)

ON

THE EXAMINATION OF REPORTS OF THE AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS FOR THE NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND (NG-CDF) FOR TESO SOUTH,  
MATAYOS, NAMBALE, FUNYULA, TESO NORTH AND BUTULA  
CONSTITUENCIES IN BUSIA COUNTY FOR THE FINANCIAL YEARS 2013/2014,  
2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND  
2021/2022

DIRECTORATE OF AUDIT, APPROPRIATIONS  
& GENERAL-PURPOSE COMMITTEES  
THE NATIONAL ASSEMBLY  
PARLIAMENT OF KENYA  
NAIROBI

	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 APR 2025	DAY: THURSDAY
TABLED BY:	HON. GIDEON MUYUNGI (CHAIRPERSON)
CLERK-AT-THE-TABLE:	APRIL 2025 INZOFU NWALE



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## **ANNEXURES**

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## ABBREVIATIONS

BOQ/ BQ	Bill of Quantities
CoK	Constitution of Kenya, 2010
FAM	Fund Account Manager
FY	Financial Year
GIS	Geographical Information System
IPSAS	International Public Sector Accounting Standards
KeRRA	Kenya Rural Roads Authority
MDA	Ministry, Departments and Agency
MP	Member of Parliament
NG-CDF	National Government Constituencies Development Fund
NG-CDFC	National Government Constituencies Development Fund Committee
OAG	Office of the Auditor General
PMC	Project Management Committee
PIS	Project Implementation Status
PSASB	Public Sector Accounting Standards
REA	Rural Electrification Authority
REREC	Rural Electrification and Renewable Energy Corporation

## CHAIRPERSON'S FOREWORD

The Decentralized Funds Accounts Committee (hereinafter referred to as "the Committee" is one of the six Watchdog Committees in the Thirteenth Parliament that examines reports of the Auditor-General laid before the National Assembly to ensure probity, efficiency, and effectiveness in the use of public funds.

The Committee is established pursuant to the National Assembly Standing Order 205B to examine reports of the Auditor-General for the National Government Constituencies Development Fund, National Government Constituencies Development Fund Board, the National Government Affirmative Action Fund, and the National Government Affirmative Action Fund Board. This ensures the implementation of Article 229 (8) of the Constitution of Kenya, 2010 on reports laid before the House by the Auditor-General. The Committee, established in the Thirteenth (13<sup>th</sup>) Parliament, was hived off the Special Funds Accounts Committee for efficiency in the examination of the audit reports.

The Committee inherited a backlog of reports for the National Government Constituencies Development Fund (NG-CDF), dating back to the financial year 2013/14, which had not been examined at the end of the Twelfth Parliament. Given that each of the Two-Hundred and ninety (290) Constituencies is audited independently, the Committee had initially adopted a strategy of examining reports for constituencies in each County for three financial years, that is, 2013/14 to 2015/16 concurrently. However, the Committee noted that it was more prudent to examine the accounts of Auditor General Reports up to the Financial Years 2021/2022 for each Constituency account it determines to examine, as this ensures that going forward, the Committee is as up to date as possible in its examination of the NG-CDF accounts.

In examining the Accounts of the Auditor General, the Committee invited 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 the PFM Act, 2012. The Committee also invited the Fund Account Managers (FAMs), both current 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.

This report, therefore, contains observations, findings and recommendations arising from examination of fifty-four (54) reports of the Auditor-General for the National Government Constituencies Development Fund for Constituencies in Busia County, for the Financial Years 2013/14 to 2021/2022, that is **Teso South, Matayos, Nambale, Funyula, Teso North and Butula** Constituencies.

The report is structured as follows:

- i. general observations arising from recurring and cross-cutting audit queries,
- ii. recommendations to each of the above,
- iii. audit queries identified by the auditor general in the audit reports of each constituency,

- iv. management responses to each of the queries,
- v. committee observations/findings on each query; and
- vi. recommendations of the Committee to each query raised.

The Committee also makes policy recommendations that it deems will cure financial and audit challenges, all geared toward ensuring the prudent use of public resources.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it to enable it to execute its mandate. The Committee further extends its appreciation to the Office of the Auditor-General and the National Treasury for the technical support offered during the entire period. The Committee further acknowledges the Office of the Chief Executive Officer of the National Government Constituencies Development Fund Board for the coordination of Fund Account Managers and other officers who appeared to respond to various audit queries raised in the reports.

I also extend my appreciation to my fellow Members of the Committee, and the secretariat whose immense contribution and dedication to duty have enabled the Committee to examine the audit queries and produce this report.

On behalf of the Decentralized Funds Account Committee, and pursuant to Standing Order 199 (6), it is my pleasant duty and honor to present to this House the report on audited financial statements for the National Government Constituencies Development Fund for six (6) Constituencies in Busia County for financial years 2013/14 to 2021/2022.



**HON. DR. GIDEON MUTEMI MULYUNGI, CBS, EBS, MP**  
**CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE**



## **1.0 PREFACE**

### **1.1 Establishment and mandate of the Committee**

1. The Decentralized Funds Accounts Committee is a Select Committee established pursuant to the National Assembly Standing Orders 205B and is responsible for the examination of the reports of the Auditor-General on the accounts of:
  - i. The National Government Constituencies Development Fund
  - ii. The National Government Constituencies Development Fund Board
  - iii. The National Government Affirmative Action Fund
  - iv. The National Government Affirmative Action Fund Board.

### **1.2 Guiding Principles**

2. The Committee in considering the Audited accounts of National Government Constituency Development Fund is guided by the Constitution of Kenya and the following statutes and regulations in undertaking its mandate: -

#### **1.2.1 Chapter Twelve of the Constitution on Public Finance**

##### ***Part 1- Principles on Public Finance***

3. **Article 201** provides for the fundamental principles that “...shall guide all aspects of public finance in the Republic...” These principles are, inter alia-
  - (i) 201(a) there shall be openness and accountability, including public participation in financial matters.
  - (ii) 201(d) public money shall be used in a prudent and responsible way; and
  - (iii) 201(e) financial management shall be responsible, and fiscal reporting shall be clear.

##### ***Part 6 – Control of public Money***

4. **Article 226** deals with the accounts and audit of public entities and provides that:
  - (i) the accounting officer of a national public entity is accountable to the National Assembly for its financial management (Article 226(2)); and
  - (ii) 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 (Article 226(5); and
5. **Article 227** deals with the procurement of public goods and services. Article 227 (1) in particular, provides that “when a State organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective”.

6. **Article 229(8)** of the Constitution of Kenya 2010 mandates the National Assembly to debate and take appropriate action on audit reports within three months of receipt of the reports from the Auditor-General.

### **1.2.2 Obligations of Accounting Officers**

The Public Finance Management Act (CAP. 412A) –

7. **Section 68** sets out the responsibilities of accounting officers for national government entities, Parliament and the Judiciary. This includes accountability to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used a lawful, authorized, effective, efficient, economical and transparent manner (section 68(1)).
8. **Section 72** focuses on the accounting officers' responsibility to manage the assets and liabilities of national government entities
9. It is on this basis that each Fund Account Manager (FAM) being the Accounting Officer of the NGCDF is held directly and personally liable for any loss of public funds under their watch. This provision obligated Fund Account Managers as accounting officers in the constituencies to appear before the Committee to respond to audit queries raised by the Auditor-General.

### **1.2.3 National Government Constituencies Development Fund (NG-CDF)**

10. 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.
11. 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 of 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.
12. Apart from the above-named laws, the Committee was further guided by the following: -
  - (i) the Parliamentary Powers and Privileges Act, (CAP. 6);
  - (ii) the Public Finance Management Act, (CAP. 412A);
  - (iii) the Public Finance Management (National Government) Regulations, 2015;
  - (iv) the Public Procurement and Asset Disposal Act, (CAP. 412C);
  - (v) the Public Procurement and Asset Disposal Regulations, 2020;
  - (vi) the Public Audit Act, (CAP. 412B);
  - (vii) the Fair Administrative Action Act, (CAP. 7L);
  - (viii) the National Government Constituencies Development Fund (NG-CDF) Act (CAP. 414A)

- (ix) the National Government Constituency Development Regulations, 2016;
- (x) the Accountants Act, (CAP. 531);
- (xi) the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016;
- (xii) the National Assembly Standing Orders; and
- (xiii) the Constitution of Kenya, 2010.

### 1.3 Committee Membership

13. The Committee comprises of the following fifteen (15) members: -

#### **Chairperson**

Hon. Dr. Gideon Mutemi Mulyungi, CBS, EBS, M.P.

Member for Mwingi Central Constituency

**Wiper Democratic Movement-Kenya**

#### **Vice-Chairperson**

Hon. Gertrude Mwanyanje Mbeyu, M.P.

Member for Kilifi Constituency

**Orange Democratic Movement**

Hon. Kilel Richard Cheruiyot M.P.

Member for Bomet Central Constituency

**United Democratic Alliance**

Hon. Mboni David Mwalika M.P.

Member for Kitui Rural Constituency

**Wiper Democratic Movement-Kenya**

Hon. Kahangara Joseph Mburu M.P.

Member for Lari Constituency

**United Democratic Alliance**

Hon. Momanyi Innocent Obiri M.P.

Member for Bobasi Constituency

**Wiper Democratic Movement-Kenya**

Hon. Caroline Jeptoo Ng'elechei M.P.

Member for Elgeyo Marakwet Constituency

**Independent Member**

Hon. Barre Hussein Abdi M.P.

Member for Tarbaj Constituency

**United Democratic Alliance**

Hon. Mogaka Stephen M.P.

Member for West Mugirango Constituency

**Jubilee Party**

Hon. Dorothy Muthoni Ikiara M.P.

Member for Meru Constituency

**United Democratic Alliance**

Hon. Wanyonyi Martin Pepela M.P.

Member for Webuye East Constituency

**Ford Kenya**

Hon. Osogo Bensuda Joyce M.P.

Member for Homabay Constituency

**Orange Democratic Movement**

Hon. Lentoijoni Jackson Lekumontare M.P.

Member for Samburu East Constituency

**KANU**

Hon. Guyo Adhe Wario M.P.

Member for North Horr Constituency

**KANU**

Hon. Kipngor Reuben Kiborek M.P.

Member for Mogotio Constituency

**United Democratic Alliance**



#### **1.4 Committee Secretariat**

14. The Secretariat facilitating the Committee comprises the following staff:

**Ms. Ruth Mwihaki Gakuya**  
Clerk Assistant I/Lead Clerk

**Mr. John Mutinda**  
Clerk Assistant III

**Ms. Sharon Cherotich Koskei**  
Clerk Assistant III

**Mr. Mabuti Mutua**  
Legal Counsel II

**Ms. Elizabeth Kibati**  
Research Officer III

**Mr. Wilson Mwangi**  
Fiscal Analyst III

**Ms. Winifred Kiziah**  
Media Relations Officer II

**Mr. Wilson Angatangoria**  
Serjeant-at-Arms II

**Mr. Eric Ogolo**  
Protocol Officer I

**Mr. Muchiri Mwangi**  
Audio Officer III

## **CHAPTER TWO**

### **2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS**

15. In consideration of the reports of the Auditor General, the Committee encountered cross cutting and at times persistent matters that informed the following general observations and recommendations, which cut across Teso South, Matayos, Nambale, Funyula, Teso North and Butula Constituencies examined in Busia County.

#### **2.1 Presentation and accuracy of financial statements**

##### **Committee Observations**

16. The Committee observed that: -

- (i) Fund Account Managers experienced challenges in adapting to International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. The Standards were introduced in 2013/14 financial year for the public sector and failure to comply with the standards in subsequent years occasioned qualification of financial statements.
- (ii) The Public Sector Accounting Standards Board (PSASB) reviews the IPSAS Standards periodically to consider emerging issues and conform to best accounting practices. The Committee found that some Fund Account Managers experienced challenges in applying these standards while preparing financial statements, as evidenced in the audit queries.

##### **Committee Recommendations**

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

- a) **The Accounting Officer should comply with the International Public Sector Accounting Standards (IPSAS) framework in the preparation of financial statements;**
- b) **The Accounting Officer, in consultation with the Public Sector Accounting Standards Board (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff.**

#### **2.2 Outstanding Land Issues**

##### **Committee Observation**

18. The Committee observed that during the period under review all the six (6) Constituencies in Busia County had outstanding land issues, i.e., transfer, succession, and acquisition of the title deeds for all the land purchased.

##### **Committee Recommendations**

19. **The Committee recommends that the Accounting Officer should within three (3) months upon adoption of this report ensure that the Fund Account Managers, NGCDFCs and Project Management Committees have been guided as follows:**

- a) Where land is under succession, the Accounting Officer should guide the respective Fund Account Managers and PMCs on the succession process;
- b) Where transfers are pending, the respective Fund Account Managers and PMCs are advised on the land transfer processes and guided to collaborate with the Accounting Officer to facilitate expeditious processing of the title documents for the institutions affected.
- c) The Accounting Officer should establish a policy on the procedure of buying land and adhere to Regulation 11 (1) (k) of the National Government Constituency Development Fund Regulations 2016 which provides that *“where a project involves purchase of a parcel of land or a building, ensure that the ownership thereof is duly verified, and ownership documents authenticated with relevant government agencies”*.
- d) The Accounting Officer should ensure that the PMC’s purchase land in areas where there are clear ownership documents especially where land adjudication has been done.
- e) That within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers should submit to the Accounting Officer all pending land matters in the constituency i.e., misplaced title deeds, delayed title deeds processing, succession, transfer and ownership, and:
- f) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

### **2.3 Reallocation and use of Emergency Funds**

#### **Committee Observation**

20. The Committee observed that some of the projects funded using emergency funds did not meet the threshold set out in Sections 6(2) and Section 8(1)(2)(3) of the NG-CDF Act (CAP.414A).

#### **Committee Recommendation**

21. The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with provisions of Sections 6(2) and Section 8(1)(2)(3) of the National Government Constituencies Development Fund Act, 2015 which provides that *“(2) 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”* and Section 8 *“(1) A portion of the Fund, equivalent to five per centum (hereinafter referred to as the “Emergency Reserve”) shall remain unallocated and shall be available for emergencies that may occur within the Constituency; (2) The Constituency Committee shall determine the allocation of the emergency reserve in accordance with the Act ;and (3) “Emergency” shall be construed to mean an urgent, unforeseen need for expenditure for which it is*

*in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents”*

#### **2.4 Pending Ongoing and Stalled Projects**

##### **Committee Observation**

22. The Committee observed that the critical cause of pending ongoing and stalled projects being common in constituencies was due to partial allocation of funds and late exchequer releases leading to delay in completion and in some instances abandonment of projects.

##### **Committee Recommendations**

23. The Committee Recommends that: -

- a) The Accounting Officer should discourage the partial allocation of funds to projects and ensure that projects are completed at most within two financial years. Further, the NG-CDF Committee should ensure proper costing of projects is done through consultation with the relevant Government departments to ensure realistic cost estimates.
- b) The Accounting Officer should within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), develop and submit to the National Assembly, guidelines for costing of projects for constituencies, which is informed by the cost of materials, cost of transportation, taxes, the topography of each constituency and reports from the relevant Government departments.
- c) The Committee recommends that the Accounting Officer should ensure Fund Account Manager adhere to Section 46 (2) of the NG-CDF Act which provides that *‘The Constituency Committee shall rank the projects in order of priority and whenever, in the opinion of the Board, the total cost of the projects listed exceed the ceiling for a particular constituency, then the order in which they are listed shall be taken as the order of priority for purposes of allocation of funds, provided that on-going projects shall take precedence over all other projects.’*
- d) The Accounting Officer should ensure that Fund Account Managers submit status reports of ongoing projects during submission of project proposals. This should form the basis of project approvals by the NGCDF Board in order to minimize instances of stalled, incomplete projects and for prioritization of ongoing projects.

#### **2.5 Failure to submit documents for audit review at the time of the Audit**

##### **Committee Observations**

24. The Committee observed that: -

- (i) Fund Account Managers did not avail complete, reconciled financial, accounting records and supporting documentation in time for audit review and verification during the audit exercise, contrary to the provisions of *Article 229* of the Constitution of



Kenya, 2010 and Section 68(2) of the PFM Act 2012 which requires that the financial and accounting records are presented within three (3) months after the close of the financial year and Section 62 of the Public Audit Act of 2015 which obligates Accounting Officers to provide required documents for audit failure to which they be sanctioned. The documents not availed for audit included cash books, bank statements, payment vouchers, project completion certificates, bank reconciliation statements, Project Implementation Status reports, procurement records, Bills of Quantities (BOQs) and Project Management Committee (PMCs) records.

Consequently, most of the audit queries that were raised during consideration of financial statements for the six (6) Constituencies examined, would have been addressed had the documents been provided for audit review.

#### **Committee Recommendations**

##### **25. The Committee recommends that: -**

- a) the Accounting Officer to ensure that Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act (CAP.412B) which provides that – *"(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act.*
- b) the Accounting Officer should ensure that Fund Account Managers maintain the original Project Management Committee files at the NG-CDF office, while the duplicate be maintained by the Project Management Committees at the project's site to ensure that documents are always available at the time of audit.
- c) The Accounting Officer should ensure Constituency Committees employ qualified accountants for the Constituency Offices beginning FY 2025/26 within the 6% administrative allocation to the NG-CDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.

#### **2.6 Capacity building of Fund Account Managers**

##### **Committee Observation**

26. The Committee observed that some Fund Account Managers were ill-prepared during the examination of the Reports of the Auditor General on the accounts of the National Government Constituencies Development Fund.

##### **Committee Recommendations**

##### **27. The Committee recommends that:**

- a) The Accounting Officer should conduct continuous capacity building on financial reporting standards, record keeping and other necessary training for the Fund Account Managers, Project Management Committees (PMC) and other NG-CDF Constituency staff.

- b) **The Accounting Officer should strengthen the link between the Board, the Office of the Auditor General and the Fund Account Managers, particularly regarding the timely response to audit queries.**

## **2.7 Delay in Exchequer Releases**

### **Committee Observation**

- 28. The Committee observed that there were delays in exchequer releases leading to under expenditure and delays in implementation and completion of projects.

### **Committee Recommendation**

- 29. **The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies for implementation of approved and budgeted projects.**

## **2.8 Unresolved Prior Year Matters**

### **Committee Observation**

- 30. The Committee observed that the Auditor General raised several issues to be resolved by Management in the audit report of the previous years under the “*report on the financial statements and report of lawfulness and effectiveness in the use of public resources*”. Management in some instances failed to resolve the issues and did not provide a follow-up report.

### **Committee Recommendations**

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

- 
- a) **The Accounting Officer should ensure Fund Account Managers adhere to Section 68 (2) (l) of the PFM Act 2012 which provides that (2) *In the performance of a function under subsection (1), an accounting officer shall - (l) take appropriate measures to resolve any issues arising from audit which may remain outstanding;***
  - b) **Going forward the Accounting Officer should ensure Fund Account Managers comply with the reporting template provided by the Public Sector Accounting Standards Board on prior year and provide a follow up report to the Office of the Auditor General in the subsequent audit cycle.**

## **2.9 Failure by PMCs to maintain project records**

### **Committee Observation**

- 32. The Committee observed that some Project Management Committees did not maintain expenditure returns indicating how funds disbursed were utilized.

### **Committee Recommendation**

- 33. **The Committee recommends that the Accounting Officer should ensure that proper records of each project which include, project returns, tender documents, payment**

vouchers, completion certificates, bill of quantities, project designs, contracts, project minutes, bank balances and procurement documents are maintained by the PMCs and original project file maintained by the Fund Account Manager.

## **2.10 Non-compliance with procurement laws.**

### **Committee Observation**

34. The Committee observed that Management and Project Management Committees in some cases, failed to comply with the Public Procurement and Asset Disposal Act, 2015 and its regulations on procurement of goods and services.

### **Committee Recommendations**

#### **35. The Committee recommends that:**

- a) The Accounting Officer, in consultation with the Public Procurement Regulatory Authority (PPRA), should conduct continuous capacity building to all Fund Account Managers on procurement laws and regulations within three (3) months of the adoption of this Report.
- b) The Accounting Officer should ensure that the Fund Account Manager conducts regular capacity building for Project Management Committees on procurement to enhance compliance with the Public Procurement and Asset Disposal Act, 2015 and its regulations.
- c) The Accounting Officer should ensure that the Fund Account Manager and Project Management Committees comply with the provisions of Part IX, Section 91 to 114 of the Public Procurement and Asset Disposal Act, 2015 which provides for the *Methods of Procurement of Goods, Works and Services*.

## **2.11 Handover Process**

### **Committee Observation**

36. The Committee observed that the handover process between Fund Account Managers when their term of service in a given constituency ends was poorly structured.

### **Committee Recommendation**

#### **37. The Committee recommends that: -**

- a) The Accounting Officer should ensure there is a structured handover process whereby a witness (the Regional Coordinator or a representative from the Board) should be present to oversight the handover. The handover report should also include unresolved prior year matters that have been raised by the Office of the Auditor General.

## **2.12 Enforcement of internal audit recommendations**

### **Committee Observation**

38. The Committee observed that the Accounting Officer did not provide internal audit reports from the internal audit department of the fund to the Office of the Auditor General during audit.

### **Committee Recommendation**

39. **The Committee recommends that the Accounting Officer should implement audit recommendations pursuant to Regulation 172 (1) and (2) of the Public Finance Management (National Government) Regulations, 2015 which provides that (1) *The accounting officer of the concerned entity shall be responsible for the implementation of the recommendations made in the audit reports and shall develop response and action plan which he or she shall submit to the Chairperson of the audit committee within fourteen days and (2) The response and action plan submitted to chairperson of the audit in paragraph (1) of this regulation shall be submitted to the Audit Committee for follow up to ensure their implementation.***

## **2.13 Co-Funding of Projects**

### **Committee Observation**

40. The Committee observed that buses were being purchased through counter-part funding (co-funding) by various schools through hire purchase/asset financing which is contrary to the procurement method specified under Part IX - Methods of procurement of Goods, Works and Services of the Public Procurement and Asset Disposal Act, 2015. Further, the management contravened the directive by Accounting Officer which advised that a bus project should be purchased on a one-off basis and not through asset financing and any amount allocated is exclusive of insurance premiums or any other recurrent cost.
- 

### **Committee Recommendation**

41. **The Committee recommends that the Accounting Officer should enforce guidelines on purchase of buses for schools where they should be purchased on a one-off basis, and where the purchase is through counter-part funding (co-funding), evidence of availability of funds should be provided before approval by the Board.**

## **CHAPTER THREE**

### **3.0 EXAMINATION OF REPORTS ON THE AUDITED ACCOUNTS FOR THE NG-CDF FOR CONSTITUENCIES IN BUSIA COUNTY FOR THE FINANCIAL YEARS 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022**

42. The Committee examined fifty -four (54) reports of the Auditor General for the NG-CDF for Financial Years 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 and 2021/2022 for the following six (6) Constituencies in Busia County:

- 1) Teso South Constituency
- 2) Matayos Constituency
- 3) Nambale Constituency
- 4) Funyula Constituency
- 5) Teso North Constituency
- 6) Butula Constituency

#### **3.1 TESO SOUTH CONSTITUENCY**

43. The Fund Account Manager, appeared before the Committee on 6<sup>th</sup> October 2023, tabled the NGCDF management responses and supporting documents on the audited accounts and submitted as follows:

##### **3.1.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2013/2014**

###### **1.0 Going Concern**

44. The High Court of Kenya in its ruling on Petition 71 of 2013 held that the Constituencies Development Fund Act 2013 establishing the Constituency Development Fund since the enactment of the Constitution of Kenya 2010 was unconstitutional rendering the existence of the fund illegal. it is not clear whether legislation providing for the fund will be in place within the period given by the High Court of twelve months for the fund to continue existing. As a result, the going concern status of the Constituency Development Fund is doubtful.

###### **Management Response**

45. The Fund Account Manger submitted that the matter of going concern was resolved by enactment of NG-CDF Act, 2015.

###### **Committee Observation**

46. The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act, 2015 and its Regulations 2016 which

aligned the Fund functions to National Government functions. Consequently, the Committee marked the matter as resolved.

## **2.0 Accuracy and completeness of the financial statements**

47. The fund did not comply with the standards and template contained in the Gazette pronouncement issued by Public Sector Accounting Standards Board on the presentation of the financial statements as the cash flows was not prepared.

### **Management Response**

48. This was the first year that the constituency adopted the IPSAS reporting framework and had its own challenges. The cash flow statement was prepared and availed to the auditors for review. The constituency prepares monthly expenditure returns which are later consolidated to annual expenditure returns which serves as the ledger and a basis for preparation of the financial statements.

### **Committee Observation**

49. **The Committee observed that the cash flow statement was subsequently prepared according to the IPSAS reporting framework and availed to the auditors for review thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**

## **3.0 Irregular payment of consultancy services**

50. A firm was contracted to prepare a five-year strategic plan at a contract sum of Kshs. 1,795,000.00. However, there were no tender opening minutes and evaluation report, and the job was awarded without following due procurement processes. Further, no evidence that 5% withholding tax was held before releasing payment to the consultant. In the circumstances, the propriety of the expenditure of Kshs. 1,795,000 could not be confirmed as at 30 June 2014.

### **Management Response**

51. The Constituency developed a strategic plan for the constituency and the procurement records were misplaced but were later availed for audit. In the year under review the constituencies were not withholding agents hence the 5% withholding tax was not deducted during the payment to the consultant.

### **Committee Observation**

52. **The Committee observed that the supporting documents were not provided during audit. However, management subsequently provided a copy of the tender advertisement, tender opening minutes, tender evaluation report, terms of reference, award letter, voucher and strategic plan extract for audit review thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**



#### **4.0 Unaccounted for stores**

53. The fund incurred expenditure amounting to Kshs.860,500.00 on procurement of stationery and other office items. However, the stores ledger cards were not maintained to show the movement of the stores. Consequently, it was not possible to confirm whether the stores were received and used for the intended purpose.

##### **Management Response**

54. The store ledger cards were not maintained to show the movement of the stores. However, the constituency has capacity build its employees on store keeping procedures and record keeping, hence improving the processes.

##### **Committee Observation**

55. **The Committee observed that the matter was addressed as the Fund Account Manager submitted the documents for audit review. Consequently, the Committee marked the matter as resolved.**

#### **5.0 Use of goods & services**

56. The statement of receipts and payment reflects an expenditure of Kshs.3,061,915.20 which differs with the schedule figure of Kshs.3,262,664.00 resulting into an unreconciled difference of Kshs.200,748.80. As a result, the accuracy of the use of goods and services balance of Kshs.3,061,915.20 could not be confirmed as at 30 June 2014.

##### **Management Response**

57. This was the first year that the constituency adopted the IPSAS reporting framework and had its own challenges. The difference in the use of goods and services resulted from misclassification however the schedule was amended to reflect the correct position which is Kshs.3,061,915.

##### **Committee Observation**

58. **The Committee observed that there was an unreconciled difference of Kshs 200,748.80 from the statement of receipt and payment. The schedule was later reconciled to reflect the correct position thereby correcting the error and submitted for audit review.**
59. **The Committee marked the matter as resolved.**

#### **6.0 Irregular award of bursary for driving schools**

60. An amount of Kshs. 1,200,000.00 was paid to a driving school being bursary awards to some 80 people to undertake driving lessons. However, it was not clear how the beneficiaries were identified since minutes of a meeting which approved the beneficiaries were dated 22 January 2014 yet application forms for most of the beneficiaries are dated and signed by applicants on 4 March 2014. Further, there was no document available to confirm that the driving school was sourced competitively as should be the case. Under the circumstances, the propriety of the expenditure of Kshs.1,200,000 could not be confirmed as at 30 June 2014.

#### **Management Response**

61. During the Constituency *baraza* it was established many young men that had finished secondary and had no means to further their education. It was decided that the constituency should enable the young men to employ themselves which was to be done in phases. For commitment purpose the CDF had to make commitment by paying the school Kshs. 1,200,000 as they waited for the applications of the students who were to be in the first phase hence the late application.

#### **Committee Observation**

62. **The Committee observed that the procurement documents were not provided at the time of audit. However, during examination of the reports, the PMC meeting minutes and payment vouchers were provided and were found to be satisfactory.**
63. **The Committee marked the matter as resolved.**

#### **7.0 Other grants and transfers**

64. The other grants and transfers of Kshs.19,304,181.00 reported in the financial statement differs with the schedule listing balance of Kshs.20,114,181.00 resulting into an unreconciled difference of Kshs.810,181.00. Consequently, the accuracy and propriety of other grants and transfers balance of Kshs.19,304,181.00 could not be confirmed as at 30 June 2014.

#### **Management Response**

65. This difference in the other grants and transfers resulted from misclassification however the schedule was amended to reflect the correct position which is Kshs 19,304,181.
- 

#### **Committee Observation**

66. **The Committee observed there was an unreconciled difference of Kshs.810,181.00 in the financial statement resulting from misclassification. However, the schedule was amended to reflect the correct position and provided for audit review thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

#### **8.0 Procurement of Flood Lights**

67. A firm was awarded a contract for installation of 5 flood lights in 5 markets in Teso South Constituency at a cost of Kshs.5,000,000.00. However, there were no Technical Evaluation and Inspection and Acceptance Committees' reports to confirm adherence to the specifications and quality of the flood lights supplied and installed. In the absence of technical reports, I am unable to confirm whether the supply met the specifications and desired objective as intended and that CDF got value for money in the transaction of Kshs.5, 000,000.00 as at 30 June 2014.

### **Management Response**

68. The Committee procured the installation of flood lights in 5 markets namely Amukura market, Simba Chai, Lukolis, Asinge and Adungosi. The Technical evaluation Committee report and Inspection and acceptance Committee report were availed for audit review.

### **Committee Observation**

69. The Committee observed that the Fund Account manager failed to submit the documents supporting the expenditure during the audit period. The reports were later availed for audit review and the Office of the Auditor General was satisfied with the response.
70. The Committee marked the matter as resolved.

### **9.0 Recruitment of casuals**

71. The Fund engaged ten casual employees in the month of October 2013 to oversee implementation of CDF projects. Payment vouchers availed indicate a total amount of Kshs.655,000.00 was paid out to these employees referred to as ward supervisors. However, the recruitment documents and terms and conditions of engagement were not made available for audit review. Consequently, the propriety of the expenditure of Kshs.655,000 could not be confirmed as at June 2014.

### **Management Response**

72. The Constituency employed casuals on a needs basis to assist in bursary forms distributions and collections and ensure that projects initiated by PMC are ongoing in various wards and report back to office on the same. The Constituency however, due to capacity issues then did not keep proper employment records. Currently, the Constituency has employed a records officer to assist with record keeping of all files.

### **Committee Observation**

73. The Committee observed that at the time of the audit, the employment records were not provided for audit review; however, the documents were later provided and verified by the Office of the Auditor General thereby addressing the matter. Consequently, the Committee marked the matter as resolved.

### **10.0 Over Expenditure on Administrative Vote**

74. The fund spent Kshs.6,910,425.00 on administrative expenses out of the total budget of Kshs.82,307,345.00 which exceeded the 6% threshold. The over expenditure of Kshs.1,971,984.50 without board approval is in contravention of the CDF legislation.

### **Management Response**

75. The Constituency had not fully exhausted its administration vote for 2012-2013 amounting to Kshs. 1,971,984.50 which was spent during the year 2013-2014.

#### **Committee Observation**

76. The Committee observed that there was an over expenditure on the administrative expenses because the Constituency had not fully exhausted its administration vote for FY 2012/2013 amounting to Kshs. 1,971,984.50. It was spent in the subsequent FY 2013/2014 and the matter adequately addressed. Consequently, the Committee marked the matter as resolved.

### **3.1.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2014/2015**

#### **1.0 Presentation, Accuracy, and Completeness of the Financial Statements**

77. According to the International Public Sector Accounting Standards (IPSAS) Cash Basis financial statements presentation format prescribed by the National Treasury, requires the management to prepare and submit a report on corrective actions taken on the previous year audit recommendations. In the year 2013/2014, a disclaimer of audit opinion was issued on the financial statements of the Teso South CDF. However, no report on the progress on follow-up of the audit issues raised was included in the financial statements for the year under review. In the circumstance, the presentation of the financial statements for the year under review does not conform to IPSAS (Cash Basis).

#### **Management Response**

78. The constituency as at the time of preparation of the financial statements had not received the final audit certificate hence did not prepare the progress on follow up of audit recommendations report. However, the report has been prepared and availed to the auditors for review.

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#### **Committee Observation**

79. The Committee observed that the progress report on follow up of audit issues had not been availed at the time of audit. However, the matter was addressed as the management later prepared and availed the progress report for audit review.
80. The Committee marked the matter as resolved.

### **2.0 Other Grants and Transfers - Unsupported Expenditure**

81. During the year, the Fund transferred Kshs.62,950,604 as other grants and transfers to finance, education bursaries and various projects out of which grants totalling to Kshs.49,865,367 were not properly accounted for as explained below.

#### **2.1 Education bursaries**

82. The fund disbursed education bursaries to secondary schools and tertiary institutions totalling to Kshs.12,688,138 but against which no returns were submitted by the beneficiary institutions.

#### **Management Response**

83. The constituency had a challenge then since the students were picking the cheques from the office and were not bringing back the acknowledgement receipts. However, the office

has taken measures and has engaged the Postal Corporation of Kenya who upon delivery of the cheques brings back the acknowledgements.

#### **Committee Observation**

84. **The Committee observed that the acknowledgment receipts were later availed to the auditors for audit review and the issue was satisfactorily addressed. Consequently, the Committee marked the matter as resolved.**

#### **2.2 Projects without Expenditure Returns**

85. The fund disbursed a total of Kshs.37,177,209 for project implementation in various wards. However, no expenditure returns were provided for audit review. In view of the foregoing, the propriety and value for money for the expenditure of Kshs.49,865,347 could not be ascertained.

#### **Management Response**

86. The Constituency implemented 36 projects which were at various stages of completion by the time of audit and thus the returns had not been presented to the office. However, the Fund Account Manager was able to get a written confirmation from respective projects of the existence of the projects and picture thereof for audit review.

#### **Committee Observation**

87. **The Committee observed that the expenditure returns were not availed at the time of audit. The Fund Account Manager later provided a summary schedule containing pictures and completion certificates for complete projects for audit review.**
88. **The Committee marked the matter as resolved.**

#### **3.0 Acquisitions of Assets**

89. During the year under review, the Fund bought assets costing Kshs.6,828,500. However, ownership documents for the motor vehicle and four motorcycles bought at a cost of Kshs.5,829,000 were not made available for audit review. In the circumstances, the ownership and valuation of assets could not be confirmed.

#### **Management Response**

90. The Board is the custodian of all assets purchased under the fund and hence registered as such. Hence the logbooks were with the board. The search documents have been availed to the auditors for review.

#### **Committee Observations**

91. The Committee observed that: -
- (i) The ownership documents for the motor vehicle and four motorcycles were not made availed for audit review
  - (ii) The logbook and photograph for the motor vehicle registration number GKB 567G were availed later for audit verification.

#### **Committee Recommendations**

92. **The Committee recommends that the Accounting Officer should in accordance with Section 53 (1) of the Public Audit Act, (CAP. 412B) submit the original logbooks of the motorcycles within three months upon adoption of this report and going forward ensure that the Fund Account Manager maintains duplicate documents in regard to motor vehicles, such as logbooks at the Constituency office.**

#### **4.0 Budgetary Performance & Control**

93. The approved budget for Teso South Constituency CDF for the year under review amounted to Kshs.169,571,955 but only Kshs.104,598,951 was spent thus resulting in under-expenditure of Kshs.65,473,003. Further, the fund only received an amount of Kshs.59,372,109 compared to the budgeted sum of Kshs.170,071,956 thus resulting in underfunding by Kshs.110,699,848. Consequently, the fund could not meet its planned targets and service delivery obligations to the constituents.

#### **Management Response**

94. The underfunding relates to delay in the disbursement of funds to the Board that was subsequently received in the following year 2015-2016. Aailed are copies of AIEs for 2014-2015 received in 2015-2016 for audit review.

#### **Committee Observation**

95. **The Committee observed that the under-expenditure of Kshs. 65,473,003 was due to delayed disbursement of funds. The issue was addressed as copies of AIEs as evidence of delayed disbursements were availed for audit review.**
  96. **The Committee marked the matter as resolved.**
- 

#### **5.0 Project Implementation Performance**

97. The Fund was to implement a total of 51 projects in various sectors during the financial year as shown below: Analysis of the status of projects at the time of the audit in February revealed that three (3) projects had not started, 25 were ongoing (including three which were not budgeted for) while 25 had been completed.

#### **Management Response**

98. The projects had implementation challenges mostly due to the delay of funds from the exchequer in the year 2014-2015. These projects were executed accordingly.

#### **Committee Observation**

99. **The Committee observed that the projects faced implementation challenges due to the delay of funds from the exchequer and the query was satisfactorily addressed.**
100. **The Committee marked the matter as resolved.**



### **3.1.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2015/2016**

#### **1.0 Unsupported Procurement for Construction of Laboratory at St. Mark ACK Machakus Secondary School**

101. A local company was contracted to construct a laboratory for St. Mark ACK Machakus Secondary School at a cost Kshs.1,000,000. No tender documents including advertisement, tender opening, tender evaluation and award were provided for audit verification. Furthermore, a site visit carried out during the audit revealed that the laboratory is substantially complete. Consequently, the propriety of this expenditure could not be confirmed.

##### **Management Response**

102. The current school principal committed in writing that the project was implemented but could not provide tender documents. Availled is the principal's commitment, copy of bills of quantities, completion letter from clerk of works and a photograph of the laboratory for audit review.

##### **Committee Observation**

103. **The Committee observed that the issue was adequately addressed as the management availled the commitment letter from the school principal, the copy of bills of quantities, completion letter from clerk of works and a photograph of the laboratory for audit review.**
104. **The Committee marked the matter as resolved.**

#### **2.0 Incomplete Construction of Dining Hall At Fr. Okodoi Secondary School**

105. The construction of a multi-purpose dining hall at Father Okodoi Secondary School was awarded to a local company in June 2015 at a contract sum of Kshs.13,999,274. During the financial years 2014/2015 and 2015/2016, CDFC allocated and disbursed a total of Kshs.6,000,000 to the project management committee towards the project. However, a site visit carried out revealed that the project was incomplete and still at the wall level and appeared to have stalled as the contractor was not on site.
106. There was also no evidence of the time frame agreed upon between the contractor and the client on the commencement and completion of the project being met. The school management attributed this to the failure in paying the contractor in good time. In view of this, the fund may take longer to complete the project hence denying the constituents of Teso South benefits intended from the project.

##### **Management Response**

107. The constituency transferred Kshs. 6,000,000 to the school for the construction of the dining hall. The school undertook the project up to the foundation level. The balance of Kshs. 1,000,000 is still in the Project Management Committee account. The principal had availled the following documents - confirmation letter, advertisement for tender, site handing over letter, work plan, tender opening and evaluation minutes, bank statement for audit review.

### **Committee Observations**

108. The Committee observed that the project had remained stalled at the slab level since FY 2015/2016 and at the time of audit, Kshs.3,000,000 had been disbursed to the project, Kshs.1,500,000 in FY 2014/15 and Kshs.1,500,000 in FY 2015/2016.
109. The Accounting Officers directive on completion of projects saw a further approval of funding towards the project where Kshs.1,000,000 was allocated in the FY 2021/2022 and an additional Kshs. 6,500,000 disbursed in the FY 2022/2023 bringing the total and full disbursement to the project at Kshs.10,500,000.
110. Following the disbursements, the contractor (Eldemo Enterprises Limited) had resumed work on the project with 60% complete works as at May 2024. The estimated completion date was 20<sup>th</sup> June 2024

### **Committee Recommendation**

111. **The Committee recommends that the Accounting Officer should in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B) provide a project implementation status report and completion certificate for the project to the Office of the Auditor General for audit verification within three months upon adoption of the report.**
112. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager complies with NG-CDF Act 2015 Section 46 (2) on prioritization of ongoing projects for allocation of funds and the Board's directive on prioritization of completion of stalled projects.**

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### **2.0 Lack of Title Deeds for Purchased Parcels of Land**

113. During the year under review, the fund purchased parcels of land amounting to Kshs. 2,300,000 for various institutions in the constituency as detailed (Ochude Chief Office PMC-Purchase of 1 Acre Land Kshs. 300,000, Amerikwai Primary School-Purchase of Land Kshs. 1,000,000.00 and St. Luke's Amoni Primary-Purchase of Land Kshs. 1,000,000.00)
- However, the title deeds are yet to be obtained as the transfer process or change of ownership is still ongoing hence the ownership of parcels land by the various public institutions could not be verified.

### **Management Response**

#### **Ochude Chief Office PMC-Purchase of 1 Acre Land Kshs. 300,000**

114. The parcel of land was bought to set up a Chief Camp but currently hosts the AP Camp. The land is under the succession process.

#### **Amerikwai Primary School-Purchase of Land Kshs. 1,000,000.00**

115. The land was purchased for expansion of Amerikwai Primary School. The transfer has not been completed because the land is under succession. Aailed is a confirmation letter from the head teacher, mutation form and official search for audit review.

**St. Luke's Amoni Primary-Purchase of Land Kshs. 1,000,000.00**

116. The land was purchased for expansion of the school. The transfer of the Parcel of land has not been completed because the land is under succession.

**Committee Observations**

117. The Committee observed that: -

- (i) The official search, sale agreement and letter of confirmation from the head teacher that the school possesses the land were availed for audit review.
- (ii) The title deeds for St. Luke's Amoni Primary and Ochude Chief Office PMC were not provided during audit since the parcels of land were undergoing succession.

**Committee Recommendations**

118. The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP. 412B), the Fund Account Manager should submit to the Accounting Officer all pending land matters in the constituency, including St. Luke's Amoni Primary and Ochude Chief Office PMC i.e., misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
119. The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

**3.0 Budgetary Control**

120. During the year under review, the total funds received was Kshs. 116,344,109 against budget of Kshs. 186,373,639 hence leading to under receipt of Kshs. 70,029,530. Further, the compensation of employees was underspent by Kshs. 2,402,358 (73.3%) while the use of goods and services was underspent by Kshs. 5,294,795.58 (9%). Lastly, the overall expenditure was under-utilized by or Kshs. 66,348,660.35 (6%). Consequently, the budget total was not met, and various projects budgeted were not implemented within the financial year. It is not clear how CDF intended to clear this backlog of projects as low budget absorption will negatively affect service delivery.

**Management Response**

121. The Under expenditure was a result of delay in exchequer disbursements from the Board. These funds were received in the following year 2016-2017 and audited accordingly.

**Committee Observations**

122. The Committee observed that: -

- (i) The under absorption of the funds was due to late disbursement of funds by the Board.

- (ii) The funds were received in the following year 2016-2017 and audited accordingly thereby addressing the issue.
- (iii) The Committee marked the matter as resolved.

#### **4.0 Project Implementation Status**

123. During the year under review, the fund was to implement a total of 76 projects/programs from the different sectors. However, analysis of implementation status indicates that 47 or 60% of the projects had not started, 17 or 23% of the status were still ongoing while 12 or 17% of the projects had been completed. Therefore, the fund did not fully meet the budget target and effective delivery of service.

#### **Management Response**

124. The ongoing and projects yet to be started as at the time of audit were eventually started and completed upon receipt of respective AIEs.

#### **Committee Observations**

125. The Committee observed that: -

- (i) The Project Implementation report for FY 2015-2016 was made available for audit review.
- (ii) Management provided the pictures and completion certificates for the projects for audit verification.
- (iii) The Office of the Auditor General physically verified the projects, thereby addressing the matter.
- (iv) The Committee marked the matter as resolved.

### **3.1.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017**

#### **1.0 Payment for Works not Done**

126. During the year under review, the fund incurred a total of Kshs. 53,730,000 on transfer to other government entities. Included in the expenditure was an amount of Kshs. 7,000,000 disbursed to Amukura Girls' High school for the construction of a dining hall. However, physical verification revealed that some projects included in the cost bill of quantities amounting to Kshs. 1,858,010 as detailed below.

<b>Works not Done</b>	<b>Amount Kshs</b>
Rain water goods	97,650.00
Doors	464,330.00
Windows	281,250.00
Finishes	1,014,780.00
<b>Total</b>	<b>1,858,010.000</b>

127. In addition, it was not possible to confirm whether the works were supervised by government technical department as required since work completion certificates were not

presented for audit review. In the circumstances, the propriety of the expenditure amounting to Kshs.7,000,000 cannot be confirmed.

#### **Management Response**

128. By the time of audit, the project was still in progress. Currently the project is complete as envisioned. The works were supervised by the Public Works officer Busia County as evidenced by payment certificates, supervision notes and public works correspondences.

#### **Committee Observations**

- (i) The Committee observed that management availed a commitment letter from the principal and a photo of the complete project for audit review.
- (ii) The Office of the Auditor General physically verified the project, thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.

#### **Other matter**

##### **2.0 Budgetary Performance**

129. The approved expenditure budget for the fund was Kshs.153,232,671.00 but only Kshs.118,074,811.00 was spent resulting in an under expenditure of Kshs. 35,157,860.00 equivalent to 22.94% of the budget.

#### **Management Response**

130. The under expenditure was as a result of delay in exchequer disbursements from the Board. These funds were received in the following year 2017-2018 and audited accordingly.

#### **Committee Observation**

131. The Committee observed that the matter was adequately addressed as it was as a result of delayed disbursement of funds by the exchequer, an issue beyond the control of the Accounting Officer. The matter was marked as resolved.

##### **3.0 Project Performance**

132. The fund was to implement a total of 73 projects/programs by different sectors during the financial year under review. Further analysis indicated that 39 projects representing 53% of the portfolio were ongoing while 34 representing 47% of the portfolio had been completed. In the circumstance, the public did not receive services expected to be delivered through the projects that were not completed.

#### **Management Response**

133. Project underperformance was a result of delays in release of funds from the Board. When these funds were eventually released, the Constituency disbursed the monies to respective Project Management Committees which implemented the projects to completion as per the certificates of completion and Project Implementation Status report provided.

#### **Committee Observation**

134. The Committee observed that the management provided the completion certificates, coloured photographs and Project Implementation Status report for audit review. This was corroborated by the auditors thereby addressing the matter.
135. The Committee marked the matter as resolved.

#### **4.0 Roads Projects**

136. The fund incurred expenditure on two roads projects costing Kshs. 7,646,734 that were not budgeted for in the approved project proposal for the year. In the circumstances, the public did not receive services expected to be delivered through the projects that were not completed.

#### **Management Response**

137. The ongoing and projects yet to be started as at the time of audit were eventually started and completed upon receipt of respective AIEs.

#### **Committee Observations**

138. The Committee observed that: -
- (i) The roads are classified under KERRA, but since they provide access to a school, they can be funded by the NG-CDF as a supplement to National Government functions as part of the school's infrastructure.
  - (ii) Management attached the Project Implementation report for 2015-2016 for audit review.
  - (iii) The roads were physically verified by the Auditors thereby addressing the matter.
- 
- (iv) The Committee marked the matter as resolved.

### **3.1.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018**

#### **1.0 Budget performance**

139. During the year under review, the National Government Constituency Development Fund-Teso South Constituency had approved budget of Kshs. 86,810,344, adjustment of Kshs. 46,537,171 comprising supplementary budget of Kshs. 11,379,310 and brought forward balances of Kshs. 35,157,861 from two consecutive years, leading to a final budget of Kshs. 133,347,515. The actual amount received from the Board was Kshs. 72,153,447 plus part of the balance brought forward of Kshs. 4,209,586 resulting into total receipt of Kshs. 76,363,033 thereby resulting into an underfunding by Kshs. 56,984,482 (Kshs. 133,347,515, Kshs. 76,363,033) or 57.3%. No explanation was given for the underfunding. Further, it was noted that out of the final budget of Kshs. 133,347,515, the constituency fund spent only Kshs. 45,137,769 or 33% of the final Budgeted receipts leading to a budget under absorption of Kshs. 88,209,746 or 66.2%.



#### **Management Response**

140. The under expenditure was as a result of delay in receiving funds in time from the Board for effective planning purposes during the year. However, these funds were eventually received towards the end of the year thus could not be utilized within the current financial year. The budget has since been fully implemented in the Consecutive year.

#### **Committee Observation**

141. The Committee observed that the under expenditure was as a result of delay in receiving funds in time from the Board. The matter was addressed as the project Implementation Status was provided for audit review.
142. The Committee marked the matter as resolved.

#### **2.0 Project Performance Status**

143. According to the PIS status report, the CDFC Teso South had 416 projects with a value of Kshs. 558,418,852 and had approved Kshs. 560,418,852 and disbursed Kshs. 519,177,473 to implement these projects which were at various levels. From the statistics, it was noted that 32 projects with a value of Kshs. 60,194,126 that would have been completed by 30 June 2017 or earlier were still ongoing. Another 13 projects which had received Kshs. 30,047,402 during the year under review remained ongoing yet should have been completed and handed over by December 2018.

#### **Management Response**

144. The under expenditure was as a result of delay in receiving funds in time from the Board for effective planning purposes during the year. However, the funds were eventually received towards the end of the year thus could not be utilized within the current financial year. The budget has since been fully implemented in the consecutive year. Attached is the Project Implementation Status for audit review.

#### **Committee Observation**

145. The Committee observed that management provided the completion certificates and coloured photographs for audit review. The matter was addressed as the projects were verified physically by the Auditors.
146. The Committee marked the matter as resolved.

### **3.1.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019**

#### **1.0 Stale Cheques in Bank Reconciliation Statements**

147. The statements of assets and liabilities reflect cash equivalent balance of Kshs. 4,961,167 as at June 30<sup>th</sup>2019. However, audit review on bank reconciliation statements reflects unrepresented cheques totalling Kshs. 6,874, 887 out of which cheques totalling Kshs. 345, 520 related to the period between 11 March 2017 and 13 December 2018 were stale.

### **Management Response**

148. The unpresented cheques of Kshs. 345,520 were reversed and cash and cash equivalents corrected.

### **Committee Observation**

149. The Committee observed that the un-presented cheques were reversed, cash & cash equivalents corrected and the bank statements and cashbook extracts provided for audit review thereby addressing the matter.
150. The Committee marked the matter as resolved.

### **2.0 Budgetary Control and Performance**

151. The statement of comparative budget and actual amount reflect final receipts budget and actual on comparable basis of Kshs. 198,950,622 and Kshs. 143,909,747 respectively resulting to an underfunding of Kshs. 55,040,875 or 28% of the budget. Similarly, the fund spent Kshs. 138,950,581 against an approved budget of Kshs. 198,950,622 resulting to an underfunding and underperformance affecting the planned activities and may have impacted negatively on service delivery to the residents of Teso South Constituency.

### **Management Response**

152. The under expenditure was as a result of delay in receiving funds in time from the Board for effective planning purposes during the year.
- However, these funds were eventually received towards the end of the year thus could not be utilized within the current financial year. The budget has since been fully implemented in the consecutive year.

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### **Committee Observations**

153. The Committee observed that: -

- (i) The under expenditure was as a result of delay in receiving funds from the Board.
- (ii) The budget was fully implemented in the subsequent year.
- (iii) The Project Implementation Status was availed for audit review thereby addressing the matter.
- (iv) The Committee marked the matter as resolved.

### **3.0 Project Implementation Status**

154. According to the Project Implementation Status (PIS) report submitted for audit as at 30 June 2020, the fund had planned to implement four hundred and sixty (460) projects from 2013/2014 to 2018/2019 at a total cost of Kshs. 458,898,982 and which were at various levels of implementation.
- Out of the sixty-one (61) projects that were being implemented in 2018/19 financial year, thirty (30) projects costing Kshs. 38,627,984 were completed during the year while ten (10) projects costing Kshs. 32,600,000 were indicated as ongoing. Thirty-five (35) projects costing Kshs. 59,205,172 relating to the year 2017/2018 and earlier were indicated as ongoing. No reason was provided for the delay in implementation of the

projects that would have otherwise changed the lives of residents of Teso South constituency.

#### **Management Response**

155. The under expenditure was as a result of delay in receiving funds in time from the Board for effective planning purposes during the year. Upon receipt of these funds, the Projects have since been fully implemented in the consecutive year.

#### **Committee Observations**

156. The Committee observed that: -

- (i) Management provided the completion certificates and photographs for audit verification.
- (ii) The matter was addressed as the Auditor conducted physical verification substantiating that the projects exist.
- (iii) The Committee marked the matter as resolved.

### **3.1.7 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020**

#### **1.0 Unreconciled Cash and Cash Equivalent**

157. The statement of assets and liabilities reflects cash and cash equivalent balance of Kshs. 1,255,477. However, a review procedure performed on the bank reconciliation statement showed unpresented cheques totalling Kshs. 2,725,318 out of which cheques amounting to Kshs. 704,306 related to the period between 22 February 2019 and 26 December 2019 and was therefore stale but had not been reversed in the cash book. In addition, the bank reconciliation statements reflect payment in the bank not recorded in the cashbook amounting to Kshs. 720 as at June 30 2020, and no reason was provided for not recording the bank charges to the cashbook.

#### **Management Response**

158. The stale cheques amounting to Kshs. 704,306 were reversed in the cash book and cash and cash equivalent updated. The bank charges of Kshs. 720 was recorded in the cash book and cash and cash equivalent balance updated.

#### **Committee Observation**

159. The Committee observed that the matter was addressed as the stale cheques were reversed, bank charges recorded in the cash book and the cash & cash equivalent balance updated and verified by the auditors.
160. The Committee marked the matter as resolved.

#### **2.0 Budgetary Control and Performance**

161. The summary statement of appropriation-recurrent and development combined reflects final receipts budget and actual on comparable basis totalling to Kshs. 197,464,767 and Kshs. 128,097,042 respectively, resulting to an underfunding amounting to Kshs. 69,367,724 or 35% of the budget. Similarly, the statement reflects final expenditure

budget and actual on comparable basis totalling to Kshs.197,464,765 and Kshs.126,841,566 respectively, resulting to an under expenditure of Kshs. 70,623,199 or 36% of the budget.

#### **Management Response**

162. The under expenditure was as a result of delay in receiving funds in time from the Board for effective planning purposes during the year. However, these funds were eventually received towards the end of the year thus could not be utilized within the current financial year. The budget has since been fully implemented in the Consecutive year.

#### **Committee Observations**

163. The Committee observed that: -
- (i) The under expenditure was as a result of delay in receiving funds from the Board.
  - (ii) The budget was fully implemented in the subsequent year and the matter adequately addressed.
  - (iii) The Committee marked the matter as resolved.

#### **3.0 Stalled Project - Construction of Administration Block At Amukura TTC –**

164. The statement of receipts and payments reflects transfer to other government units amounting to Kshs. 74,769,770 which includes transfer to tertiary institutions amounting to Kshs. 2,000,000 that was transferred to Amukura Teachers Training College in respect of additional fund for construction of tuition and administration block up to walling level. The project contract sum was Kshs. 43,500,000 and was to be co-funded by the Ministry of Education. The Teso South CDF had disbursed a total of Kshs. 17,500,000 out of which an amount of Kshs. 2,000,000 was disbursed in 2019/2020 financial year. The project is a two (2) storey building housing twelve (12) offices, four (4) classrooms, one computer lab.
165. It was noted that the agreement was signed on October 8<sup>th</sup>, 2018, and the project duration was 52 weeks implying it was completed by October 2019. However, as at the time of the audit in March 2021, two years later, the project was not complete, only columns had been erected at the ground level. Consequently, the residents of Teso South did not receive value for money in respect of the funds spend on the project.

#### **Management Response**

166. At the time of audit, the project had temporarily stalled at slab level due non-disbursement of Kshs.30,000,000 from the Ministry of Education which had initially been promised by H.E the President, then Deputy President, when he launched the project on 31<sup>st</sup> March 2017. The NGCDF Committee later resolved to fund the project in phases with phase I being construction of ground floor to usable state. The project was retendered after the first contractor abandoned the site.
167. The project has been funded to a tune of Kshs.36,000,000 to date. Certified works paid was Kshs.25,000,000 and the contractor (Cathemax Investments Limited) was on site with 80% complete works. Kshs. 12,900,000 million had been further allocated in the FY

2022/2023 while the NGCDF follows up on the Ministry of Education allocation which is yet to be received. The total estimated cost of the project was Kshs. 80,000,000.

168. The schedule of disbursements to the project to date was provided as follows:-

<b>FY</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
2016/2017	Proposal	5,000,000.00
2017/2018	Reallocation	5,500,000.00
2018/2019	Proposal	2,000,000.00
2019/2020	Proposal	4,000,000.00
2020/2021	Proposal	2,000,000.00
2021/2022	Proposal	5,000,000.00
2022/2023	Proposal	12,993,830.00
	<b>Total</b>	<b>36,493,830.00</b>

#### **Committee Observations**

169. The Committee observed that this was a joint project between the Constituency and the Ministry of Education who failed to honour the commitment and therefore the Accounting Officer resulted to funding the project entirely.
170. A total of Kshs 36,493,830.00 had been disbursed to the project to date, funded through the Teso South NGCDF. The project was ongoing as the works were retendered. The new contractor was on site and works done up to the ground floor slab.

#### **Committee Recommendations**

171. The Committee recommends that: -

- a) The Committee recommends that the Accounting Officer should, and in accordance with Section 53 (1) of the Public Audit Act, (CAP. 412B), ensure the Fund Account Manager provides a project implementation status report for the project to the Office of the Auditor General for audit verification within three months upon adoption of the report and a completion certificate once the project is completed.
- b) The Accounting Officer should ensure that the Fund Account Manager complies with NG-CDF Act 2015 Section 46 (2) on prioritization of ongoing projects for allocation of funds and the Board's directive on prioritization of completion of stalled projects.
- c) The Fund Account Manager should comply with NGCDF Act 2015 Section 46 (2) during identification of projects which provides that *'The Constituency Committee shall rank the projects in order of priority and whenever, in the opinion of the Board, the total cost of the projects listed exceed the ceiling for a particular constituency, then the order in which they are listed shall be taken as the order of priority for purposes of allocation of funds, provided that on-going projects shall take precedence over all other projects.'*



#### 4.0 Delay in Implementation of Projects

172. According to the Project Implementation Status report submitted for audit, the fund had planned to implement five hundred and twenty-two (522) projects from 2013/2014 to 2019/2020 at a total cost of Kshs. 674,716,707 and which were at various levels of implementation. The approved and disbursed amount was Kshs.548,016,707 to implement the projects which were at various levels of implementation. It was noted that 87 projects with a value of Kshs.113,049,083 which would have been completed by 30<sup>th</sup> June 2019 or earlier still ongoing. Further, 51 projects which had received an amount of Kshs.109,422,724 during the financial year under review remained ongoing yet they should have been completed and handed over by December 2020. No reason was provided for the delay in implementation of the projects. Consequently, value for money was not realized from the delay in implementation of the projects.

#### Management Response

173. The under expenditure was as a result of delay in receiving funds in time from the Board for effective planning purposes during the year. However, the funds were eventually received towards the end of the year thus could not be utilized within the current financial year. The budget has since been fully implemented in the consecutive year.

#### Committee Observations

174. The Committee observed that: -

- (i) The under expenditure was as a result of delay in receiving funds from the Board.
- (ii) Management provided the completion certificates and coloured photographs for audit review.
- (iii) Field verification was conducted by the Auditors who corroborated that the projects are completed and in use thereby addressing the issue.
- (iv) The Committee marked the matter as resolved.

#### 5.0 Incomplete Projects

175. During the financial year under review, nine (9) projects costing Kshs. 21,573,648 were verified in March 2021 and they were found incomplete at various stages as shown below:

	Project Name	Project Details	Amount (Kshs)	Remarks
1	Akobwait Secondary School	Construction of a 50-seater capacity lab to completion.	4,000,000	The project was incomplete. It was at ring beam level.
2	Busia Township Secondary School	Additional funds for purchase of land for expansion.	475,000	Land purchased but the institution has not taken full ownership. There was someone still occupying the land.
3	Kodedema Girls Secondary School	Construction of two classrooms to completion	2,200,000	Construction had not started although procurement process had started. There is an occupant in the purchased land yet to be removed.
4	Kodedema Primary School	Construction of two classrooms to completion	2,200,000	Project had not started. Funds not utilized and Bank balances



	Project Name	Project Details	Amount (Kshs)	Remarks
				not reflected in the PMC balances
5	Amukura TTC	Additional funds for construction of the tuition and administration block up to walling level.	4,000,000	The project is a 2-storey building housing 12 offices, 4 classrooms, 1 computer lab- Work stalled at column level and Contractor not on site
6	Amagura Chiefs Office	Purchase of land 1 acre	400,000	Land transfer to NG- CDF Teso South not complete but was in process.
7	Asinge Chiefs Office	Purchase of land 1 acre	400,000	Land transfer to NG- CDF Teso South in process
8	Kotur Chiefs Office	Construction of chief's office	4,000,000	Construction is in progress, done to roofing
9	Chakol Division Assistant County Commissioner	Construction division assistant county commissioner office	3,898,648	Construction is in progress, done to roofing
	<b>Grand Total</b>		<b>21,573,648</b>	

Delay in completion of the projects may deny the constituents of the Teso South the benefits accruing from the complete projects.

#### **Management Response**

176. The nine (9) incomplete projects were due to various reasons that have now been addressed and project completed. Attached is a summary status report for the projects

#### **Committee Observations**

177. The Committee observed that: -

- (i) Management provided the completion certificates, photographs and status report to the Auditor for review.
- (ii) Field verification was conducted by the Auditor who substantiated that the projects are completed and in use thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.

### **3.1.8 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021**

#### **1.0 Unsupported Project Management Committee (PMC) Account Balances**

178. The PMC bank account balances as disclosed under note 17.4 to the financial statements and as shown under Annex 5, reflects a total balance of Kshs. 58,646,559 which comprises bank balances held in one hundred and four (104) accounts maintained by the Project Management Committees. However, cashbooks, bank confirmation certificates and bank reconciliation statements were not provided to support the individual balances. In the circumstances, the accuracy and completeness of the balance of Kshs. 58,646,559 could not be confirmed.

### **Management Response**

179. Provided were certificates of balances and bank reconciliation statements for all the one hundred and four (104) Project Management Committees accounts for audit review.

### **Committee Observation**

180. The Committee observed that the matter was addressed as the certificates of balances and bank reconciliation statements were provided for audit review.
181. The Committee marked the matter as resolved.

## **2.0 Land without Title Documents**

182. The summary of fixed assets register under Annex 4 to the financial statements reflects a balance of Kshs.685,000 relating to the value of land. However, a title deed for the land was not provided for audit verification. In the circumstances the ownership of the land valued at Kshs.685,000 could not be confirmed.

### **Management Response**

183. In the Financial Year 2020-2021 the Board requested all Constituencies to provide an estimated value of the land upon which the NG-CDF office stands. The figure of Kshs. 685,000 is therefore an estimated value of land for Teso South NG-CDF office space. There was no movement of funds from the main kitty to this end.

### **Committee Observations**

184. The Committee observed that: -
- (i) The title deed was not provided during audit period as the constituency was pursuing the allotment letter from the County Government.
  - (ii) The Auditor verified letters from the Constituency to the County Government, however the title documents were not produced for audit review.
  - (iii) The matter is not addressed.

### **Committee Recommendations**

185. The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP. 412B), the Fund Account Managers should submit to the Accounting Officer all pending land matters in the constituency, including Teso South NG-CDF Office i.e., misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
186. The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

## **3.0 Budgetary Control and Performance**

187. The statement of appropriation reflects budget and actual on the comparable basis of Kshs.207,767,080 and Kshs.162,678,201 respectively resulting to an underfunding of Kshs.160,854,306 against an approved budget of Kshs.207,767,080 resulting to an under-

expenditure of Kshs.46,912,774 or 23% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

188. The under expenditure was as a result of delay in receiving funds in time from the Board for effective planning purposes during the year. However, these funds were eventually received towards the end of the year thus could not be utilized within the current financial year. The budget has since been fully implemented in the Consecutive year. Attached is the Project Implementation Status for audit review.

#### **Committee Observations**

189. The Committee observed that: -

- (i) The under expenditure was as a result of delay in receiving funds from the Board.
- (ii) The budget was fully implemented in the subsequent year thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.

#### **4.0 Delayed Construction at Busia Township Primary School**

190. The statement of receipts and payment reflect an amount of Kshs.65,000,000 under transfer to other government units which includes an amount of Kshs.48,050,000 transferred to primary schools. The amount of Kshs.48,050,000 includes an amount of Kshs.6,000,000 disbursed to Busia Township Primary School for construction of two storey building including an administration block. The project duration was extended by 24 months to January 13, 2021. However, an audit inspection carried out on 26 April 2022 revealed that the building was not complete, and the contractor had abandoned the site. No explanation was provided for the delay and abandonment of the site by the contractor. In the circumstance, value for money was not obtained from the project.

#### **Management Response**

191. The tender for construction of administration and tuition block at Busia Township Primary School was awarded to Dayows Construction Company Ltd at a cost of Kshs.25,850,322.00. The Kshs.6,000,000 was the disbursement for 2020-2021 and was paid to the contractor by the PMC.
192. However, the contractor encountered some unforeseen eventualities which required contract variations and extra works as advised by the project supervisor but not authorized by the NG-CDFC. The contractor therefore having a claim for work done but not paid had vacated the site as the matter of approval and payment is sought.

#### **Committee Observations**

193. The Committee observed that: -

- (i) The Management provided a contract agreement, bill of quantities, summary extract and variation/extra works appraisal for audit review.

- (ii) Field verification was done by the Auditor who confirmed that the project is 95% complete and the matter was adequately addressed.
- (iii) The Committee marked the matter as resolved.

### **3.1.9 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022**

#### **1.0 Transfers From National Government Constituency Development Fund Board**

194. The summary statement of appropriation reflects transfer from National Constituency Development Fund Board amount of Kshs.141,912,773.00 which differs from the amount of Kshs.170,088,879.00 reflected in the statement of receipts and payments. The variance of Kshs.1,823,894 has not been explained or reconciled. In the circumstances, the accuracy and completeness of the summary statements of appropriation could not be confirmed.

#### **Management Response**

195. The variance in the actual receipts from the Board and the receipts presented in the financial statement is as a result of the cash book balance brought forward from the previous year (2020/2021) of Kshs.1,823,894.

#### **Committee Observation**

196. The Committee observed that the matter was addressed as the cash book extract was availed for audit review.
197. The Committee marked the matter as resolved.

#### **2.0 Unsupported Transfers to Other Government Units.**

198. The statement of receipts and payments reflects an amount of Kshs.104,022,276 in respect of transfers to other government units. However, supporting documents including ledgers and schedules were not provided for audit review. In the circumstance, the accuracy and completeness of the transfers to other government units amount of Kshs. 104,022,276 could not be confirmed.

#### **Management Response**

199. The transfer of Kshs.104,022,276 to other government entities relates to disbursement to primary schools' projects, secondary schools' projects and tertiary institutions projects during the financial year 2021/2022. The NGCDF does not keep ledgers but prepares monthly expenditure returns which in addition to bank statements are used to prepare annual financial statements.

#### **Committee Observation**

200. The Committee observed that the matter was addressed as the monthly expenditure returns used to prepare the 2021-2022 financial statements were availed for audit review.
201. The Committee marked the matter as resolved.

### **3.0 Construction of Classrooms at Kabosokipi Primary School**

202. The statement of receipts and payments reflects transfers to other government units of Kshs.104,022,276 which includes an amount of Kshs.88,922,276 in respect of transfers to primary schools, which further includes an amount of Kshs.4,298,010 disbursed to Kabosokipi Primary School for construction of four (4) classrooms. The contract was awarded to a local company at a contract sum of Kshs.4,298,010. However, supporting documents including expenditure returns, procurement records, inspection and acceptance report and interim payment certificates were not provided for audit review. In the circumstances, the propriety of the expenditure of Kshs.4,298,010 could not be confirmed.

#### **Management Response**

203. By the time of audit, the project at Kabosokipi was still ongoing and the PMC had not provided all the returns. The project is now complete, and the PMC has provided the expenditure returns for audit review.

#### **Committee Observation**

204. **The Committee observed that management provided the expenditure returns, the completion certificates and pictures of the project for audit review thereby addressing the matter.**

205. **The Committee marked the matter as resolved.**

### **4.0 Unsupported Expenditure on Compensation of Employees**

206. The statements of receipts and payments reflect an amount of Kshs.3,124,026 in respect of compensation of employees. However, supporting documents including ledgers and payrolls were not provided for audit review. In the circumstances, the accuracy and completeness of compensation of employees' amount of Kshs.3,124,026 could not be confirmed.

#### **Management Response**

207. Compensation of employees relates to payment of net salaries, house allowance, NHIF, NSSF, PAYE and provision of gratuity during the financial year 2021/2022.

#### **Committee Observation**

208. **The Committee observed that the matter was addressed as the management availed the payroll in support of the expenditure for audit review.**

209. **The Committee marked the matter as resolved.**

### **5.0 Unsupported Other Grants and Transfers**

210. The statements of receipt and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.45,872,633 in respect of other grants and transfers. However, supporting documents including ledgers were not provided for audit review. In the circumstances, the propriety of other grants and transfers amount of Kshs.45,872,633 could not be confirmed.

#### **Management Response**

211. Transfer of Kshs.45,872,633 to other grants and transfers relates to disbursement for bursary, security projects and emergency projects during the financial year 2021/2022.

#### **Committee Observation**

212. The Committee observed that the supporting documents were provided for audit review and the matter adequately addressed.
213. The Committee marked the matter as resolved.

#### **6.0 Unsupported gratuity**

214. The statement of assets and liabilities and as disclosed in Note 12B to the financial statements reflect a balance of Kshs.791,870 in respect of gratuity. However, the financial statements reflect gratuity balance of Kshs.538,544 resulting to a difference of Kshs. 253,326 which has not been explained or reconciled. In the circumstances the accuracy and completeness of gratuity balance of Kshs.791,870 could not be confirmed.

#### **Management Response**

215. The amount of Kshs.253,326 relates to gratuity brought forward from the previous financial year which had been declared as part of employee compensation in the financial year 2020/2021 but had not been paid at the close of the financial year (30<sup>th</sup> June 2022) For purpose of the financial year 2021/2022, only Kshs.538,544 was declared as part of the employee compensation to avoid double accounting. The total gratuity payable during the financial year 2021/2022 therefore was Kshs.538,544 accrued during the financial year and Kshs.253,326 brought forward from 2020/2021 making it Kshs.791,870.

#### **Committee Observation**

216. The Committee observed that the matter was addressed as the gratuity was reconciled and verified by the auditors.
217. The Committee marked the matter as resolved.

#### **7.0 Unsupported Project Management Committee (PMC) Account Balances**

218. Note 17.4 to the financial statements reflect a balance of Kshs.22,938,920 under PMC bank account balances which as disclosed in Annex 5 represents account balances held by various Project Management Committee in one hundred and six (196) bank accounts. However, cash books, bank confirmation certificates and bank reconciliation statements were not provided to support the balances. In the circumstances, the accuracy and completeness of the balances of Kshs.22,938,920 could not be confirmed.

#### **Management Response**

219. The PMC balances are project bank balances maintained by PMCs in various banks.



#### **Committee Observation**

220. The Committee observed that management provided the PMC's report, certificates of balance and bank statements for audit verification and the matter was adequately addressed.
221. The Committee marked the matter as resolved.

#### **Other matter**

#### **8.0 Budgetary Control and Performance**

222. The statement of comparison of budget and actual amount reflects receipts budget and actual on comparable basis amount of Kshs.184,078,652 and Kshs.171,989,773 respectively resulting to underfunding of Kshs.12,088,879 or 7 % of the budget. Similarly, the statement reflects actual expenditure of Kshs.164,638,934 against approved budget of Kshs.184,078,652 resulting to under performance of Kshs.19,439,718 or 11% of the budget. The underfunding and under absorption affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

223. The underfunding during the financial year under review is as a result of non-disbursement of Kshs.12,088,879 from the Accounting Officer during the financial year 2020/2021. This amount was receipted in July 2023, posted in cash book accordingly and shall be used as per the budget to fund 2020/2021 projects that had not been fully funded.

#### **Committee Observation**

224. The Committee observed that there were underfunding during the financial year under review 2020/21. The funds were received in 2023 and shall be used as per the budget to fund 2020/2021 projects that had not been fully funded thereby addressing the matter.
225. The Committee marked the matter as resolved.

### **3.2 MATAYOS CONSTITUENCY**

226. The Fund Account Manager, appeared before the Committee on 6<sup>th</sup> October 2023, tabled the NGCDF management responses and supporting documents on the audited accounts and submitted as follows:

#### **3.2.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2013/2014**

##### **1.0 Accuracy and Completeness of the Financial Statements**

227. The Fund did not maintain a general ledger during the year and thus the financial statements were prepared directly from the cash book records. The supporting schedules were not made available for audit review. Consequently, the accuracy and completeness of the financial statement of the Matayos CDF could not be confirmed.

##### **Management Response**

228. This was the first time that the constituency was introduced to yearly preparation of financial statements. Therefore, there were some gaps in the preparation of the financial statements. However, the constituency now uses the annual expenditure return as the basis for preparation of the financial statements. The trial balance did not form part of the financial statements but the supporting documents. The trial balance was availed to the auditors for review.

##### **Committee Observations**

229. The Committee observed that: -

- (i) The trial balance was availed to the auditors for review.
  - (ii) The matter was addressed in the subsequent year.
  - (iii) The matter was marked as resolved.
- 

##### **2.0 Unsupported Expenditure – Kshs.31,326,545**

230. The statement of receipts and payments reflect an expenditure of Kshs.31,326,545 as at 30<sup>th</sup> June 2014. A ledger and supporting schedules were not made available for audit review for various expenditure categories.

In the circumstances, the composition and fair presentation of the reported amount of Kshs.133,192.00 as compensation of employees could not be confirmed as at 30<sup>th</sup> June 2014.

##### **Management Response**

231. The constituency maintains schedules for various expenditure items during the financial year. Kshs.133,192 was the actual expenditure for compensation of employees as per the schedules availed to the auditor for review.

##### **Committee Observation**

232. The Committee observed that the matter was addressed as the supporting schedules for Kshs.133,192 for compensation of employees was provided for audit review.

233. The Committee marked the matter as resolved.

### **3.0 Project Execution and Management**

234. An amount of Kshs.3,000,000.00 outstanding in respect to a bus for Murende Secondary School is not disclosed in the notes to the financial statements.
- i. An amount of Kshs.600,000.00 disbursed to Buriangi Primary School to buy land without any foundation.
  - ii. The project file and bills of quantities in respect of an amount of Kshs.700,000.00 disbursed to complete an administration block at Nasira Youth Polytechnic were not availed for audit review. The Polytechnic was also not operational for reasons that were not explained.
  - iii. The work of renovating a dining hall at Busende Secondary school over which a total of Kshs.1,000,000.00 had been spent remained incomplete.

In view of the foregoing, the propriety and accountability of the project funds and project execution could not be confirmed as at 30<sup>th</sup> June 2014.

#### **Management Response**

235. The constituency reports on cash basis of accounting which requires the constituency to recognise actual expenditure when incurred. Kshs.3,000,000 was allocated for the purchase of school bus, however the project was not funded within the year. The funds were spent in the subsequent year.
- i. The Kshs.600,000.00 was allocated for the purchase of land, this was done as per the agreement between the school and the seller of the land. The agreement, land search documents, consent form and the title deed has been availed to the auditor for review.
  - ii. This is a project that was inherited from Nambale Constituency after Matayos was hived from it. The project file and BQs were still at the Nambale NGCDF office however, the project file and BQs, have been availed to the auditors for review. Nasira Youth Polytechnic is operational.
  - iii. By the time of the audit, the Kshs.1,000,000.00 had been allocated but not distributed as at 30<sup>th</sup> June 2014. The project was later completed and in use.

#### **Committee Observation**

236. **The Committee observed that the matter was addressed as the management provided the sale agreement, land search documents, consent form, project file, BQs and the title deed to the auditors for review.**
237. **The Committee marked the matter as resolved.**

### **4.0 Acquisition of Assets Kshs.5,457,536.00**

238. The statement of receipts and payments as at 30th June 2014 reflects acquisition of assets of Kshs.5,457,536.00. However, ownership documents for land purchased at a cost of Kshs.1,200,000.00 from a local hotel were not provided for audit review.

### **Management Response**

239. The land was purchased from the owner who sold the land to the constituency. The constituency purchased the land at Kshs. 1,200,000 and acquired the title deed of the piece of land. The title deed was misplaced however the constituency undertook a search for the land which indicates the land belongs to the constituency office.

### **Committee Observations**

240. The Committee observed that: -
- (i) The title deed of the land sold to the constituency was misplaced during the time of audit.
  - (ii) Management later availed the mother title deed, certificate of official search, abstract from police on the lost title deed and photo of the constituency office for audit review.
  - (iii) The matter was corroborated by the Auditor however, the misplaced title deed was not availed for audit review.

### **Committee Recommendation**

241. The Committee recommends that: -
- a) The Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Sections 68 (2) (c) of the Public Finance Management Act, No.18 of 2012 by ensuring that all financial and accounting records the entity keeps in any form, including in electronic form are adequately protected and backed up.
  - b) The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers should submit to the Accounting Officer all pending land matters in the constituency, including land purchased by the constituency amounting to Kshs. 1,200,000 i.e, misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
  - c) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

### **5.0 Unaccounted for Project Disbursements Kshs. 900,000.00**

242. There were no files or returns in support of disbursements to projects amounting to Kshs.900,000.00 for the year ended 30<sup>th</sup> June 2014. As a result, the propriety of the disbursements could not be confirmed as at 30<sup>th</sup> June 2014.

### **Management Response**

243. The returns in support of disbursements to the projects were submitted in a letter dated 8<sup>th</sup> May 2015.

#### **Committee Observation**

244. The Committee observed that the returns in support of disbursements to the projects were later submitted in a letter dated 8<sup>th</sup> May 201 for audit review and the matter was adequately addressed.
245. The Committee marked the matter as resolved.

#### **6.0 Unaccounted for Stores Kshs. 1,426,770.00**

246. During the year, the Matayos CDF purchased stores amounting Kshs.1,426,770.00. However, the stores were not taken on charge and their utilization was not explained.

#### **Management Response**

247. The stores purchase of Kshs.1,426,770.00 were goods for office use and when they were purchased, they were used in the office operations. There was an oversight by not recording the goods in the stores ledger and using the S13 and S11 for receipt and issue. The error was corrected, and the constituency now complies with the requirements.

#### **Committee Observation**

248. The S13 and S11 were submitted and verified by the auditors thereby addressing the matter.
249. The Committee marked the matter as resolved.

### **3.2.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2014/2015**

#### **1.0 Accuracy, Completeness and Presentation of the Financial Statements**

250. According to the International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by National Treasury, the management is required to among the financial statements, a report on actions taken in relation to the previous year auditor's recommendations. In the year 2013/2014, Matayos CDF disclaimer of opinion audit report. However, the report on follow-up of the audit raised was not included in the financial statements for the year under review.
251. In addition, the fund did not maintain a complete and updated summary fixed assets register as Annex 4 shows balances totalling to Kshs.5,457,536.00 and Kshs.12,562,390.00 for 2014 and 2015 respectively whereas the 2015 balance should include the 2014 balance and thus aggregate to Kshs.18,019,926.00. Apparently, the difference of Kshs.5,457,536.00 represents land valued at Kshs. 1,200,000.00 but which lacks ownership documents and transport equipment valued at Kshs.4,257,536.00 bought in 2014. In addition, Notes 12b, 12c, 14 and 15.1 to 15.3, Annex1 to Annex 3 attached to the statements were not explained.

#### **Management Response**

252. As at the time of preparation of the financial statements the constituency had not received the final certificate hence it did not prepare the report. however, the report was prepared and submitted to the auditors for review.

253. The fixed asset register was prepared but there was an error by not totalling the balances for the two financial years. This was corrected and the updated fixed asset register availed to the auditors for review.

#### **Committee Observations**

254. The Committee observed that: -

- (i) The report on follow-up of the audit raised was not included in the financial statements for the year under review.
- (ii) The fund did not maintain a complete and updated summary fixed assets register.
- (iii) The presentation of the financial statements for the year under review did not conform to IPSAS.
- (iv) The documents were reviewed by the audit team and the matter was adequately addressed.
- (v) The Committee marked the matter as resolved.

#### **2.0 Cash and Cash Equivalents**

255. The cash and cash equivalents balance of Kshs.29,981,108.00 differed from the bank reconciliation statement balance of Kshs.2,260,285.00 by Kshs.27,720,823.00. Further, the balance brought forward included a sum of Kshs. 50,000.00 being outstanding imprests which were not accounted for as at 30<sup>th</sup> June 2015. Consequently, the accuracy of the cash and cash equivalents balance of Kshs.29,981,108.00 as at 30<sup>th</sup> June 2015 could not be confirmed.

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#### **Management Response**

256. Kshs.27,720,823 was funding that had been sent to the constituency and captured as a receipt during the financial year, however it was not received in the cashbook by the 30<sup>th</sup> of June 2015. The funds were received in the cashbook on 8<sup>th</sup> July 2015. The overstatement of receipts in the financial statements was amended and the correct balances reflected in the financial statements. All imprests taken during the year were all surrendered as per the cashbook balances.

#### **Committee Observations**

257. The Committee observed that: -

- (i) The overstatement of receipts in the financial statements was amended, correct balances reflected in the financial statements and all imprests taken during the year were all surrendered as per the cashbook balances provided for audit review.
- (ii) The explanation offered was satisfactory thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.



### **3.0 Use Of Goods and Services**

258. During the year under review, the fund spent Kshs.4,774,280.00 on use of goods and services. However, note 5 to the financial statements reflect a balance of Kshs.4,773,388.00 under the item thus resulting in an unreconciled variance of Kshs.3,999.00. Further, goods procured worth Kshs.1,068,254.00 were not accounted for through stores records as required under government.

#### **Management Response**

259. Kshs.4,774,280.00 was the actual expenditure under use of goods and services, the difference of Kshs. 3,999 was a miss-posting of the notes which was corrected and the note 5 amended to reflect the correct balances.

The stores purchase of Kshs 1,068,254.00 were goods for office use and when they were purchased, they were used in the office operations. There was an oversight by not recording the goods in the stores ledger and using the S13 and S11 for receipt and issue. This was corrected and the constituency now complies with the requirements.

#### **Committee Observations**

260. The Committee observed that: -

- (i) The miss posting of the notes was corrected and the note 5 amended to reflect the correct balances.
- (ii) The S13 and S11 were later submitted and verified by the Office of the Auditor General thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.

### **4.0 Other Grants and Transfers**

261. The financial statements indicate that during the year under review, the fund transferred a total of Kshs.47,739,195.00 under other grants and transfers. The balance however differs from the sum of Kshs.40,542,196.00 shown in Note 8 and further from the balance of Kshs.47,369,195.00 shown in supporting schedules. The resulting variances of Kshs.1,196,999.00 and Kshs.370,000.00 respectively have not been reconciled or explained.

#### **Management Response**

262. Kshs.47,739,195.00 was the correct and actual expenditure under other grants and transfers. Note 8 to the financial statement had been wrongly casted and was corrected to reflect the correct balances. The schedules were amended to reflect the correct balance and availed to the auditors for review.

#### **Committee Observation**

263. The Committee observed that the matter was addressed as the schedules were amended to reflect the correct balance and availed to the auditors for review.

264. The Committee marked the matter as resolved.

## **5.0 Unsupported Committee Expenses**

265. The fund incurred committee expenses totalling to Kshs.4,062,900.00. However, the expenditure was not supported with relevant records. In the circumstance, the accuracy and propriety of the expenditure could not be confirmed.

### **Management Response**

266. Kshs.4,062,900 was expenditure for both committee allowances and committee expenses incurred during the year. The schedules for committee expenses were availed to the auditors for review.

### **Committee Observation**

267. The Committee observed that the explanation by the Fund Account Manager was satisfactory. The schedules for committee expenses were availed to the auditors for review.

268. The Committee marked the matter as resolved.

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

269. During the year under review, the fund's budget for receipts from the National Management Board totalled to Kshs.123,883,290.00 out of which Kshs.121,721,819.50 (98%) was received. However, expenditure for the year totalled to Kshs.99,224,518.00 only thus leading to under-expenditure of Kshs.25,065,051.00.

### **Management Response**

270. During the year, the constituency received Kshs.94,000,997 as per the amended statements. The total expenditure of Kshs.99,224,518.00 was inclusive of the opening balance of the previous year of Kshs.7,483,807. The under absorption was due to the delayed funding from the exchequer.

### **Committee Observation**

271. The Committee observed that the explanation offered was satisfactory and the matter was marked as resolved.

#### **2.0 Project Implementation and Management**

272. The fund planned to implement a total of 169 projects allocated Kshs.184,540,853.00 during the two years to 30th June 2015. However, only sixty-one (61) projects worth Kshs.118,203,407.00 were completed: One hundred and eight (108) projects allocated Kshs.66,337,446.00 was completed, including 40 projects allocated Kshs.27,949,670.00 in the previous financial year 2013/2014.

Sector/status	Stalled	Ongoing		Complete	
	No.	No.	Value(Kshs.)	No	Value (Kshs.)
Administration		5	13,800,000.00	11	29,943,672.65

Agriculture					
Education		96	45,199,819.90	25	54,174,241.75
Environment				9	4,871,862.50
Health		3	2,639,459.80	1	2,288,721.00
Market				2	10,800,000.00
Road				4	10,853,047.00
Security		4	4,698,166.00	6	1,600,000.00
Sports				3	3,671,862.50
Total		108	66,337,445.70	61	118,203,407.00

273. In addition, no funds were allocated to the 2013/2014 security as well as health sector projects reported as ongoing in 2014/2015. The apparent delay in the completion of projects impacted negatively on effective and timely provision of services to the residents of Matayos constituency.

#### **Management Response**

274. The projects were transferred to the County Government hence no further allocation.

#### **Committee Observation**

275. The Committee observed that the explanation offered was satisfactory and the matter was marked as resolved.

### **3.2.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2015/2016**

#### **1.0 Cash and Cash Equivalents**

276. The cash and cash equivalents balance of Kshs.34,421,674.00 reflected in the financial statement differs with the bank reconciliation statement balance of Kshs.8,767.00 resulting to variance of Kshs.34,412,907.00.

Consequently, it has not been possible to confirm that the cash and cash equivalents balance of Kshs.34,421,674.00 as at 30<sup>th</sup> June 2016 is fairly stated.

#### **Management Response**

277. This was error made while transferring the figures from the excel working sheet to the final statements in word format. The figures were reconciled.

#### **Committee Observation**

278. The Committee observed that the management acknowledged the audit findings and that the error was noted and corrected thereby addressing the issue.

279. The Committee marked the matter as resolved.

### **2.0 Budgetary Control Performance**

#### **2.1 Under Expenditure**

280. The National Government Constituencies Development Fund Board had an approved budget of Kshs.154,973,561.00 and spent Kshs.63,280,257.00 resulting to an under

expenditure of Kshs.91,693,304.00 representing 40% overall budget performance. Consequently, the failure to fully utilize the allocated budget is likely to impact negatively on service delivery to the residents of the constituency.

## **2.2 Undisbursed Allocation**

281. The fund received Kshs.95,441,646.00 in the year against total allocation by Accounting Officer of Kshs.117,531,915.00 resulting to undisbursed allocation of Kshs.22,090,269.00. This situation is likely to hinder the implementation of projects in the year under review and subsequently have an impact on the following year's performance.

### **Management Response**

282. Delay by Board to disburse funds because of late receipt from the National Treasury contributed to late implementation of projects.

### **Committee Observation**

283. **The Committee observed that the matter was addressed as the under- expenditure and undisbursed allocation of the funds was due to late receipt of funds from the exchequer. Consequently, the Committee marked the matter as resolved.**

## **3.0 Project Implementation Status**

284. During the year under review, the fund was to implement 91 projects/programmes by different sectors during the financial year. Further analysis indicated that 58 or 63% of the project had not started, 32 or 35% of the projects were still on going and 1 or 1% of the project had been completed. Therefore, the fund did not fully meet the budget target and effective delivery of service.

### **Management Response**

285. This was due to late disbursement from the Board. The projects were implemented.

### **Committee Observation**

286. **The Committee observed that the matter was addressed as the delay in the implementation of the projects was due to late disbursement of funds by the exchequer. The projects were later completed and are in use.**
287. **The Committee marked the matter as resolved.**

## **4.0 Unauthorized Re-Allocation**

288. A review of project files and examination of the payment documents in respect to roads revealed that payments amounting to Kshs.6,100,000.00 were diverted to projects that were not originally approved by the Accounting Officer for the 2015/16 financial year. Consequently, the propriety and validity of these projects could not be confirmed.

#### **Management Response**

289. The committee usually seeks reallocation from the Board, which sometimes delay in forwarding the authority. All reallocations were duly authorized.

#### **Committee Observation**

290. The Committee observed that from the explanation provided by the Management, the NG-CDFC had sought authority from the Board to approve reallocation of project funds in the constituency, however, there were delays in authorization.

#### **Committee Recommendation**

291. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager and PMC adhere to Section 6 (2) of the NG-CDF Act, 2015 which provides 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.'***

#### **5.0 Unsupported Procurement**

292. The fund management procured works and services amounting to Kshs.9,179,700.00. However, it was not possible to ascertain how they were sourced, as procurement records were not availed for audit review. In the absence of competitive bidding and supporting documents, the authenticity of the expenditure and value for money from the transactions could be ascertained.

#### **Management Response**

293. The projects were properly supported with bids competitively sought as the procurement officer usually attends procurement process as shown by tender minutes sample.

#### **Committee Observation**

294. **The Committee observed that at the time of the audit, procurement records were not availed for audit review. They were later submitted to the auditors for verification and the matter addressed. Consequently, the Committee marked the matter as resolved.**

#### **6.0 Irregular Variations in Procurement**

295. A review of records in respect to procurement for sports project revealed that the supply of sports materials was varied upwards without the approval by procurement tender committee. In view of the forgoing, the propriety and completeness of these supplies could not be accurately ascertained.

#### **Management Response**

296. The sports kits were received via S13 and issued to the recipients

#### **Committee Observation**

297. The Committee observed that the procurement was irregular as the tender committee minutes verifying the procurement were not availed during audit verification.

#### **Committee Recommendations**

298. The Committee recommends that the Accounting Officer should ensure Fund Account Manager complies with the provisions of Part IX, Section 91 to 114 of the Public Procurement and Asset Disposal Act, 2015 on *Methods of Procurement of Goods, Works and Services*.
299. The Committee recommends that the Accounting Officer should within three months of adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), ensure the Fund Account Manager provides the necessary tender and procurement documents for the project.

#### **7.0 Irregular Procurement of Works on Behalf of the Project Management Committees**

300. The scrutiny of procurement records revealed that the CDF procured several contracts amounting to Kshs.4,698,000.00 on behalf of registered institutions without involving the management of the respective institutions. In the absence of involvement of the institutions' Project Management Committees (PMCs), the authenticity of the expenditure and value for money from the transactions could not be ascertained.

#### **Management Response**

301. The projects were generally procured with the advice of the procurement officer who was also in attendance. All the procured projects were done to completion.
- 

#### **Committee Observation**

302. Committee observed that at the time of the audit, procurement records were not availed for audit review, however they were later submitted to the auditor for verification thereby addressing the matter.
303. The Committee marked the matter as resolved.

#### **8.0 Failure by The PMCs to Submit Expenditure Returns**

304. The expenditure returns indicating how funds disbursed were utilized for education projects funded through the Project Management Committees (PMCs) were not submitted for audit verification. Consequently, the validity and completeness could not be confirmed.

#### **Management Response**

305. The expenditure returns delayed but were later submitted for all the projects.



#### **Committee Observation**

306. The Committee observed that at the time of the audit, PMCs delayed in submitting expenditure returns for audit review however they were later submitted to the auditors for verification and the matter was adequately addressed.
307. The Committee marked the matter as resolved.

### **3.2.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017**

#### **1.0 Unverifiable Expenditure on Projects**

308. The fund spent a total of Kshs.71,022,692 under transfers to other government entities during the year under review. However, the management did not avail for review the returns and progress reports submitted by the relevant Project Management Committees for eleven (11) sampled projects costing Kshs.27,923,924 as indicated below;

	<b>Voucher No.</b>	<b>Amount Kshs.</b>	<b>Payee</b>	<b>Description</b>
1	188	1,788,000	Matayos NGCDF	
2	121	6,000,000	Mundika Boys	Completion of Dining Hall
3	116	700,000	Nanguma Primary school	Construction of classroom
4	68	10,000,000	Bumbe technical	Construction of admin block
5	98	700,000	Luliba primary school	Construction of admin block
6	117	700,000	Esirisia primary school	Construction of admin block
7	118	700,000	Mundika girls	Construction of admin block
8	20	1,500,000	Mabunge secondary school	Purchase of bus
9	7	3,500,000	Nawa ventures	Installation of streetlight in musor mkt
10	79	667,962	Qontor tour group	Rehabilitation of ward projects
11	80	1,667,962	Qontor tour group	Rehabilitation of community borehole

309. In the circumstances, it was not possible to ascertain propriety of the transfer to other Government entities figure of Kshs.71,022,692 incurred during the year.

#### **Management Response**

310. During the time of audit, the project files were at the project management committees'. The projects amounting to Kshs.27,923,924 were all implemented and completed as per the attached status and completion certificates.

#### **Committee Observations**

311. The Committee observed that: -

- (i) At the time of the audit, the project files were still with the PMCs. But they were later submitted to the auditor for verification.
- (ii) The projects were implemented and completed as per completion certificates submitted to the auditors and reviewed.

- (iii) The explanation by the Fund Account Manager was satisfactory and the query was addressed.
- (iv) The Committee marked the matter as resolved.

#### Other Matter

##### 1.0 Comparison of Actual and Budgeted Expenditure

312. The comparison of the actual expenditure to budget for the year 2016/2017 is as follows:

Overall Budgetary Performance (Recurrent and Development Expenditure)				
Receipts/Expense Item	Budgeted	Actual	Variance	
	Kshs.	Kshs	Kshs	%
Receipts				
Transfers from CDF Board	193,850,140	192,350,140	1,500,000	.8%
Sub-Total	193,850,140	192,350,140	1,500,000	.8%
Payments				
Compensation of Employees	3,002,354	2,174,078	828,276	27.6%
Use of Goods and services	20,701,924	19,900,758	801,166	3.9%
Transfers to Other Government Units	77,342,512	77,594,082	(215,570)	-0.3%
Other grants and transfers	80,503,350	80,401,729	101,621	0.1%
Acquisition of Assets	12,300,000	12,201,628	98,372	0.8%
Sub-Total	193,850,140	192,272,275	1,577,865	0.8%

313. From the above, it was noted that there was unsupported over expenditure in compensation of employees by Kshs.828,276 (28%).

#### Management Response

314. Kshs. 828,276 was an under expenditure under compensation of employees and not over expenditure as indicated. The under expenditure was caused by the withholding of gratuity payable at the end of the contract period of the employees.

#### Committee Observation

315. The Committee observed that the explanation by the Fund Account Manager was satisfactory and the matter was marked as resolved.

##### 2.0 Project Performance

316. The CDF was to implement 45 projects/programmes by different sectors during the financial year as shown above. Further analysis indicated that 2 representing 4% of the projects had not started, 27 representing 60% were still on going and 16 representing 36% had been completed as at the time of audit in April.

### **Management Response**

317. The projects that were still on going and those that had not started were implemented to completion in the subsequent financial years. The projects status and completion certificates have been availed to the auditor for review.

### **Committee Observation**

318. The Committee observed that the completion certificates were not availed for verification during audit. They were later provided for audit review together with the project status report thereby addressing the issue.

319. The Committee marked the matter as resolved.

## **3.2.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018**

### **Other Matter**

#### **1.0 Project Implementation Status**

320. The fund was to implement a total of 55 projects/programs through different Project Management Committees during the year under review. Further analysis indicated that 2 or 4% of projects had not started, 28 or 51% were ongoing and 25 or 45% had been completed as at the time of audit.

### **Management Response**

321. The projects that were still on going and those that had not started were implemented to completion in the subsequent financial years. The projects status and completion certificates were availed to the auditor for review.

### **Committee Observation**

322. The Committee observed that the matter was adequately addressed as the project photos and completion certificates were availed to the auditors for review. Further, the auditors physically verified the projects.

323. The Committee marked the matter as resolved.

#### **2.0 Budget Performance**

324. During the year under review, the Fund spent Kshs.48,720,380 against a budgeted amount of Kshs.99,767,464 resulting in under-absorption of Kshs.59,481,990 representing 49%.

<b>Receipt/Expense Item</b>	<b>Final Budget Kshs.</b>	<b>Actual On Comparable Basis Kshs.</b>	<b>Budget Utilisation Difference Kshs.</b>	<b>% of Utilisation</b>
RECEIPTS				

Transfers From CDF Board	99,767,464	87,310,344	12,457,120	88
TOTAL	99,767,464	87,310,344	12,457,120	88
PAYMENTS				
Compensation of Employees	3,095,397	2,590,679	504,718	84
Use of Goods and Services	6,867,939	11,085,201	4,217,453	161
Transfers to Other Government Units	40,823,418	15,262,000	25,561,418	3
Other grants and transfers	39,834,063	19,782,500	20,051,563	50
Acquisition of Assets	969,811	0	969,811	0
Other Payments	8,177,027	0	8,177,027	0
<b>Total</b>	<b>99,767,464</b>	<b>48,720,380</b>	<b>59,481,990</b>	<b>49</b>

325. Consequently, the fund management failed to implement projects and programmes amounting to Kshs.59,481,990 thus denying the constituents the services they would have accrued from these projects if completed.

#### **Management Response**

326. The under absorption of Kshs. 59,481,990 was due to the late disbursement of funds from the exchequer.

#### **Committee Observations**

327. The Committee observed that the matter was adequately addressed as the under-absorption of the funds was due to late disbursement of funds by the exchequer. The matter was marked as resolved.

### **3.2.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019**

#### **1.0 Unreconciled Variances on Unutilized Funds**

328. The summary statement of appropriation - recurrent and development combined, reflects a budget under-utilization of Kshs.62,308,336. However, Note 15.3 to the financial statements and Annex 2 reflect an unutilized funds balance of Kshs.59,540,875 resulting into an unreconciled variance of Kshs.2,767,461. In the circumstances, the accuracy of the unutilized funds balances as at 30 June 2019 could not be confirmed.

#### **Management Response**

329. Note 15.3 had an error by only capturing unutilized funds of Kshs.59,540,875 representing funds not sent from the Board omitting the difference of Kshs.2,767,461 which represents the closing cashbook balance, however, these were corrected.



#### **Committee Observation**

330. The Committee observed that the management acknowledged the audit findings, the error was noted and corrected and the query was adequately addressed.
331. The Committee marked the matter as resolved.

#### **2.0 Budget Performance and Control**

332. The summary statement of appropriation - recurrent and development combined reflects total budgeted receipts of Kshs.159,087,959 against actual total receipts of Kshs.99,547,085 resulting into an under collection of Kshs.59,540,875 or 37% of the budgeted receipts. Further, the fund had a budgeted total expenditure of Kshs.159,087,959 against actual expenditure of Kshs.96,779,623 resulting into an under-absorption of Kshs.62,308,336 representing 39% of the budgeted expenditure. Consequently, the fund did not implement all the budgeted projects and programmes thus denying the constituents of Matayos Constituency the much-desired services.

#### **Management Response**

333. The under absorption of Kshs.59,540,875 was due to the late disbursement of funds from the exchequer.

#### **Committee Observation**

334. The Committee observed that the matter was adequately addressed as the under-absorption of the funds was occasioned by late disbursement of funds by the exchequer. The matter was marked as resolved.

#### **3.0 Unsuccessful Environmental Projects**

335. Included in the reported balance of Kshs. 41,362,218 for other grants and payments and as disclosed under Note 5 to the financial statements, is an expenditure of Kshs.1,200,000 on environmental projects relating to tree planting across the Constituency. However, audit inspection of the project revealed that, only 12% of the trees survived thus casting doubt on the prudence of management and on whether measures were put in place to ensure success of the project. In the circumstances, value for money from the expenditure of Kshs.1,200,000 on the project could not be confirmed.

#### **Management Response**

336. The environment projects were undertaken however, due to the weather conditions the trees could not survive. The constituency has taken initiative to ensure the projects can be maintained by the institutions where the projects are implemented.

#### **Committee Observation**

337. The Committee observed that although the project was undertaken but due to bad weather conditions the trees did not survive.

#### **Committee Recommendation**

338. **The Committee recommends that the Accounting Officer should ensure that when it comes to sensitive projects like tree planting, choosing of the planting site, the appropriate species and aftercare of the trees until maturity are be observed and going forward the Accounting Officer should ensure Fund Account Managers implement projects with the assistance of the relevant department of Government pursuant to Section 36 (1) of the NG-CDF Act (CAP. 414A).**

#### **4.0 Acquisition of School Buses under Hire Purchase Terms**

339. Included in the reported balance of Kshs.36,245,700 for transfers to other government entities as disclosed under Note 4 to the financial statements, are transfers to secondary schools amounting to Kshs.23,775,700 for various projects and purchase of school buses. However, review of payment records revealed that Burumba Secondary School and Mabunge Secondary School purchased school buses through hire purchase terms. Whereas the cash price for both buses was Kshs.6,775,000, Burumba Secondary School paid Kshs.7,853,198 under the hire purchase terms, resulting into extra charges of Kshs.1,078,198. Similarly, Mabunge Secondary School paid Kshs.7,842,198, resulting into extra charges of Kshs.1,067,198. Although the Board later approved the cost of the buses without the interest, the school management will have to bear the interest obligations.

#### **Management Response**

340. During the year the constituency was purchasing school buses on hire purchase terms. However, the policy was changed where the school buses were to be purchased at the cost of the supplier. The interest accrued on the school buses was paid by the respective schools whereas Matayos NG-CDF only paid the principal amount.

#### **Committee Observation**

341. **The Committee observed that the management's response was satisfactory and that the matter was adequately addressed. Consequently, the Committee marked the matter as resolved.**

#### **5.0 Lack of Ownership Documents for Land**

342. Annex 4 to the financial statements reflects fixed assets with a total historical cost of Kshs.34,600,000 as at 30 June 2019. However, the original title deed for a parcel of land valued at Kshs.1,200,000 was not provided for audit. In the circumstances, the ownership of the parcel of land and the accuracy of the historical cost of Kshs.34,600,000 for the assets could not be ascertained.

#### **Management Response**

343. Kshs. 1,200,000 was for the purchase of land for the NG-CDF Matayos office. The title deed for the piece of land was issued but is misplaced. However, undertook a land search and the search was availed to the auditors for review.



### **Committee Observations**

344. The Committee observed that: -

- (i) The title deed for the piece of land was issued but was misplaced.
- (ii) The Constituency undertook a land search which confirmed that the land belongs to Matayos NGCDF.
- (iii) The Police abstract has been obtained and process to replace the title deed has started.

### **Committee Recommendations**

345. The Committee recommends that: -

- a) The Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Sections 68 (2) (c) of the Public Finance Management Act, No.18 of 2012 by ensuring that all financial and accounting records the entity keeps in any form, including in electronic form are adequately protected and backed up.
- b) The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP. 412B), the Fund Account Manager should submit to the Accounting Officer all pending land matters in the constituency, including the parcel of land valued at Kshs. 1,200,000 for NGCDF Matayos i.e, misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
- c) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

## **3.2.7 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020**

### **1.0 Presentation of the Financial Statements**

346. The progress on follow up of auditor recommendations included in the financial statements was not signed by the accounting officer contrary to the Public Sector Accounting Standard Board (PSASB) template issued in June 2020 which requires the same to be signed by the accounting officer. In the circumstances, the accuracy of the financial statements was in doubt.

### **Management Response**

347. This was an oversight which was corrected in the subsequent years.

### **Committee Observation**

348. The Committee observed that the matter was addressed as the Fund Account Manager corrected the errors in the subsequent years. Consequently, the Committee marked the matter as resolved.

## **2.0 Cash and Cash Equivalents - Stale Cheques**

349. The statement of assets and liabilities shows a cash and cash equivalents balance of Kshs.848,731. The bank reconciliation statement provided in support of this balance shows total unpresented cheques of Kshs.658,720 which include stale cheques totalling Kshs.550,535 which are not payable and have not been reversed in the cash book as at 30 June 2020.

### **Management Response**

350. The stale cheques of Kshs.550,535 were bursary cheques which were reversed in the subsequent financial year and reissued to other needy cases.

### **Committee Observation**

351. **The Committee observed that the Fund Account Manager provided evidence that the stale cheques were reversed and provided to other needy cases. This was verified by the auditors thereby addressing the matter.**

352. **The Committee marked the matter as resolved.**

## **3.0 Budgetary Control and Performance**

353. The summary statement of appropriation-recurrent and development combined for the year ended 30 June 2019 shows that the Fund had under-collection of receipts of Kshs.73,667,723 or 37% of budgeted receipts. Further, during the year under review, the fund had an approved expenditure budget of Kshs.199,676,060 against actual receipts of Kshs.126,017,606 resulting to an under absorption of Kshs.75,658,455 or 62% of the budgeted amount.

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The under-collection of receipts and under expenditure was an indication that services and approved projects/programmes were not delivered to the residents of Matayos Constituency and therefore the budget did not meet the intended objectives of improving the service delivery or the management may have over budgeted on its activities.

### **Management Response**

354. The under absorption was due to the late release of funds from the exchequer. This hindered the implementation of various projects. However, the projects were funded in the subsequent financial year to completion.

### **Committee Observations**

355. **The Committee observed that: -**

- (i) Underfunding was because of the delayed disbursement from the exchequer.**
- (ii) The matter was addressed as the funds were received and the projects funded in the subsequent financial year to completion.**
- (iii) The Committee marked the matter as resolved.**

#### 4.0 Project Performance

356. Review of the project implementation status report revealed that the Fund had planned to implement a total of 55 projects/programmes at a cost of Kshs.118,305,298 across different sectors during the financial year. However, further analysis noted that one (1) project with a budgeted cost of Kshs.2,000,000 had not started, thirty-six (36) projects budgeted at Kshs.54,042,960 were still on-going while eighteen (18) projects valued at Kshs.62,262,338 had been completed as at the time of audit in February 2021 as tabulated below:-

Sector	Budgeted Project		Not Started		Ongoing		Completed	
Primary School Project	27	20,379,210			18	15,160,310	9	5,218,900
Secondary School Project	12	33,535,550			11	32,535,550	1	1,000,000
Tertiary School Projects	2	10,627,197	1	2,000,000			1	8,627,197
Security Projects	9	7,647,100			7	6,347,100	2	1,300,000
Sports Activities	1	1,500,000					1	1,500,000
Environmental Activities	1	960,000					1	960,000
Emergency Activities	1	7,198,241					1	7,198,241
Bursaries	2	36,458,000					2	36,458,000
<b>Total</b>	<b>55</b>	<b>118,305,298</b>	<b>1</b>		<b>36</b>	<b>54,042,960</b>	<b>18</b>	<b>62,262,338</b>

#### Management Response

357. The implementation of the projects was affected by the delay in disbursement. However, the projects were later funded to completion. The completion certificate and project status have been availed to the auditors for review.

#### Committee Observations

358. The Committee observed that: -

- (i) The delay in implementation of the projects was occasioned by late disbursement of funds by exchequer. Nevertheless, the projects in question were completed.
- (ii) The query was adequately addressed as the completion certificates were verified by the auditors.
- (iii) The Committee marked the matter as resolved.

#### 5.0 Incomplete and Stalled Water Project at Daniel Wako Technical Training Institute

359. As disclosed in Note 4 to the financial statements, the statement of receipts and payments shows an amount of transfers to other government entities of Kshs.79,689,364 which includes an expenditure on transfers to tertiary institutions totalling to Kshs.8,627,197. Among the projects implemented by the fund was the construction of an evaluated water tank and community water kiosk at Dr. Daniel Wako Technical Training Institute at a total cost of Kshs.1,746,092. However, physical verification carried out, revealed that the water project had not been completed as expected with one water tank

with a 10,000-liter capacity not installed, and the community water kiosk had not been constructed.

In the circumstances it was not possible to ascertain whether value for money was achieved from the expenditure of Kshs.1,746,092 on the project.

#### **Management Response**

360. During the time of audit, the project had not been completed and was under construction. The project was however completed and its currently in use.

#### **Committee Observation**

361. **The Committee observed that the explanation offered by management was satisfactory and marked the matter as resolved.**

#### **6.0 Stalled Construction of an Administration Block at Mundika Secondary School**

362. Transfers to other government entities balance of Kshs.79,689,364 as disclosed in Note 4 to the financial statements is transfers to secondary schools totalling to Kshs.46,054,707 for various projects. Among the projects being implemented by the fund was the construction of an administration block at Mundika Secondary School at a contract sum Kshs.32,603,087. The contract commenced on 15 December 2016 with no specified expected completion date. The contractor had been paid a total of Kshs.22,558,042 and the last certificate was dated 03 January 2020. However, a physical verification carried out and interviews with the relevant fund officials, revealed that no construction works had been undertaken since January 2020. It was also noted that there was no valid performance bond contrary to Section 142 (1) of the Public Procurement and Asset Disposal Act, 2015 which states that subject to the regulations, a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract. In addition, it was noted that the contract did not have an enforceable contract duration.

#### **Management Response**

363. The contract for the construction of administration block was issued however the timeline for the project was not indicated as required. The project was re-initiated after retendering and funding provided for the completion as shown in the table below:

No	Name of Project	Code	Activity	Amount	Status
1	Mundika Boys High School	4-040-228-2630205-104-2017-2018-009	Construction of Administration Block Phase-1;slab,walling and staircase	7,000,000	Ongoing
2	Mundika Boys High School	4-040-228-2630205-104-2018-2019-006	Construction of administration Block Phase 2; Slab, Walling, Staircase	9,000,000	Ongoing

3	Mundika Boys High School	4-040-228-2630205-104-2019-2020-003	Construction of a ONE STOREY Administration Block Consisting of office, staffroom, computer room with capacity of 40 computers and a 50 capacity library phase 2;slab,walling,staircase, and roofing	10,200,000	Ongoing
4	Mundika Boys High School	4-040-228-2630205-104-2020-2021-004	Completion of storey Administration Block consisting of 5 offices, staffroom, computer room and capacity of 40 computers and library, internal finishes ,tiling and painting	6,403,087	Ongoing
<b>TOTAL FUNDING</b>				<b>32,603,087</b>	
1	Mundika Boys High School	4-040-228-2630205-104-2020-2021-004	Additional funds for the completion of construction of an administration block paving slabs, installation of ceiling, water gutters, fixing doors and windows, flooring,tiling,electrical works, plumbing works and painting	7,120,535	Ongoing

#### Committee Observation

364. Following a physical verification exercise, the Committee established that the project was completed and set to be in use once the school reopened for the second term in May 2024.

365. The Committee marked the matter as resolved.

#### 7.0 Non-Remittance of Statutory Deductions

366. Review of the Fund's bank reconciliation statement for June, 2020 revealed that a total of Kshs.364,220 being unremitted statutory deduction comprising of National Hospital Insurance Fund deduction of Kshs.113,552, National Social Security Fund (NSSF) deduction of Kshs.44,000 and of Pay as You Earn (PAYE) deductions of Kshs.78,140 and on withholding Value Added Tax (VAT) of Kshs.128,528 thus not complying with;

- i. Section 10(1) of the National Social Security Fund (NSSF) Act, 2010
- ii. Section 6(1) of the National Hospital Insurance Fund (NHIF) Act, 1998,
- iii. Section 5 Income Tax Act, 2010 and remittance of monthly PAYE made in line with Section 37(1) of the Income Tax Act, 2010 and Section 42A(1) of Tax Procedures Act no.29 of 2015.



### **Management Response**

367. The deductions that had not been remitted and remained unrepresented were later reversed and replaced thus clearing the outstanding balances. The constituency has put measures to ensure all statutory deductions are remitted within required timelines.

### **Committee Observations**

368. The Committee observed that the matter was adequately addressed as corrective measures had been instituted and statutory deductions are done on time. Consequently, the Committee marked the matter as resolved.

### **8.0 Irregular Procurement in Acquisition of School Buses**

369. The statement of receipts and payments shows an amount of transfers to other government entities of Kshs.79,689,364 included in this amount are transfers to secondary schools totalling Kshs.46,054,707 for various projects and purchase of school buses. Review of payment records provided revealed that the Fund disbursed Kshs.7,557,107 to various schools as co-funding for the purchase of school buses through hire purchase/asset financing.
370. The procurement method used was not specified under Part IX- Methods of procurement of Goods, Works and Services of the Public Procurement and Asset Disposal Act, 2015. Further, Section 91(1) of the act states that open tendering shall be the preferred procurement method for procurement of works and services. Further, the management contravened the directive by Accounting Officer which advised that a bus project should be purchased on a one-off basis and not through asset financing and any amount allocated is exclusive of insurance premiums or any other recurrent cost.
371. The school buses being purchased were as detailed below: -

<b>Institution</b>	<b>Description</b>	<b>Amount (Kshs.)</b>
Murende Secondary School	Co-funding for Purchase of a school bus	770,512
St. Peter's Budokomi	Co-funding for Purchase of a school bus	976,648
Mabunge Secondary School	Co-funding for Purchase of a school bus	3,104,747
Burumba Secondary School	Co-funding for Purchase of a school bus	2,705,200
<b>Total</b>		<b>7,557,107</b>

### **Management Response**

372. The NG-CDF paid the principal amounts of the purchase of the school buses. However, the school buses were purchased and delivered to the schools. The logbooks of the school buses were availed to the auditors for review.



### **Committee Observation**

373. The Committee observed that the explanation offered was satisfactory as the logbooks were availed for audit verification.

### **Committee Recommendations**

374. The Committee recommends that within three months of adoption of the report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP. 412B): -
- a) The Accounting Officer should issue an administrative circular directing Fund Account Managers to comply with provisions of Public Procurement and Asset Disposal Act, No. 33 of 2015.
  - b) The Accounting Officer should enforce guidelines on purchase of buses for schools where they should be purchased on a one-off basis and where it is through counter-part funding (co-funding), evidence of availability of funds should be provided before approval by the Board.

## **3.2.8 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021**

### **1.0 Inaccuracies in Transfers to Other Government Units**

375. The statement of receipts and payments reflects an amount of Kshs.63,226,560 in respect of transfers to other government units as disclosed in Note 6 to the financial statements which includes an amount of Kshs.26,062,415 being transfers to primary schools. However, the amount differed with the supporting schedules amount of Kshs.23,062,415 resulting to an unexplained variance of Kshs.3,000,000.

### **Management Response**

376. The actual expenditure under transfers to primary schools was Kshs.26,062,415, however the schedules omitted some projects. The schedule was amended to reflect the correct balances.

### **Committee Observations**

377. The Committee observed that: -
- (i) There were inaccuracies in the supporting schedules and financial statements at the time of audit.
  - (ii) The schedules and financial statements were later amended to reflect the correct balances thereby addressing the matter.
  - (iii) The Committee marked the matter as resolved.

### **2.0 Unsupported Project Management Committee (PMC) Account Balances**

378. Note 17.4 to the financial statements reflects a balance of Kshs.12,626,715 relating to Project Management Committee account balances as detailed in annex 5 to the financial statements. However, the balances were not supported by certificates of bank balances from the sixty-nine (69) Project Management Committee centres. Further, twenty-eight (28) Project Management Committee account balances totalling Kshs.15,470,770 for 2019/2020 were omitted in the financial statements.

### **Management Response**

379. The Project Management Committee account balances were obtained from the bank statements that had been shared from the banks. The PMC balance of the 28 projects were included to reflect the correct balances.

### **Committee Observation**

380. The Committee observed that the explanation offered by the Fund Account Manager was satisfactory and marked the matter as resolved.

### **3.0 Inaccuracies in the Cash and Cash Equivalents Balance**

381. The statement of assets and liabilities reflects a cash and cash equivalents balance of Kshs.26,884,208 as disclosed in Note 10A to the financial statements. However, bank reconciliation statement reflects a reconciled balance of Kshs.14,884,208 resulting to an unexplained variance of Kshs.12,000,000.
382. Further, the bank reconciliation statement for the month of June reflects payments in cashbook not in bank statement amounting to Kshs.1,835,422 out of which, cheques totalling Kshs.332,958 were stale and not reversed in the cashbook. In addition, the bank reconciliation statement reflects receipts in bank statement not recorded in the cash book amounting to Kshs.12,012,558. However, the balance includes an amount of Kshs.12,000,000 which was recorded in the cash book on 30 June 2021 and which should not be included as a reconciling item.

### **Management Response**

383. As at the closure of the financial year, Kshs.12,000,000 had not been received in the cashbook. However, this was amended, and the amount received in the cashbook. The amended bank reconciliation statement was availed to the auditors for review. The stale cheques of Kshs.332,958 were reversed in the subsequent financial year and were issued to other beneficiaries.

### **Committee Observations**

384. The Committee observed that: -
- (i) The amended bank reconciliation statement was availed to the auditors for review.
  - (ii) The matter was adequately addressed as the stale cheques were reversed and reissued to other beneficiaries.
  - (iii) The Committee marked the matter as resolved.

### **4.0 Land without Ownership Documents**

385. The statement of receipts and payments reflected an amount of Kshs.63,226,560 in respect of transfers to other Government units as disclosed in Note 6 to the financial statements which included Kshs.35,164,145 being transfers to secondary schools. Out of this balance, an amount of Kshs.1,000,000 was transferred to Bulanda Secondary. Committee did not provide title deed to confirm ownership of the land.

### **Management Response**

386. Kshs. 1,000,000 for purchase of land at Bulanda Secondary School was part payment for the acquisition of the land. The project was further funded in the subsequent financial years so as the process of acquiring the title could begin. The school was in the process of acquiring of the parcel of land. The agreement and search were availed to the auditors for review.

### **Committee Observations**

387. The Committee observed that: -

- (i) An amount of Kshs. 1,000,000 was utilized as part payment for purchase of land at Bulanda Secondary School.
- (ii) The PMC did not provide title deed to confirm ownership of the land.
- (iii) The sale agreement and land search were availed to the auditors for review.

### **Committee Recommendations**

388. The Committee recommends that: -

- a) The Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Sections 68 (2) (c) of the Public Finance Management Act, No.18 of 2012 by ensuring that all financial and accounting records the entity keeps in any form, including in electronic form are adequately protected and backed up.
- b) The title deed for Bulanda Secondary School worth Kshs. 1,000,000 to be submitted for audit review.
- c) That within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers should submit to the Accounting Officer all pending land matters in the constituency, including land purchased for Bulanda Secondary School worth Kshs. 1,000,000 i.e., misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
- d) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

### **5.0 Unsupported Expenditure**

389. The statement of receipts and payments reflects an amount of Kshs.63,226,560 in respect of transfers to other Government units as disclosed in Note 6 to the financial statements which includes Kshs.35,164,145 being transfers to secondary schools. Out of this expenditure, an amount of Kshs.1,945,253 was disbursed to Mabunge Secondary School to co-finance the purchase of school bus. However, supporting documents like quotation, inspection and acceptance reports and logbook were not provided.

#### **Management Response**

390. Kshs. 1,945,253 was disbursed to Mabunge secondary school for purchase of school bus. The quotations and logbook for the school bus were availed to the auditors for review.

#### **Committee Observations**

391. The Committee observed that: -

- (i) At the time of audit, the supporting documents like quotation, inspection and acceptance reports and logbook were not provided.
- (ii) The quotations and logbook for the school bus were later availed to the auditors for review thereby addressing the issue.
- (iii) The Committee marked the matter as resolved.

#### **6.0 Budgetary Control and Performance**

392. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.213, 605,333 and Kshs.163,766,455 respectively resulting to an under-funding of Kshs.49,838,878 or 23% of the budget. Similarly, the Fund expended Kshs.136, 882,247 against an approved budget of Kshs.213, 605,334 resulting to an under-expenditure of Kshs.76,723,087 or 36% of the budget. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

393. The underfunding and underperformance was due to the late disbursement of funds from the exchequer.

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#### **Committee Observations**

394. The Committee observed that the matter was adequately addressed as the underfunding and underperformance was occasioned by the late disbursement of funds by the exchequer. Consequently, the Committee marked the matter as resolved.

### **3.2.9 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022**

#### **1.0 Unsupported Bank Account Bank Balances**

395. The financial statements and as disclosed in Note 17.4 to the statements reflect project Management Committee (PMC) bank account balances totalling Kshs.4,093,447 as at 30 June 2022. However, bank reconciliation statements and cash books in support of these balances were not provided for audit review.

In the circumstances, the accuracy and completeness of the Project Management Committee bank account balances of Kshs.4,093,447 could not be confirmed.

#### **Management Response**

396. The bank statements for the PMC balances of Kshs. 4,093,447 were availed to the auditors for review.

#### **Committee Observation**

397. This query arose due to late submission of the documents. The matter was adequately addressed as the documents were later availed and reviewed by the auditors. Consequently, the Committee marked the matter as resolved.

#### **2.0 Cash and Cash Equivalents**

398. The statement of assets and liabilities and as disclosed in Note 10A to the financial statements reflect balance of Kshs.34,418,886 in respect of cash and cash equivalents. However, the bank reconciliation statement for the month of June 2022 includes unpresented stale cheques totalling Kshs.2,356,989. No satisfactory explanation was provided on why the cheques had not been reversed in cash book.

#### **Management Response**

399. The stale cheques of Kshs.2,356,989 were for bursary cheques that had not been presented. However, the cheques were reversed and replaced in the subsequent financial year.

#### **Committee Observation**

400. The Committee observed that the matter was adequately addressed as the Fund Account Manager provided evidence that the stale cheques were reversed and replaced in the subsequent financial year and supporting evidence submitted and verified by the auditors.
401. The Committee marked the matter as resolved.

#### **3.0 Unsupported Bursary Disbursement**

402. The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects balance of Kshs.62,139,633 in respect of other grants and other transfers. The amount included Kshs.7,585,323 being disbursement of bursary funds to tertiary institutions which was not supported by a ledger or detailed schedules.

#### **Management Response**

403. Kshs.7,585,323 was the actual expenditure under the bursary funds for tertiary institutions. The schedules and ledger with the break down for the expenditure was availed to the auditors for review.

#### **Committee Observation**

404. The Committee observed that the management's response was satisfactory and that the matter was adequately addressed. Consequently, the Committee marked the matter as resolved.

#### **4.0 Understated Transfers to Other Government Units**

405. The statements of receipts and payments and as disclosed in Note 6 to the financial statements reflects balance of Kshs.89,119,494 in respect of transfers to other government

units out of which Kshs.75,067,254 relates to transfers to secondary schools. However, review of the supporting schedule and payment voucher reflect an amount of Kshs.76,867,250 resulting to a variance of Kshs.1,799,996 which was not reconciled.

#### **Management Response**

406. Kshs.76,867,250 was the actual expenditure for transfers to secondary schools. The variance of Kshs.1,799,996 had been captured as an expenditure under transfers to primary schools. The notes to the financial statements were amended to reflect the correct balances.

#### **Committee Observation**

407. **The Committee observed that the amendments of notes to the financial statements were done to reflect the correct balances and the amended financial statements made available for audit review. Consequently, the Committee marked the matter as resolved.**

### **5.0 Undisclosed and Unsupported Payment to a Corporation**

408. Review of the cash book and bank statements revealed a payment of Kshs.2,000,000 made to Rural Electrification and Renewable Energy Corporation on 18 March 2022 for electricity connection within the constituency. However, the expenditure has not been included in the financial statements. Further, no evidence was provided to indicate that electricity was connected within the constituency. In the circumstances, the propriety of the expenditure of Kshs.2,000,000 could not be confirmed.

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#### **Management Response**

409. Renewable Energy Corporation was done under an agreement to undertake connection of power within the constituency. This was not done to date and the constituency made a follow up to ensure the project was implemented as per the agreement.

#### **Committee Observation**

410. The Committee observed that Rural Electrification and Renewable Energy Corporation (REREC) received payment to undertake connection of power within the constituency however they have implemented 30% of the project.

#### **Committee Recommendations**

411. **The Committee recommends that: -**
- a) **Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Accounting Officer should submit to the National Assembly a status report highlighting similar projects with REREC in other Constituencies.**
  - b) **Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Accounting Officer should ensure power connection is completed by REREC.**



## **6.0 Undisclosed and Supported Disbursement for Purchase of Land**

412. Review of the cash book and bank statements revealed a disbursement of Kshs.3,460,000 to a special School on 22 April 2022 for the purchase of land measuring 0.933 acres. However, the amount has not been disclosed in the financial statements and no evidence was provided to indicate that the land was purchased as intended.

### **Management Response**

413. Kshs.3,460,000 was disbursed to Bugengi M. H. special school for purchase of a piece of land. As at the time of audit the title had not been acquired however, the title was processed and availed to the auditors for review.

### **Committee Observation**

414. **The Committee observed that the title deed for the land was processed and handed to the school. The matter was adequately addressed as the title was availed and verified by the auditors.**
415. **The Committee marked the matter as resolved.**

## **7.0 Budgetary Control and Performance**

416. The summary statement of appropriation reflects receipts budget and actual on comparable basis amounts of Kshs.213,811,965 and Kshs.201,723,087 respectively, resulting to under-funding of Kshs.12,088,878 or 6% of the budget. Similarly, the statement reflects actual expenditure of Kshs.167,004,225 against approved budget of Kshs.213,811,965 resulting to under-performance of Kshs.46,807,740 or 22% of the budget. The under-funding and under performance affected the planned activities and may have negatively impacted on service delivery to the public.

### **Management Response**

417. The underfunding and underperformance were due to the late disbursement of funds from the exchequer.

### **Committee Observation**

418. **The Committee observed that the management's response was satisfactory and that the matter was adequately addressed. Consequently, the Committee marked the matter as resolved.**

## **8.0 Incomplete and Stalled Projects Construction of Administration Block**

419. The statement of receipts and payments and as disclosed in Note 6 to the financial statements, reflects an amount of Kshs.89,119,494 in respect of transfers to other Government Units which, includes Kshs.75,067,254 being transfers to secondary schools, out of which Kshs.21,000,000 was disbursed to a secondary school for construction of a one-storey administration block.
420. The contract was awarded to local construction company at a contract sum of Kshs. 35,284,255 for a contract period of fifty-two (52) weeks commencing 13 December 2021 with a completion date of 13 December 2022. However, the tender opening minutes dated

25 October 2021 were not initiated by the tender opening committee contrary to Section 78 of the Public Procurement and Assets Disposal Act, 2015. The project was suspended on 3 October 2022 by the Department of Public works due to desertion of the works by the contractor. However, the contractor requested for an extension of the contract period which was granted on 31 January 2023 and the contract period was extended to 30 April 2023.

421. An audit inspection carried out on 27 March 2023 revealed that the project had stalled, and the contractor abandoned site. At the time inspection, the contractor had done the super structure of the ground floor including plastering, wiring, plumbing, windows, doors and the floor representing 48% of the total works and paid a total of Kshs. 22,792,532 or 65% of the contract sum compared to 48% completion status of the project and with only one month remaining to the completion of the new project period.

#### **Management Response**

422. The opening minutes of the tender was initiated. The contractor resumed site and works were on-going as depicted in the progress report.

#### **Committee Observations**

423. The Committee observed that: -

- (i) The opening minutes of tender were availed to the auditor for verification.
- (ii) Physical verification conducted by the Committee on 7<sup>th</sup> May 2024 indicated the project was complete thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.

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#### **9.0 Construction of a multi-purpose hall**

424. The statement of receipts and payments and as disclosed in Note 6 to the financial statements, reflects an amount of Kshs.89,119,494 in respect of transfers to other Government units which includes Kshs.75,076,254 being transfers to secondary schools out of which Kshs.36,900,000 was transferred to a school for construction of multi-purpose hall. The contract for the project was awarded to a local construction company on 24 November 2021 at a contract sum of Kshs.46,833,216 for a period of fifty-two (52) weeks commencing 1 December 2021 and scheduled for completion on 30 November 2022.
425. A physical inspection carried out on 27 March 2023 revealed that the contractor had only done windows and that the works were 45% complete. It was also revealed that the project had stalled and the contractor had abandoned the site. At the time of stalling, the contractor had been paid a total of Kshs.41,570,226 being 89% of the contract sum while the project was 45% complete.

#### **Management Response**

426. The contractor did the roofing which signifies 80% of the construction of the multi-purpose hall.

### **Committee Observations**

**427. The Committee observed that: -**

- (i) Physical verification conducted by the Committee on 7<sup>th</sup> May 2024 indicated the project was still ongoing.**
- (ii) The Committee marked the matter as resolved.**

### **3.3 NAMBALE CONSTITUENCY**

428. The Fund Account Manager, appeared before the Committee on 7<sup>th</sup> October 2023, tabled the NGCDF management responses and supporting documents on the audited accounts and submitted as follows:

#### **3.3.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2013/2014**

##### **1.0 Going Concern**

429. The High Court of Kenya in its ruling on Petition 71 of 2013 held that the Constituency Development Fund since enactment of the Constitution of Kenya 2010 was unconstitutional thus rendering the existence of the Fund will be in place within the period given by the High Court of twelve months for the fund to continue existing. As a result, the going concern status of the Constituencies Development Fund - Nambale Constituency is doubtful.

##### **Management Response**

430. The NGCDF Act 2015 (amended 2022) was enacted to address the issue of going concern. This brought about the separation of functions between the two levels of government. The issue of going concern was therefore addressed.

##### **Committee Observation**

431. **The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act, 2015 and its Regulations 2016 which aligned the Fund functions to National Government functions. Consequently, the Committee marked the matter as resolved.**

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##### **2.0 Accuracy and Completeness of the Financial Statement**

432. The Fund did not comply with Standards and template contained in the Gazette pronouncement issued by IPSAS Board on the presentation of the financial statements as the statement of financial assets and liabilities and statement of cash flows were not prepared. Further, the general ledgers from which the financial statements were to be prepared were not maintained. Consequently, the accuracy and completeness of the financial statements for the year ended 30<sup>th</sup> June 2014 could not be confirmed.

##### **Management Response**

433. This was the first year of adoption of the IPSAS reporting template and there were challenges in the reporting during that year. However, the statement of financial assets and liabilities and the cashflow statement have been prepared and availed to the auditors for review. The constituency maintains an annual expenditure return that serves as ledger and basis to the preparation of the financial statements.

##### **Committee Observation**

434. **The Committee observed that the statement of financial assets and liabilities and the cash flow statement were later prepared and availed to the auditors for review. Consequently, the Committee marked the matter as resolved.**

### **3.0 Procurement of Consultancy services**

435. The Statement of receipts and payments reflects expenditure of Kshs.6,151,520.80 use of goods and services which includes an amount of Kshs.1,560,000.00 paid to a Nairobi based Consultancy firm for the preparation of five-year development plan a copy of which was not physically available for verification. Further, procurement documents were not made available for audit review. Consequently, it has not been possible to confirm whether the contract was successfully executed as planned and that the Fund got value for money in the transaction.

#### **Management Response**

436. The project was allocated Kshs.1,560,000 during the 2013/2014 financial year for preparation of 5-year strategic plan for Nambale Constituency. The CDFO used request for quotations method to procure for the consultancy.

**Tender-** Quotations were used since this type of service did not have any prequalified contractors. A total of three bidders competed as follows:-

**Bekhonye Research Agency - Kshs.1,800,000**

**Focus Management Consultancies - Kshs.1,210,000**

**Toren Research Group - Kshs.2,000,000**

437. The tender to prepare the strategic plan was awarded to Focus Management Consultancies at a cost of Kshs.1,210,000 being the lowest responsive bidder. The Strategic Plan was completed and handed over to the Management for implementation as required.

#### **Committee Observation**

437. The Committee observed that the procurement documents were later made available for audit review and marked the matter as resolved.

### **4.0 Purchase of Land for Construction of a Police Post at Tangakona**

438. During the year under review, an amount of Kshs. 800,000.00 was paid out to an individual for land to put up a police Divisional Headquarters (Nambale). However, a sales agreement or ownership documents were not made available for audit review. In the circumstances, it has not been possible to confirm the propriety of the expenditure of Kshs.800,000.00 as at 30<sup>th</sup> June 2014.

#### **Management Response**

439. During the time of audit, the title deed was not ready however the title deed has been obtained. The title deed and the search document have been availed to the auditors for review.

#### **Committee Observation**

440. The Committee observed that at the time of audit, the documents were not ready. The search document, sale agreement and title deed were later provided for audit

review thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **5.0 Unsupported Expenditure on Procurement of Land**

441. During the year under review, an amount of Kshs.1,200,000.00 was re-allocated from the environment account to procure land for the expansion of CDF offices. However, the reallocation was not approved by the Constituencies Development Fund Board as required. Further, the ownership documents have not been obtained. In view of the foregoing, the ownership and size of the land paid for could be confirmed as at 30<sup>th</sup> June 2014.

#### **Management Response**

##### **Nambale CDF Office -land**

442. Kshs.1,200,000.00 was allocated for environment projects during the year, however the NG CDFC utilized the funds for the acquisition of land for the office. This was an oversight from the committee by failure to seek approval from the NGCDF board. From the capacity building and training, the committee now complies with the requirements of the law.
443. At the time of the Audit verification, the ownership of the land was at advanced stage to resolve the issue of obtaining the title deed in the name of Nambale CDF. The title deed has since been obtained in the name of Nambale NGCDF.

#### **Committee Observation**

444. **The Committee observed that the issue was addressed as the title deed in the name of Nambale NGCDF was obtained and availed for audit review and the matter was marked as resolved.**
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#### **6.0 Acquisition Of Assets – Motor Vehicle Model – Ford Everest Station Wagon**

445. During the year, the Fund procured a motor vehicle model Ford Everest Station Wagon for Kshs.4,950,000.00. However, it has not been possible to confirm the existence and ownership of the motor vehicle as at 30<sup>th</sup> June 2014.

#### **Management Response**

446. The motor vehicle was purchased in the financial year 2013-2014 for office use. At the time of audit, the logbook had not been processed but has since been processed and availed for audit review.

#### **Committee Observation**

447. **The Committee observed that that the logbook had not been processed at the time of audit but was later processed and availed for audit review thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**



### **7.0 Purchase of Land for Namisi Primary School (Bukhayo/Malanga/1226 And 1157)**

448. The Fund paid Kshs.400,000.00 for the procurement of two parcels of land measuring respectively 0.55 and 0.57 hectares each adding up to a total of 1.12 hectares at an agreed amount of Kshs.600,000.00. it was however noted that the size of land bought totalled 0.791 hectares instead of 1.12 hectares. The resulting difference of 0.329 hectares has not been explained. Under the circumstances, the propriety of the payments of Kshs.400,000.00 could not be confirmed as at 30<sup>th</sup> June 2014.

#### **Management Response**

449. The amount of Kshs 400,000 allocated and paid could only purchase 0.791 hectares of land as opposed to the 1.12 hectares initially planned. This was due to the land market rates in the area which was higher than the amount allocated. The school has since transferred the land to its name and in use.

#### **Committee Observation**

450. The Committee noted that the issue was addressed as Namisi Primary school transferred the land to its name and is in use. Consequently, the Committee marked the matter as resolved.

### **8.0 Committee Expenses**

451. The Statement of receipts and payments reflects committee expenses of Kshs.3,155,000.00 for the year ended 30<sup>th</sup> June 2014. However, payment vouchers amounting to Kshs.2,002,580.00 under committee expenses were not made available for audit review. In the circumstances the accuracy and propriety of the committee expenses balance of Kshs.3,155,000.00 could not be confirmed as at 30<sup>th</sup> June 2014.

#### **Management Response**

452. The payment vouchers of payments in respect of committee expenses of Kshs. 2,002,580 for the year ended 30<sup>th</sup> June 2014 have been availed to the auditor for review.

#### **Committee Observation**

453. The Committee observed that the issue was addressed as the payment vouchers in respect of committee expenses were made available for audit review and the matter was marked as resolved

## **3.3.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2014/2015**

### **1.0 Presentation, Accuracy and Completeness of the Financial Statements**

454. According to the International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury, management is required to include among the financial statements presented for audit, a report on action taken on the previous year auditor's recommendations. In the year 2013/2014, Nambale CDF received a qualified audit (except for) opinion. However, no report on the progress on follow-up of the audit issues raised was included in the financial statements for the

year under review. In the circumstances, the presentation of the financial statements does not conform to the IPSAS (cash Basis) format prescribed by the National Treasury and the and the Public Finance Management Act, 2012.

#### **Management Response**

455. Report on the progress of follow-up of the audit issues raised in the Previous year Audit Report was erroneously omitted from the financial statements as required by IPSAS at the time of audit, however the report has been availed for audit review.

#### **Committee Observations**

456. The Committee observed that: -

- (i) Management failed to adhere to the IPSAS (cash basis) presentation format prescribed by the National Treasury by omitting the progress report of follow-up of the audit issues raised in the previous year audit report from the financial statements. The progress report was later availed for audit review.
- (ii) The matter was addressed as the progress report was availed for audit review.
- (iii) The Committee marked the matter as resolved.

#### **2.0 Budget Control and Performance**

457. The Fund's approved budget indicated that its receipts extracted from the CDF Board in the year under review amounted to Kshs.145,400,306.00 but actual receipts totalled to Kshs.118,403,305.00 only therefore the difference of Kshs.26,997,001.00 was not released by resulting to under-expenditure of Kshs.37,279,070.00. The Fund never acquired any assets although the approved budget for the item amounted to Kshs.1,000,000.00. Consequently, the Fund did not meet its implementation targets and service delivery objectives for the Constituency.

#### **Management Response**

458. The under expenditure was due to the delay in disbursement of funds from the exchequer. However, the funds were utilized in the subsequent financial year. As at the time of audit the asset that was to be acquired had not been purchased due to the delay of disbursement. However, the assets (office furniture and computers) were acquired in the subsequent financial year.

#### **Committee Observation**

459. The Committee noted that the under expenditure was due to the delay in disbursement of funds from the exchequer. The funds were utilized in the subsequent financial year and the issue was adequately addressed. Consequently, the Committee marked the matter as resolved.

### **3.0 Other Grants and Transfers – Unvouched Expenditure**

460. The Fund disbursed a total of Kshs.38,162,501.00 under other grants and transfers. However, payments vouchers for expenditure totalling Kshs. 992,000.00 under cheque Nos.3153, 3154, 3223 and payment voucher Nos.C43 of Kshs.147,000.00, Kshs.200,000.00, Kshs.145,000.00 and Kshs.500,000.00 respectively were not made available for audit review. Consequently, the propriety of the expenditure totalling Kshs. 992,000.00 could not be confirmed.

#### **Management Response**

461. The cashbook extract in support of payments in respect of expenditure totalling to Kshs 992,000 for the year ended 30<sup>th</sup> June 2015 have been availed to the auditor for review.

#### **Committee Observation**

462. The Committee noted that the matter was addressed as the cashbook extract was made available for audit review and the matter was marked as resolved.

### **4.0 Project Implementation and Management**

463. The Fund failed to complete nine (9) projects with a total allocation of Kshs. 9,982,757.00 in the year 2013/2014. These included an amount of Kshs.7,882,759.00 disbursed to health facilities for construction works which however stalled due to insufficient funds. Further, of the total allocation of Kshs.107,844,002.00 for the year 2014/2015, only fifty-two (52) projects costing Kshs.81,994,002.00 were completed leaving thirty projects (30) allocated Kshs.25,850,000.00 incomplete. In the circumstances, the constituents did not realise any benefit from the expenditure incurred on stalled and incomplete projects for the two financial years ended 30<sup>th</sup> June 2015.

#### **Management Response**

464. The late disbursement of funds from the exchequer resulted in delays in project implementation. But the projects have been completed as indicated in the attached Project Implementation Status report.

#### **Committee Observations**

465. The Committee noted that: -

- (i) The Project Implementation Status Report for FY 2014/2015 and photos were provided for audit verification.
- (ii) The auditor verified physically that the projects exist thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.

### **3.3.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2015/2016**

#### **1.0 Land Ownership**

466. The Fund purchased various parcels of land at a cost of Kshs.3,200,000 as shown below. However, the title deeds were not availed for audit verification.

- **Harambee Primary School**-Purchase of two acres of land-Kshs 600,000
- **Kaludeka Primary School**-Purchase of one acre of land-Kshs 300,000
- **Lwanyange Primary School**-Purchase of four acres of land -Kshs 1,200,000
- **Makale Primary School**-Purchase of two acres of land -Kshs 600,000
- **Buyofu Police Post**-Purchase of quarter an acre -Kshs 500,000

In absence of the title deeds, the ownership of the parcels of land could not be confirmed.

#### **Management Response**

467. At the time of audit, the Project management committees of the various institutions were in the process of acquiring title deeds. Currently few have managed to obtain the tile deeds as follows;

- **Lwangange Primary School**-The school was a mentor school for the newly established Lwanyange Sec School and therefore they were purchasing land on behalf of them. They have since acquired a title deed.
- **Makale Primary School**-Title deed processed for one acre and in the process of processing for the remaining one-acre piece of land.
- **Harambee Primary School**-Nambale NGCDF will provide additional funds for processing of title deed in the next financial year. The sale agreement has been provided for audit review.
- **Kaludeka Primary School**- Nambale NGCDF will provide additional funds for processing of title deed in the next financial year. The sale agreement has been provided for audit review.
- **Buyofu Police Post**- Nambale NGCDF will provide additional funds for processing of title deed in the next financial year. The sale agreement has been provided for audit review

#### **Committee Observation**

468. The Committee observed that the title deeds and sale agreements for the primary schools and police post were not provided during audit verification. They were later made available and verified by the auditors. Consequently, the Committee marked the matter as resolved.

#### **2.0 Budget Control Performance**

469. The Fund had an approved budget of Kshs.148,770,800 and spent Kshs.91,189,444 resulting to under expenditure of Kshs.57,581,256 or budget utilization of 61%. Consequently, the budget target was not met, and various projects budgeted were not implemented within the year under review. It is not clear how the CDF intended to clear this backlog of projects as they will affect the subsequent years project implementation.

#### **Management Response**

470. The under expenditure was due to the delay in disbursement of funds from the exchequer. However, the funds were utilized in the subsequent financial year.

#### **Committee Observations**

471. **The Committee observed that the matter was adequately addressed as the under expenditure was due to late disbursement of funds by the exchequer. The matter was marked as resolved.**

### **3.0 Project Implementation Status**

472. The fund was to implement a total of 97 projects/programmes in different sectors during the year under review. Analysis of implementation status indicate that 52 (54%) of the projects were ongoing while 45 (47%) had been completed. Consequently, the Fund did not fully meet the budget target and thus denying the residents effective delivery of service.

#### **Management Response**

473. The late disbursement of funds from the Accounting Officer resulted in delays in project implementation. But the projects have been completed as indicated in the attached Project Implementation status report.

#### **Committee Observation**

474. **The Committee observed that the matter was addressed as the completion certificates and project status of the specific projects were made available for audit review. Consequently, the Committee marked the matter as resolved.**

### **4.0 Undisbursed Allocation**

475. The fund received Kshs.81,283,871 in the year under review against total Allocation of Kshs.114,285,860 resulting in an undisbursed allocation of Kshs.33,001,989. This is likely to hinder the implementation of the years projects and subsequently have an impact on the following years delivery of targets.

#### **Management Response**

476. Kshs. 33,001,989 was disbursed to the constituency in the subsequent financial year and the funds utilised to implement the various projects as approved.

#### **Committee Observation**

477. **The Committee observed that the matter was addressed as the AIE was received and the Project Implementation Status report availed to the auditors for review. Consequently, the Committee marked the matter as resolved.**



### 3.3.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017

#### 1.0 Incomplete and Stalled Projects

478. During the year under review, the fund incurred a total of Kshs 41,300,657 in respect of transfers to other government entities. However, the following anomalies were noted in implementation of projects;

- i. Construction of latrines at Mungatsi Primary School was found to be incomplete and sub-standard though full payment of Kshs.500,000 had been made.
- ii. Full payment of Kshs.600,000 had been made towards completion of a classroom at Mwangaza primary school. Physical verification of the project revealed that the project was approximately 50% complete and not in use. In addition, the contractor was not on site.
- iii. Full payment of Kshs.250,000 had been made towards completion of a classroom at Maira primary school. Physical verification of the project revealed that the project remained incomplete and yet the contractor was not on site.
- iv. Full payment of Kshs.560,000 had been made towards construction of staff quarters at Tangakona Administration Police Camp. Physical verification of the project revealed that the project remained incomplete and yet the contractor not on site

#### Management Response

479. As at the time of the audit the project was still ongoing however, the Pit latrines at Mungatsi Primary School were completed and handed over to the school management for use. Kshs.600,000 was paid to the PMC account for the implementation of the project. The PMC had not paid the full amount as the project was still on going. The construction of the one classroom at Mwangaza Primary School was completed and handed over to the school management for use.

480. Kshs.250,000 was paid to the PMC account for the implementation of the project. The PMC had not paid the full amount as the project was still on going. The one classroom at Maira Primary has since been completed and handed over to the school management for use.

481. Kshs.560,000 was paid to the PMC account for the implementation of the project. The PMC had not paid the full amount as the project was still on going. The staff quarters at Tanga Kona AP camp have since been completed and handed over. They are currently in use

#### Committee Observation

482. The Committee observed that the auditors physically verified the projects existence thereby addressing the matter. Consequently, the Committee marked the matter as resolved.

#### 2.0 Budgetary Performance

483. The CDF revenue was budgeted at Kshs. 142,144,938 against actual receipt of Kshs.139,477,808 representing an overall under collection of Kshs. 2,667,131(1.9%).



Further, the CDF spent Kshs.126,091,375 against a budget of Kshs.142,144,938 representing under expenditure of Kshs.16,053,564 representing 11.3%.

#### **Management Response**

484. The under expenditure was as a result of Accounting Officer not disbursing Kshs 2,667,131 during the final the amount and projects implemented as required. The under expenditure of 16,053,564 was due to the late disbursement of funds from the exchequer. The funds were received towards the end of the financial year and Kshs. 2,667,131 received after the closure of the financial year.

#### **Committee Observation**

485. **The Committee observed that the matter was addressed, as the AIE of the disbursed amount was made available for audit review. Consequently, the Committee marked the matter as resolved.**

### **3.0 Project Performance**

486. Nambale CDF was to implement a total of 73 projects/programmes costing Kshs. 41,689,862 by different sectors during the year under review.
487. Further analysis indicated that 5 representing 7% of the projects had not started ,39 representing 53% were still ongoing and 19 representing 40% had been completed as at the time of audit.

#### **Management Response**

488. The projects that were ongoing and those that had not started was due to the delay in disbursement of funds. The projects were later implemented to completion.

#### **Committee Observation**

489. **The Committee observed that the completion certificates and project status of the specific projects were made available for audit review. The matter was addressed as the auditors physically verified the projects. Consequently, the Committee marked the matter as resolved.**

### **3.3.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018**

#### **1.0 Construction of Double Houses at Tangakona AP Camp**

490. The Fund transferred Kshs 668,000 to Tangakona AP Camp for the construction of double room houses to completion. During the field inspection, it was noted that the project remained incomplete despite the allocated amount having been fully spent. Further the floors were cracking, an indication of poor workmanship. Painting, gutter installation and doors were also not installed. In the circumstances, value for money was not obtained.

#### **Management Response**

491. During the time of audit, the project was still on going and the painting was only the first coat that had been applied. The construction of double room houses at Tangakona AP Camp were completed, handed over and in use.

#### **Committee Observation**

492. The Committee observed that the matter was addressed as the management availed the completion certificate, certificate of making good defects, photos of the completed double rooms at Tangakona AP Camp for audit review.
493. The Committee marked the matter as resolved.

### **2.0 Unverifiable Expenditure on Purchase of Land**

494. During the year under review, the Fund disbursed Kshs.2,977,200 to Khwirale Secondary School and Mungatsi TTI for purchase of land. However, the procurement records relating to the two parcels of land procured were not available for audit review an indication that the schools did not have title deeds to proof ownership of the parcels of land. In addition, the project management committees did not provide land survey and valuation reports, detailing how the purchase price was arrived at.

#### **Management Response**

495. The purchase of land for the two institutions were done from community members that were adjacent to the schools. Khwirale secondary school acquired its title deed and has been availed to the auditors for review. Mungatsi TTI land is under succession and the matter is in its advanced stages for the completion of the case and subdivision of the land and the title be processed.

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#### **Committee Observation**

496. The Committee observed that the matter was addressed as copies of the land title deed for Khwirale Secondary School and succession documents for Mungatsi TTI were availed to the auditors for audit review. Consequently, the Committee marked the matter as resolved.

### **3.0 Project Implementation Status**

497. Nambale NG-CDF was to implement a total of 84 projects/programmes by different sectors during the financial year with a budget cost of Kshs.130,547,415 through various project management committees. However, analysis of the project implementation status reports revealed that 32 or 39% of the projects had not been started, 43 or 52% of the projects were still ongoing and 9 or 11% of the projects had been completed as at the time of audit in February 2019.

#### **Management Response**

498. The delay in implementation of projects was due to the delay in disbursement of funds from the exchequer. However, the funds were utilized in the subsequent financial year and projects fully implemented.

#### **Committee Observation**

499. **The Committee noted that the management availed the Project Implementation Status Report for FY 2017/2018 to the auditors for audit review thereby addressing the matter.**
500. **The Committee marked the matter as resolved.**

#### **4.0 Budget Performance**

501. During the year under review, the Fund revenue was budgeted at Kshs.114,253,219 against actual receipt of Kshs.46,082,302 representing underfunding of Kshs.68,170,917. Further, the fund spent a total of Kshs.57,842,030 against a budget of Kshs.114,253,219 presenting under-expenditure of Kshs.56,411,189 or 51%.

#### **Management Response**

502. The under expenditure was due to the delay in disbursement of funds from the exchequer. However, the funds were utilized in the subsequent financial year.

#### **Committee Observation**

503. **The Committee observed that the matter was adequately addressed as the AIE was availed to the auditors for verification. The matter was marked as resolved.**

### **3.3.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019**

#### **1.0 Budgetary Control and Performance**

504. During the year under review, the Fund's budgeted revenue was Kshs. 166,353,030 against actual receipts of Kshs.110,411,187 representing an underfunding of Kshs.55,941,843. Further, the Fund spent a total of Kshs.107,883, 516 against a budget of Kshs.166,353,030 representing under absorption of Kshs. 58,469,514 or 35%.

#### **Management Response**

505. The under absorption was due to the delay in disbursement of funds from the exchequer. However, the funds were utilized in the subsequent financial year.

#### **Committee Observation**

506. **The Committee observed that the matter was adequately addressed as the under-absorption of the funds was due to late disbursement of funds by the exchequer. The matter was marked as resolved.**

#### **2.0 Project Performance**

507. Review of the project implementation status report revealed that the Fund was to implement a total of 77 projects/programmes across different sectors during the financial year. However, analysis of the project's progress showed that 22% of the were still on-going while 78% had been completed as at the time of audit in July 2020.

#### **Management Response**

508. The delay in implementation of projects was due to the delay in disbursement of funds from the exchequer. However, the funds were utilized in the subsequent financial year and projects fully implemented.

#### **Committee Observation**

509. The Committee observed that the matter was adequately addressed as the delay in implementation of projects was due to late disbursement of funds by the exchequer. The matter was marked as resolved.

#### **3.0 Delayed Utilization of an Office Block at Nambale Police Division**

510. Included in the other grants and transfers expenditure of Kshs.40,143,146 under Note 5 to the financial statements is an amount Kshs.500,000 disbursed to Nambale Police Division towards completion of an office block during the year under review. However, physical verification conducted on the project was complete but had not been put to beneficial use.

#### **Management Response**

511. The management confirms that the project was completed and handed over but has not been put to use to date. The Nambale Deputy County Commissioner has been informed of the matter and currently working on putting the project into use.

#### **Committee Observations**

512. The Committee observed that: -

- (i) The project was complete but had not been put to beneficial use.
- (ii) Management attached a letter from the Deputy County Commissioner Nambale on the status of the project.
- (iii) This was verified by the auditor thereby addressing the matter.
- (iv) The Committee marked the matter as resolved.

### **3.3.7 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020**

#### **1.0 Accuracy of the Financial Statements**

##### **1.1 Unexplained variance on Transfers from the NGCDF Board**

513. The summary statement of appropriation-recurrent and development combined reflects Kshs.125,595,547 in respect to Transfers from NGCDF Board. However, the statement of receipts and payments reflects a transfer of Kshs.123,040,876 resulting to unexplained variance of Kshs.2,554,671. In the circumstance, the accuracy of the Kshs.123,040,876 in respect to Transfers from the Accounting Officer could not be confirmed.

#### **Management Response**

514. The variance of Kshs.2,554,671 on the summary statement of appropriation and statement of receipts and payments relates to the sum of the cash book balance brought forward from the previous financial year and therefore would not be part of receipts from the

Accounting Officer for FY 2019/2020 of Kshs.2,527,671 and other receipts from sale of tenders of Kshs.19,000.

#### **Committee Observation**

515. **The Committee observed that the matter was addressed, as the management availed the cashbook extract showing balance brought forward from FY 2018-2019 of Kshs.2,527,671. Consequently, the Committee marked the matter as resolved.**

#### **1.2 Variance on Unutilized Balance**

516. The summary statement of appropriation-recurrent and development combined reflects budget utilization difference of Kshs.74,146,799. However, note 14.3 to the financial statements reflects Kshs.75,076,890 in respect to unutilized funds resulting to unexplained variance of Kshs.930,091

#### **Management Response**

517. The variance of Kshs.930,091 between summary statement of appropriation and the unutilized funds is a result of gratuity, retention and bursary reversal that have already been expensed but not paid hence forming part of funds in the cashbook as at 30<sup>th</sup> June 2020.

#### **Committee Observation**

518. **The Committee noted that the matter was addressed as the management made available the extract of the financial statement showing the unexplained variance of Kshs.930,091 for audit review. Consequently, the Committee marked the matter as resolved.**

### **2.0 Budget Control and Performance**

#### **2.1. Budget Shortfall**

519. The Fund's summary statement of appropriation- recurrent and development combined for the year ended 30 June 2020 reflects approved receipt budget of Kshs.194,955,272 against actual receipts of Kshs. 125,595,547 resulting in a budget shortfall of Kshs. 69,359,725(36%). Overall, the Fund failed to actualize its budget by Kshs.69,359,725 or (34%) an indication that some programs and activities that had been planned were not implemented.

#### **Management Response**

520. The underutilization of the financial year budget was a result of delay in disbursement from the exchequer. We have since received the full funding and implemented all the projects as required in the subsequent financial year.

#### **Committee Observation**

521. **The Committee observed that the matter was adequately addressed as it had resulted from the delayed disbursement of funds by the exchequer, and marked the it as resolved.**

## **2.2 Under Expenditure**

522. The summary statement of appropriation-recurrent and development combined reflects an approved payment budget of Kshs.194,955,271 and actual payments of Kshs. 120,808,472 resulting in under-expenditure of Kshs.74,146,799(38%).

### **Management Response**

523. The under expenditure of the financial year budget was a result of delay in receiving full funding from the Accounting Officer within the year. We have since received the full funding and implemented all the projects as required in the subsequent financial year.

### **Committee Observation**

524. **The Committee observed that the matter was adequately addressed as the under expenditure was as a result of delayed disbursement of funds by the exchequer, and marked it as resolved.**

## **3.0 Poor Workmanship in Construction of Buildings at Schools**

525. As disclosed under Note 5 to the financial statements, the statement of receipts and payments reflects transfer to other government entities of Kshs.64,193,050 which includes transfers to Primary schools and secondary schools amount of Kshs.26,496,000 and Kshs.35,144,000 respectively. The transfer to other government units included transfers to secondary schools of Kshs.3,000,000 for completion of classrooms at Emukhuyu Secondary School and Mabunge RC Secondary School and Kshs.2,430,000 for completion of classrooms at Musoma Primary School and Namahindi Primary School. As at the time of audit in February 2021, the classrooms had not been done and put in use. However, the works were not done as per the bill of quantities and the quality of work was noted to be of substandard. Consequently, the residents of Nambale Constituency did not get value for Kshs.5,430,000 incurred on the classroom during the year ended 30 June 2020.

### **Management Response**

526. The management would like to provide the responses on the mentioned projects as follows;

- i. The construction of laboratories at Emukhuyu and Mabunge RC Secondary schools were completed as per the bill of quantities and defects were made good by the contractor and handed over to the school management. Currently is use.
- ii. The one classroom at Musoma Primary School and two classrooms at Namahindi Primary School were also completed as per the bill of quantities, defects were made good by the contractor and handed over to the school management as required.



#### **Committee Observations**

**527. The Committee observed that: -**

- (i) For the construction of laboratories management availed photos of the completed laboratories, completion certificates and certificate of making good defects.
- (ii) For the classrooms, management availed photos of the completed classrooms, completion certificates and certificate of making good defects. This was verified by the auditors thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.

### **3.3.8 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021**

#### **1.0 Unsupported Transfers to Other Government Entities**

**528.** The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects a balance of Kshs. 80,145,600 under transfers to other Government entities which includes an amount of Kshs. 32,655,000 transferred to secondary schools. The transfer to secondary schools further includes an amount of Kshs. 1,030,000 transferred to St. Mary's Nambale Secondary School for purchase of land. However, the Project Management Committee did not provide a valuation report and title deed for the land. In the circumstances, the accuracy and completeness of the transfers to other Government entities of Kshs. 1,030,000 could not be confirmed.

#### **Management Response**

**529.** The project management of St Mary's Nambale Secondary School purchased the land and is currently in possession of the same. The valuation of the land was done and has been availed to the auditors for review. The land title is still being processed by the school; the principal has confirmed that the same will be ready by October 2023.

#### **Committee Observations**

**530.** The Committee observed that: -

- (i) The title deed was still being processed by the school.
- (ii) A copy of the land valuation report and land search were availed to the auditors for verification.

#### **Committee Recommendations**

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

- a) The Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Sections 68 (2) (c) of the Public Finance Management Act, No.18 of 2012 by ensuring that all financial and accounting records the entity keeps in any form, including in electronic form are adequately protected and backed up.
- b) The title deed to be submitted for audit review.
- c) Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers should

submit to the Accounting Officer all pending land matters in the constituency, including St. Mary's Nambale Secondary School worth Kshs. 1,030,000 i.e, misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.

- d) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

## **2.0 Unconfirmed Project Management (PMC) Bank Balances**

532. As disclosed in Note 17.4 and Annex 5 to the financial statements are Project Management Committee (PMC) bank balances amounting to Kshs. 24,572,814.

However, bank reconciliation statements and their related supporting documents were not provided for audit review contrary to Regulation 90 (1) of the Public Finance Management (National Government) Regulations 2015 which requires that Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by the Accounting Officer, every month and, submit a bank reconciliation statement not later than date 10 of the subsequent month to the National Treasury with a copy to the Auditor-General. In the circumstances, the PMC bank balances could not be confirmed.

### **Management Response**

533. The NGCDF Nambale management requested for Project Management Committees bank balances as at 30<sup>th</sup> June 2021 from the various banks where the accounts are maintained. During this period the constituency did not maintain a cash book and undertake bank reconciliations but maintained ledgers and returns to monitor the operations of the account. The constituency currently maintains a cashbook and undertakes bank reconciliations for all the PMC accounts.

### **Committee Observation**

534. The Committee observed that the matter was addressed as the certificates of PMC bank balances as at 30<sup>th</sup> June 2021 were made available and verified by the auditors. Consequently, the Committee marked the matter as resolved.

## **4.0 Budgetary Control and Performance**

535. The summary statement of appropriation reflects final receipts budget and actual on a comparable basis of Kshs. 212,526,769 and Kshs. 167,437,890 respectively resulting to an under-funding of Kshs. 45,088,879 or 21% of the budget. Similarly, the Fund expended Kshs. 114,585,876 against an approved budget of Kshs. 212,526,769 resulting to an under-expenditure of Kshs. 97,940,893 or 46% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on the service delivery to the public.

### **Management Response**

536. At the close of the financial year, NGCDF Nambale had not received Kshs 45,088,879 from the NGCDF Board, this affected service delivery, but the same amount has since been received and utilized as required. Similarly, the under expenditure of the funds that had already been received during the financial year was due to late disbursement that led to delayed procurement process. All the projects have since been implemented for FY 2020/2021.

### **Committee Observation**

537. **The Committee observed that the AIE was received after the close of the financial year. The matter was addressed as copies of the Project Implementation Status and the AIEs were made available and verified by the auditors. Consequently, the Committee marked the matter as resolved.**

## **3.3.9 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022**

### **1.0 Presentation of the Financial Statements**

538. The following errors and omissions were observed in the financial statements and the accompanying information provided for audit;

- i) The actual expenditure amounts reflected in the chairman's report were inconsistent with the amounts reflected in the statement of receipts and payments
- ii) The numbering of the table of contents title and title within the body of the financial statements were inconsistent with the template
- iii) Annex 3 to the financial statements on unutilized funds did not disclose the prior comparative balances, while disclosure Note 17.3 reflects Kshs. 97,940,894

539. In the circumstances, the presentation of the financial statements did not conform to the requirements of the Public Sector Accounting Standards Board financial reporting template, and the accuracy and completeness to the financial statement could not be confirmed.

### **Management Response**

540. The statement of the chairman had an analysis of the actual expenditures that related to the current financial year; However, the errors have been regraded and the financial statements amended to reflect the correct position.

### **Committee Observation**

541. **The Committee observed that a copy of the amended financial statement for FY 2021/2022 was made available for audit review and the issue was addressed. Consequently, the Committee marked the matter as resolved.**

### **2.0 Inaccuracies in the Financial Statements**

542. Review of the financial statements revealed the following errors and inconsistencies;

- i. The statement of receipts and payments reflects total payments of Kshs. 219,958,976 while a re-computation of the statement shows Kshs.218,958,976 resulting to unexplained variance of Kshs.1,000,000.
- ii. The statement of cash flows reflects cash and cash equivalents balance at the beginning of the year of Kshs.52,133,359 while the prior year closing balance was Kshs.52,786,621 resulting to unexplained variance of Kshs.653,262.
- iii. The summary statement of appropriation reflects total expenditure of Kshs.218,958,976 while the statement of receipts and payments reflects Kshs.219,958,976 resulting to unexplained variance of Kshs. 1,000,000.
- iv. The statement of assets and liabilities reflects fund balance brought forward of Kshs. 52,133,359 as disclosed under Note 13 to the financial statements. However, the prior year audited financial statements reflected Kshs.51,929,924 resulting to unexplained variance of Kshs.203,435. In addition, the statement of assets and liabilities reflects comparative balance of Kshs.4,787,076 while disclosure Note 13 reflects Kshs.5,706,166 resulting to unexplained variance of Kshs.922,090.
- v. In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.

#### **Management Response**

543. The variance of Kshs. 1,000,000 was a casting error of the totals, however this has been corrected in the amended financial statements.
- i. The variance of Kshs.653,262 is retention and gratuity provided under note 12A and 12B in the financial year 2020/2021, however, the financial statements were amended to reflect the correct balances.
  - ii. The variance of Kshs.1,000,000 was a casting error of the totals, however this has been corrected in the amended financial statements.
  - iii. The amount of 4,787,076 is the fund balance that has been adjusted to exclude retention amount of Kshs 922,090 which is included in the closing balance. The financial statements were amended to reflect the correct balances. The variance of Kshs 203,435 is the treatment of prior year adjustment under note 12C.

#### **Committee Observation**

544. **The Committee observed that a copy of the amended financial statement for FY 2021/2022 was made available for audit review and the issue was addressed. Consequently, the Committee marked the matter as resolved.**

#### **3.0 Misstatement of Cash and Cash Equivalents Balance-Stale Cheques**

545. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs. 3,862,304 as disclosed in Note 10 to the financial statements. However, the bank reconciliation statement for the month of June,2022 reflects unrepresented cheques of Kshs.24,624,509 which includes stale cheques of Kshs. 21,575 that had not been reversed in the cash book as at 30 June 2022. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 3,862,304 could not be confirmed.



### **Management Response**

546. The stale cheques related to bursaries that had not been presented. The stale cheques of Kshs 21,575 have since been reversed in the cash book as required by law.

### **Committee Observation**

547. The Committee observed that the cash book extract showing the reversal and the bank reconciliation for September 2022 were made available and was verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

## **4.0 Unsupported Project Management Committee Bank Balances**

548. Disclosure Note 17.4 to the financial statements reflects sixty-one (61) Project Management Committee (PMC) bank accounts with balances amounting to Kshs.28,477,283. However, cash books, certificates of bank balances, bank statements and bank reconciliation statements were not provided for audit review. In the circumstances, the accuracy and completeness of the Project Management Committee bank account balances totalling Kshs.28,477,283 could not be confirmed.

### **Management Response**

549. The NGCDF Nambale management requested for Project Management Committees bank balances as at 30<sup>th</sup> June 2021 from the various banks where the accounts are maintained. During this period the constituency did not maintain a cashbook and undertake bank reconciliations but maintained ledgers and returns to monitor the operations of the account. The constituency currently maintains a cashbook and undertakes bank reconciliations for all the PMC accounts.

### **Committee Observation**

550. The Committee observed that the matter was addressed as the certificates of PMC Bank balances as at 30<sup>th</sup> June 2022 were made available for audit review. Consequently, the Committee marked the matter as resolved.

## **5.0 Unsupported Committee Expenses**

551. The statement of receipts and payments and as disclosed in Note 5 to the financial statements, reflects use of goods and services amounting to Kshs.11,395,128. Included in this expenditure is other committee expenses amounting to Kshs.6,911,658 which was not separated into monitoring and evaluation expenses and was not supported by detailed work plans and project reports. In the circumstances, the propriety of others.

### **Management Response**

552. The committee expenses relate to training, benchmarking, monitoring and evaluation of projects during the financial year. The expenditure has been supported by monitoring and evaluation reports, training reports and benchmarking reports as required.

#### **Committee Observation**

553. The Committee observed that the training and benchmarking reports were made available and verified by the auditors, satisfactorily addressing the matter. Consequently, the Committee marked the matter as resolved.

#### **6.0 Budgetary Control and Performance**

554. The summary statement of appropriation reflects receipts budget and actual on comparable basis of Kshs. 234,556,718 and Kshs.222,467,839 respectively resulting to under-funding of Kshs.12,088,879 or 5% of the budget. Similarly, the statement reflects actual expenditure of Kshs. 218,958,976 against approved budget of Kshs. 234,556,718 resulting to under-performance of Kshs.15,597,742 or 7% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

555. The under expenditure relates to underfunding of Kshs.12,088,879 during the financial year 2020/2021. The amount has been arrears due from the board but was recently disbursed and being utilized as required.

#### **Committee Observation**

556. The Committee observed that the issue was addressed, as copies of AIEs for Kshs.12,088,879 were provided for audit review. Consequently, the Committee marked the matter as resolved.

#### **7.0 Project Implementation Status**

557. Review of the 2021/2022 projects code list revealed that the Fund was to implement a total of 107 projects during the year in various sectors with a budget of Kshs.124,750,880. However, analysis of the project implementation status report revealed that one (1) project worth Kshs.1,130,000 had not been started, while one (1) project worth Kshs.7,000,000 was still on-going and 105 projects worth Kshs.116,620.880 had been completed. No satisfactory explanation was provided on the delay to complete the one project and the failure to start the remaining one project. In the circumstances, the residents of the constituency did not obtain value for money from the projects.

#### **Management Response**

558. The one project that had not started is purchase two-acre land for Emukhuyu Secondary School for Kshs.1,130,000. The school management faced a challenge with the seller whereby the price was increased beyond the budget. The school management has since requested for change of activity to utilise the funds in construction of a kitchen. The NGCDF is currently considering the request for approval as per the law.
559. The other project of Kshs.7,000,000 is construction of phase 2 dormitory at Elwanikha Girls. The delay in completion is due additional funding that has been budgeted in the financial year 2022/2023 and has since been disbursed from the Board.



### **Committee Observations**

560. The Committee observed that: -

- (i) The project was ongoing.
- (ii) The delay in completion was due to additional funding that has been budgeted in the financial year 2022/2023.
- (iii) The auditor verified the project photo and codelist of the approved funding.
- (iv) The matter is partially addressed pending FY 2022-2023 audit review and reporting.

### **Committee Recommendation**

561. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager prioritises funding and completion of all ongoing and stalled projects.

### **8.0 Expenditure on Emergency Funds**

562. The statement of receipts and payments reflects other grants and transfers of Kshs.93,462,598 as disclosed in Note 7 to the financial statements. Included in this amount is Kshs.7,859,958 incurred on construction of toilets in various primary and secondary schools, Chiefs' offices and Assistant County Commissioners offices. However, this was not of emergency nature.

563. This was contrary to Section 8(3) of the National Government Constituencies Development Fund Act, 2015 which states that an emergency shall be construed to mean an urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest to the constituents. In the circumstances the Fund management was in breach of the law.

### **Management Response**

564. Emergency funding of projects happens when an unforeseen circumstance happens that requires urgent attention. In this case, the projects funded were due to collapsing of pit latrines as a result of heavy rains and therefore required urgent funding to allow students continue with their learning uninterrupted.

### **Committee Observations**

565. The Committee observed that: -

- (i) The Fund Account Manager did not adhere to National Government Constituencies Development Fund Act, 2015 regarding the threshold on the use of the Emergency Fund and spent funds on a project that was not of an emergency nature.
- (ii) Management availed letters and photos for the emergency projects for audit review.
- (iii) The documents were verified by the auditors thereby addressing the matter.
- (iv) The Committee marked the matter as resolved.

## **9.0 Lack Of Internal Audit Reports**

566. The fund did not provide internal audit reports for audit from the internal audit department charged with the responsibility of auditing and giving reasonable assurance on financial matters and transactions of the fund during the year under review. In the circumstances the effectiveness of the financial and non-financial performance management systems of the fund could not be confirmed.

### **Management Response**

567. The internal audit reports are available for verification and confirmation.

### **Committee Observation**

568. The Committee observed that the Accounting Officer did not provide internal audit reports from the internal audit department of the fund to the auditors during audit.

### **Committee Recommendations**

569. The Committee recommends that the Accounting Officer should implement audit recommendations pursuant to Regulation 172 (1) and (2) of the Public Finance Management (National Government) Regulations, 2015 which provides that *(1) The accounting officer of the concerned entity shall be responsible for the implementation of the recommendations made in the audit reports and shall develop response and action plan which he or she shall submit to the Chairperson of the audit committee within fourteen days and (2) The response and action plan submitted to chairperson of the audit in paragraph (1) of this regulation shall be submitted to the Audit Committee for follow up to ensure their implementation.*

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### **3.4 FUNYULA CONSTITUENCY**

570. The Fund Account Manager, appeared before the Committee on 7<sup>th</sup> October 2023, tabled the NGCDF management responses and supporting documents on the audited accounts and submitted as follows:

#### **3.4.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2013/2014**

##### **1.0 Going Concern**

571. The high court of Kenya in its ruling on petition 71 of 2013 held that the constituencies' development fund act 2013 establishing the constituency development fund since enactment of the constitution of Kenya 2010 was unconstitutional rendering the existence of the fund illegal. It is not clear whether legislation providing for the will be in place within the period given by the High court of twelve months for the fund to continue existing. As a result, the going concern status of the constituency development fund is doubtful.

##### **Management Response**

572. The going concern issue was resolved by enactment of NG CDF Act 2015. The paragraph was satisfactorily resolved as per the 2013/14 audit certificate review memo referenced BUS/C/CDF/INSP/2/32 dated 26<sup>th</sup> March 2016.

##### **Committee Observation**

573. **The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act, 2015 and its Regulations 2016 which aligned the Fund functions to National Government functions. Consequently, the Committee marked the matter as resolved.**

##### **2.0 Accuracy and Completeness of the Financial Statements**

574. The financial statements for the Fund do not include a statement of cash flows and comparison of actual and budgets which prescribed by the public sector accounting standard Board. In the circumstances, the accuracy and completeness of the financial statement could not be confirmed as at 30<sup>th</sup> June 2014.

##### **Management Response**

575. The IPSAS Cash reporting framework was adopted for the first time in financial year 2013/14 and thus the omission of cash flow and comparison of actual and budgets. However, the statements have been prepared and availed to the auditor for review.

##### **Committee Observation**

576. **The Committee observed that the cash flow statement was subsequently prepared according to the IPSAS reporting framework and availed to the auditors for review thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**

### **3.0 Use of Goods and Services**

577. Use of Goods and services Kshs. 4,714,842. Included in the reported amount of Kshs 4,714,842. For use of goods and services is expenditure on.

- i. Procurement of stores amounting to Kshs. 2,960,000 not entered in the store's records.
- ii. The ownership documents for the land on which the funds office stands and motor vehicle a Toyota land cruiser registration number GK A351 S were not made available for verification.

578. Consequently, the propriety of the expenditure of Kshs. 2,900,000 and ownership of the land and motor vehicle could not be confirmed.

### **Management Response**

579. The store cards were later presented to auditors for audit verification.

- i. **GKA351S Toyota land cruiser:** - Funyula National Government Constituency Development Fund Office could not avail the original logbook for the vehicle GK A 351S land cruiser, due to the fact that the original log book for vehicle GK A351S Toyota land cruiser is kept by the National Government Constituency Development Fund Board, However, Funyula NG-CDF Office was able to get a copy of the original logbook and availed for audit verification.
- ii. **Title deed:** - Funyula National Government Constituency Development Fund Office, the document was being kept with the defunct County Council of Busia Since the Funyula National Government Constituency Development Fund Office was on a government land. Funyula NGCDF recognized importance of owning the allotment letter and have been pursuing the acquisition of the allotment letter for the Funyula Constituency development fund office from the Funyula sub county officials and the process is still on. A copy of the letter to request for the allotment letter is attached.

### **Committee Observations**

580. The Committee observed that: -

- (i) The store cards and ownership documents of the land and motor vehicle could not be confirmed as they were not availed during audit verification.
- (ii) The store cards and original logbook were later presented to auditors for audit verification.
- (iii) The allotment letter for the Funyula CDF Office from the Funyula Sub County officials was availed for audit review.

### **Committee Recommendations**

581. The Committee recommends that: -

- a) **The Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Sections 68 (2) (c) of the Public Finance Management Act, No.18 of 2012 by ensuring that all financial and accounting records the entity keeps in any form, including in electronic form are adequately protected and backed up.**

- b) The title deed to be submitted for audit review.
- c) Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers should submit to the Accounting Officer all pending land matters in the constituency, including Funyula NGCDF Office i.e., misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
- d) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

#### **4.0 Transfer to Other Government entities**

582. The Statement of receipts and payments reflects Kshs.22, 900,000 as transfers to other Government entities. However, included in the amount for Transfers to Other Government Entities are:

- i. An amount of Kshs.5, 000,000.00 spent on painting works at Sio Port District hospital which could not be physically verified as the intended laboratory was constructed.
- ii. Amount of Kshs.1,000,000.00 was budgeted for renovation of three (3) classrooms but only two (2) classrooms were done at Bumulimba Primary School.
- iii. Amount of Kshs.3,500,000.00 set for renovation of three (3) classrooms appear exorbitant although the Bills of Quantity were not made available for Audit review. Further, only one (1) classroom was renovated at Munyanja Primary School.
- iv. Expenditure amounting to Kshs.3,500,000.00 was incurred in renovation works of five (5) dormitories instead of eight classrooms at Lugala Primary School.

583. In the circumstances, the propriety of the expenditure of Kshs.3,500,000 could not be confirmed as at 30 June 2014.

#### **Management Response**

- i) **Sio-port theatre building:** - An amount of Kshs. 5,000,000 was for Sio-port theatre building not Sio-port hospital Laboratory, the money was meant for Roofing, plastering, flooring, windows, and painting of theatre block. The works were ongoing at the time of audit but have since been complete.
- ii) **Bumulimba primary School:** - According to the project management committee that oversaw the renovation of the 3 classrooms at Bumulimba primary School, the amount of Kshs. 1,000,000 were only enough to renovate two classrooms, This was due to increased cost as a result of increased renovation work not as had been expected when the budget for the renovation was being prepared. Whereby the Bumulimba Project Management Committee resolved to renovate only two classroom and the minutes for that resolution is attached.

- iii) **Munyanja Primary School:** - The Kshs.3,500,000 was for renovation of 8No classrooms. At the time of audit renovation of the 8 classrooms was ongoing but have since been completed. Photos and certificate of completion is attached.
- iv) **Lugala Primary School:** - At the time of audit renovation of the 8 classrooms was ongoing but have since been completed.

#### **Committee Observation**

584. **The Committee observed that the auditors physically verified the projects and the matter was adequately addressed. Consequently, the Committee marked the matter as resolved.**

#### **5.0 Unsupported Expenditure**

585. Proper schedules and minutes on bursaries approval in support of the expenditure for Other Grants and Transfers of Kshs.42,147,369.00 were not available for audit review. Project files for projects expenditure of Kshs.45,512,669 were not made available for audit verification. As a result, the validity and propriety of the expenditure of Kshs.87, 460,038 could not be confirmed as at 30 June 2014.

#### **Management Response**

586. The bursary schedules and other documentation in support of bursary have since been availed for audit review. At the time of audit projects were ongoing but have since been completed.

#### **Committee Observation**

587. **The Committee observed that schedules and minutes on bursaries approval were not availed during audit review. They were later provided to the auditors and verified thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**

### **3.4.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2014/2015**

#### **1.0 Presentation of the Financial Statements**

588. According to the international public sector accounting standards (cash basis) financial statements presentation format prescribed by National Treasury the management is required to include the action taken on the previous year's auditor's recommendations. In the financial statements for the year under review. The presentation of the financial statements was therefore not in conformity with IPSAS (cash basis) as prescribed by the national treasury and in accordance with the public finance management Act 2012.
589. Further the fixed asset register did not include assets totalling Kshs.91,790. Under annex 4 to the financial statements. In addition, the total assets as per the fixed assets summary annex 4 is Kshs.21,791,468 for both 2013/14 and 2014/15 as compared with Kshs.4,561,400 for 2014/15. Consequently, the accuracy, completeness and presentation of the financial statements as at 30 June 2015 could not be confirmed.



### **Management Response**

590. At the time of financial reporting, the management had not received the audit certificate hence the omission. However, in the subsequent years, the management included the report on the action taken. The asset register has since been updated and presented for audit review. The asset register totals to Kshs.21,801,468, Kshs Kshs.4,561,400 was an error of addition where Kshs.17,240, 068 was omitted.

### **Committee Observation**

591. The Committee observed that the asset register had been omitted during the initial audit. However, management updated the register in subsequent years and submitted it for audit review, thereby addressing the issue. The Committee marked the matter as resolved.

### **2.0 Unaccounted Expenses for Repairs and Fuel**

592. The Fund incurred Kshs.548,427 on repair of motor vehicle and purchase of fuel amounting to Kshs.200,000. However, the expenditure was not accounted for through stores records as required. As a result, the propriety of the expenditure could not be confirmed.

### **Management Response**

593. The expenditure on the motor vehicles amounting to Kshs.548,427.40 was properly supported by work tickets and payment vouchers, as well as well invoices. In addition, the on-fuel totalling Kshs.200,000 was supported by a fuel register, motor vehicle work tickets and supplier invoices during the year under review.

### **Committee Observation**

594. This was a case of documents not being provided at the time of audit review. The documents were later made available for audit review and the issue was addressed. The Committee then marked the matter as resolved.

### **3.0 Unsupported Bursary Funds**

595. The funds disbursed bursaries amounting to Kshs.20,993,555 to beneficiaries in various institutions. However, no returns/acknowledgement documents were provided from the institutions to confirm receipt of the funds on behalf of the beneficiaries. Consequently, the propriety of the disbursement of bursaries of Kshs.20,993,555 could not be confirmed.

### **Management Response**

596. The bursary acknowledgement receipt has been an issue since once the student pick the bursary cheques, only a few return acknowledgement receipts/letters. However, the expenditure schedule together with supporting returns/acknowledgement documents received from the beneficiary institutions were availed for audit verification.

#### **Committee Observation**

597. **The bursary acknowledgment receipts were initially unavailable during the audit review but were subsequently provided and verified by the auditors, thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**

#### **4.0 Excessive use of Cash Payments**

598. The fund spent on use of goods and services Kshs 4,114,189. However out of this amount Kshs.3,241,290 were paid in cash to the fund manager for procurement of goods and services. The manager has not explained why these payments were not made to the supplier/payees through cheques or funds transfer in view of the inherent risk of cash payment and non-compliance with procurement law and regulations. In the circumstances, the propriety of cash payment of Kshs. 3,241,290 could not be ascertained.

#### **Management Response**

599. An amount of Kshs. 3,241,290 were paid in cash for use of goods and services which was due to capacity challenges which has been enhanced through various trainings by the Board. Hence, the office has followed proper procurement procedures in the subsequent years

#### **Committee Observations**

600. **The Committee observed that: -**

- (i) **Management failed to adhere to proper procurement procedures by procuring for goods and services through cash payments.**
  - (ii) **They later underwent training facilitated by the Board and have adhered to the proper procedures in the subsequent years.**
- 
- (iii) **The Committee marked the matter as resolved.**

#### **Other Matter**

#### **5.0 Budgetary Control and Performance**

601. During the year under review, the fund had an approved budget of Kshs. 160,509,544 but only received Kshs. 125,916,697 resulting to underfunding of Kshs. 34,592,248 as a result of delayed disbursements. The fund thus only spent an amount of Kshs. 125,916,697 as summarized in appendix 1. Consequently, the budget targets and goals were not met as planned.

#### **Management Response**

602. The budget targets and goals were not met due to delay in release of funds by the exchequer. The AIEs and extracts of the bank statements showing funds received after the closure of the financial year have been availed for audit verification.

#### **Committee Observation**

603. **The Committee observed that the management failed to meet its targets due to delay in release of funds by the exchequer. The AIEs and extracts of the bank statements**

confirming late receipt of funds were provided to auditors and verified thereby addressing the matter. Consequently, the Committee marked the matter as resolved.

## 6.0 Project Implementation Status

604. The funds allocated a total amount of Kshs. 184,593,440 for sixty-two projects (62) within the two years ending 30<sup>th</sup> June 2015. Fifty-three (53) projects costing Kshs 142,952,178 were completed, 1 (one) project had not started while 6 (six) projects with total allocation of Kshs. 35,091,003 were on-going. This includes Nanguba Ganga Busijo water project under the water department which is being implemented in phases since 2009/2010 at a cost of Kshs. 71,293,903 (for the year 2014/15 Kshs. 3,700,000 was disbursed) as shown as shown in appendix.2. The delay in the project implementation impacts negatively on service delivery to the resident and value for money is not realized from the expenditure on incomplete or unimplemented projects.

### Appendix 1

Receipt/expense item	Final budget	Actual on comparable basis	Budget utilization difference	% of utilization
<b>RECEIPT</b>	Kshs	Kshs	Kshs	%
Transfers from NG CDF Board	160,509,544	125,916,697	34,592,848	78.4%
<b>PAYMENT</b>				
Compensation of employees	2,600,000	2,444,085	155,915	94%
Use of goods and services	2,563,264	4,114,189	1,550,925.7	160%
Committee expenses	3,900,000	3,985,860	85,860	102.2%
Transfer to other government units	65,120,949	60,382,759	4,738,190	92.7
Other grants and transfers	83,328,721	54,898,014	28,430,707	65.8%
Social security benefits				
Acquisition of assets	625,000	91,790	533,210	14.7%

### Appendix 2

SECTOR/STATUS	COMPLETE		NOT STARTED		ONGOING		REALLOCATION		TOTAL	
	NO	ALLOCATION	NO	ALLOCATION	NO	ALLOCATION	NO	ALLOCATION	NO	ALLOCATION
Administration	6	20,344,264	1	500,000			1	5,400,259	8	26,244,523
Education	34	87,690,256			4	9,901,521	1	650,000	39	98,241,777
Environment	2	3,467,449							2	3,467,449
Health	2	4,982,759							2	4,982,759
Roads	4	18,000,000							2	18,000,000
Security	3	5,000,000							3	5,000,000
Sports	2	3,467,449							2	3,467,449
Water					2	25,189,482			2	25,189,482
<b>TOTAL</b>	<b>53</b>	<b>142,952,178</b>	<b>1</b>	<b>500,000</b>	<b>6</b>	<b>35,091,003</b>	<b>2</b>	<b>6,050,259</b>	<b>62</b>	<b>184,593,440</b>

### **Management Response**

605. The delayed disbursement by exchequer resulted in delays in implementation of the projects. However, the projects have since completed and are in use

### **Committee Observations**

606. The Committee observed that: -

- (i) There was a delay in the implementation of projects due to delay in exchequer releases.
- (ii) The projects were later completed and are in use.
- (iii) The auditors physically verified the projects thereby addressing the matter.
- (iv) The Committee marked the matter as resolved.

## **3.4.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2015/2016**

### **Other Matter**

#### **1.0 Budgetary Control Performance**

607. The fund had an approved budget of Kshs.149,431,797 and spent Kshs.125,590,931 resulting to an under expenditure of Kshs.23, 840,866 which translate into 16% budget under-utilization. Further, some budgetary expenditure items registered absorption rating of below 90%. This includes use of goods and services at 59%. Other grants and transfers at 70% while acquisition of assets had 0%. Consequently, the budget target were not met, and various projects budgeted for were not implemented within the year under review. Consequently, it is not clear how the CDF intended to clear this backlog projects implementation as they will negatively affect service delivery to the constituency.

### **Management Response**

608. The 16% budget under absorption was attributable to delay disbursement by the exchequer that resulted in delay in project implementation. However, the projects have since been completed. The current project implementation status report for the 2016/2017 financial year, projects photos and completion certificates has been attached for audit verification.

### **Committee Observation**

609. The Committee observed that the management failed to meet its targets due to delay in release of funds by the exchequer. The matter was addressed as the project implementation status report for the 2016/2017 financial year, projects photos and completion certificates were made available to the auditors and verified. Consequently, the Committee marked the matter as resolved.

#### **2.0 Project Implementation Status**

610. The Fund was to implement a total of 33 project/programmes by different sectors during the financial year. An analysis indicated that 2 (6%) of the projects had not started, 5(15%) were on going and 26(79%) had been completed. Therefore, the Fund did not

fully meet the budget target and effective delivery of service and thus impacting negatively on service delivery.

#### **Management Response**

611. The delay disbursement by the exchequer resulted in delays in project implementation. At the time of audit, the project were ongoing. However, the projects have since been completed. The current project implementation status report for the 2016/2017 financial year, projects photos and completion certificates has been attached for audit verification

#### **Committee Observations**

612. The Committee observed that: -

- (i) There was a delay in the implementation of projects due to delay in exchequer releases.
- (ii) The projects were later completed and are in use.
- (iii) The project implementation status report for the 2016/2017 financial year, projects photos and completion certificates were availed for audit verification.
- (iv) The auditors physically verified the projects and the matter was adequately addressed.
- (v) The Committee marked the matter as resolved.

### **3.4.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017**

#### **Other Matter**

#### **1.0 Budgetary Control Performance**

613. The CDF revenue was budgeted at Kshs. 105,737,417 against actual receipt of 81,896,551 representing an overall under collection of Kshs. 23,841,315 representing 22.5%. Further, the fund spent a total Kshs. 105,722,223 against a budget of Kshs. 105,737,417 representing under expenditure of Kshs. 15,194 as shown in the table below:

<b>Overall budgetary performance</b>				
<b>Receipt/expense item</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Budget utilization difference</b>	<b>% of utilization</b>
<b>RECEIPT</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Transfers from NG CDF Board	105,737,417	81,896,551	23,841,315	22.5%
<b>Subtotal</b>	<b>105,737,417</b>	<b>81,896,551</b>	<b>23,841,315</b>	<b>22.5%</b>
<b>PAYMENT</b>				
Compensation of employees	3,624,000	3,792,372	(168,327)	4.6%
Use of goods and services	5,685,568	5,939,964	(254,396)	4.5%
Transfer to other government units	39,791,371	39,791,379	(8)	0.00%
Other grants and transfers	56,636,478	56,198,553	437,925	0.8%
<b>Subtotal</b>	<b>105,737,417</b>	<b>105,722,223</b>	<b>15,194</b>	<b>0.00%</b>



### Management Response

614. The under-utilized was as a result of a balance of emergency vote which can only be spent upon approval.

### Committee Observation

615. The Committee observed that the management's response was satisfactory and that the matter had been adequately addressed. Consequently, the Committee marked the matter as resolved.

### 2.0 Project Performance

616. The Fund was to implement a total of 70 project/programmes by different sectors during the financial year as shown above. Further, analysis indicate that 6% of the projects were still on going and 88% had been completed as at the time of audit in May 2018.

Sector/ Status	Budgeted Projects		Ongoing				Completed			
	NO	Kshs	NO	Kshs.	NO	Kshs.	%	No	Kshs	%
Emergency	1	4,094,827					0%	1	4,094,828	100%
Sports	20	1,637,931	-	-			0%	20	1,637,931	100%
Bursary	23	29,254,724	-	-				23	24,663,793	84%
Primary Scho ols	15	32,391,379	1	2,500,000			7%	14	29,663,793	93%
Secondary Schools	5	6,100,000	2	3,200,000			40%	3	2,900,000	60%
Environmen t	2	3,944,710	-	-	-	-	0%	2	3,944,710	100%
Security	4	5,000,000	-	-	-	-	0%	4	5,000,000	100%
<b>TOTAL</b>	<b>70</b>	<b>82,423,571</b>	<b>3</b>	<b>5,700,000</b>	<b>3</b>	<b>5,700,000</b>	<b>6%</b>	<b>67</b>	<b>72,132,641</b>	<b>88%</b>

In the circumstances, the public did not receive services from the planned and budgeted from projects.

### Management Response

617. The delay disbursement by the exchequer resulted in delays in project implementation. At the time of audit, the project were on-going. However, the projects have since been completed. The current project implementation status report for the 2016/2017 financial year, projects photos and completion certificates has been attached for audit verification.

### Committee Observations

618. The Committee observed that: -

- (i) There was a delay in the implementation of projects due to delay in exchequer releases.
- (ii) The projects were later completed and are in use.



- (iii) The project implementation status report for the 2016/2017 financial year, projects photos and completion certificates were made available for audit verification.
- (iv) The auditors physically verified the projects and the matter was adequately addressed.
- (v) The Committee marked the matter as resolved.

### **3.0 Delay Completion of Water Projects at Bunandi Primary School**

619. The funds through the management committee incurred an expenditure of Kshs. 9,250,000 towards the drilling of borehole at Bunandi Primary School. However, physical verification of the project revealed that it remained incomplete and stalled with the contractor not on site despite having been fully paid. Consequently, value for money has not been achieved due to delay completion of the project.

#### **Management Response**

620. Due to receipts of funds in piecemeal, some projects have to stall for a while as we wait for more funds. However, the drilling of borehole at Bunandi Primary School was completed when the balance of funds was received and is now operational.

#### **Committee Observations**

621. The Committee observed that: -

- (i) There was a delay in the implementation of projects due piecemeal allocation.
- (ii) The borehole was later completed and is in use.
- (iii) The auditors physically verified the project and the matter was adequately addressed.
- (iv) The Committee marked the matter as resolved.

### **4.0 Delay Utilization of Water Project at Namudutu Primary School**

622. The funds through the management committee incurred an expenditure of Kshs. 8,700,000 towards water project at Namudutu. Review of record revealed that the project was completed and certified by the Constituency clerk of works. However, physical verification of the project revealed that non-operational due to mechanical defects arising from vandalism. Further, review of the project proposal for subsequent years revealed that no allocations were made for repair and completion of the project.

623. In the circumstances, the public were not served with water as expected and hence no value for money had been obtained from the project worth Kshs. 8,700,000 as at 30 June 2017.

#### **Management Response**

624. The fund does not incur recurrent cost of maintaining a project. Hence once the project is done it is handed over to the user department for maintenance. The school took the mandate of repairing the said water project since the damage was done as result of laxity in their security systems. Hence the project was completed and in use.

### **Committee Observations**

625. The Committee observed that: -

- (i) There was a delay in utilization of the water project at Namudutu Primary School due to mechanical defects arising from vandalism.
- (ii) The project was later completed and is in use.
- (iii) The auditors physically verified the project and the matter was adequately addressed.
- (iv) The Committee marked the matter as resolved.

## **3.4.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018**

### **1.0 Environmental Projects**

626. During the year under review, the Fund incurred Kshs. 1,736,2906 on environment projects that involved tree planting across the constituency. However, verification performed on the projects revealed that only 20% of the trees survived thus indicating a high failure rate. In the circumstances, value for money was not achieved in the implementation of the project.

### **Management Response**

627. Funyula NG-CDF planted the trees anticipating rain, however, the rain delayed resulting to failure

### **Committee Observations**

628. The Committee observed that: -

- (i) Management had not made arrangements to ensure survival of the seedlings.
- (ii) The constituency has taken initiative to ensure the projects can be maintained by the institutions where the projects are domiciled thereby addressing the matter.
- (iii) The Committee marked the matter as resolved.

### **2.0 Project Implementation Status**

629. During the year under review, the Fund had planned to implement a total of 57 projects/programs through different project management committees. However, analytical procedures conducted on the records revealed that 46 or 81% of projects had not started, three (3) or 5% were on-going and 8 or 14% had been completed as at the time of audit as tabulated below;

Sector	Total project cost Kshs.	Budgeted projects	Not started Kshs		On-going		Completed Kshs		% of completed projects
Transfer to Primary School	30,050,000	33	33	30,050,00	0	-	-	-	0
Transfer to Secondary School	5,200,00	6	6	5,200,000	0	-	0	-	0
CDF-Office	6,701,960	6	0	-	2	1,620,000	4	5,081,960	67

Sector	Total project cost Kshs.	Budgeted projects	Not started Kshs		On-going		Completed Kshs		% of completed projects
Security	3,000,000	5	5	3,000,000	0	-	0	-	0
Sports	1,736,207	1	0	-	0	-	1	1,736,207	100
Environment	1,736,207	1	0	-	0	-	1	1,736,207	100
Emergency	4,568,966	1	0	-	1	4,568,966	0	-	0
M&E and capacity building	2,604,310	1	0	-	0	-	1	2,604,310	100
Education Bursary, Mocks Exams & Cats	26,585,668	1	0	-	0	-	1	26,585,668	100
Strategic Plan	3,450,000	1	1	3,450,000	0	-	0	-	100
Constituency Innovation Hubs	1,117,027	1	1	1,117,027	0	-	0	-	0
<b>Total</b>	<b>86,810,345</b>	<b>57</b>	<b>46</b>	<b>42,877,027</b>	<b>3</b>	<b>6,188,966</b>	<b>8</b>	<b>37,744,352</b>	<b>14</b>

630. Consequently, the Fund failed to complete/operationalized projects after investing some funds in them thus denying the residents access of the benefits that would have accrued from the projects.

#### Management Response

631. The projects were completed and completion certificate and photos availed for audit review.

#### Committee Observations

632. The Committee observed that: -

- (i) There was a delay in projects implementation.
- (ii) Management provided completion certificates and photographs to the auditors for verification.
- (iii) The auditors physically verified that the project exists and the matter was adequately addressed.
- (iv) The Committee marked the matter as resolved.

#### 3.0 Budget Performance

633. During the year under review, the approved allocation for the Fund was Kshs. 86,810,345. However, transfers from the Accounting Officer was Kshs. 43,405,173 as per the statement of receipt and payments resulting into an underfunding by Kshs. 43,405,173. Further, the Fund spent Kshs. 34,580,422 against a budgeted amount of Kshs. 98,189,655 resulting into under-absorption of Kshs. 63,609,233 or 65% as tabulated below;

Receipt/Expenses	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
<b>Receipt</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>44%</b>
Transfer from the Board	98,189,655	43,405,172	54,784,483	44%

<b>Totals</b>	<b>98,189,655</b>	<b>43,405,172</b>	<b>54,784,483</b>	<b>44%</b>
Payments				
Compensation of Employees	4,069,276	1,117,583	2,951,693	27%
Use of goods and Services	4,819,753	2,807,100	2,012,653	58%
Transfer to other Government Units	45,200,000	0	45,200,000	0%
Other grants and Transfers	44,100,626	30,655,739	13,444,887	70%
<b>Totals</b>	<b>98,189,655</b>	<b>34,580,422</b>	<b>63,609,233</b>	<b>35%</b>

634. Consequently, the fund failed to implement projects and programmes amounting to Kshs. 63,609,233 thus denying the constituents the much-desired services.

#### **Management Response**

635. The under absorption of funds was as a result of late disbursement from the Board, the funds were later received after the end of the financial year and the projects completed and in use.

#### **Committee Observations**

636. The Committee observed that: -

- (i) The under absorption of funds was as a result of late disbursement of funds from the Treasury.
- (ii) The funds were later received after the end of the financial year and the projects were completed and in use.
- (iii) The photos, completion certificates and project implementation status were availed for audit review the matter was adequately addressed.
- (iv) The Committee marked the matter as resolved.

### **3.4.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019**

#### **1.0 Budgetary Control and Performance**

637. The summary statement of appropriation-recurrent and development reflects a final receipts budget and actual on comparable basis of Kshs. 117,880,820 and Kshs. 101,667,657 respectively resulting to an under-funding of Kshs. 16,213,163 or 14% of the budget. Similarly, the Fund spent Kshs.93,052,721 against an approved budget of Kshs. 117,880,820 resulting to an under-expenditure of Kshs.24,828,089 or 21% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Funyula Constituency.

#### **Management Response**

638. The delay in disbursement of Funds led to delay in project implementation. Under expenditure of Kshs.24,828,089 was as a result of sports activities which is normally



undertaken in the month of October-December and Emergency Funds which are spend when there is emergency occurrences.

#### **Committee Observation**

The Committee observed that the issue was adequately addressed as the under absorption of funds was due to delay in disbursement of funds by the exchequer which led to delays in project implementation. The matter was marked as resolved.

#### **2.0 Delayed Completion in Construction of Chief's Camp Offices**

639. As disclosed under Note 5 to the financial statements, the statement of receipt and payments reflect an amount of Kshs.35,929,209 relating to other grants and payments out of which an amount of Kshs.2,000,000 relating to security expenses. However, physical verification revealed that works on construction of two Chief's camp at Bunjwanga Assistant Chief's Office and Odiado Chief's Office remained incomplete each at a contract sum of Kshs.800,000. Hence, it was not possible to ascertain whether value for money was achieved from the expenditure of Kshs.2,000,000 on the projects.

#### **Management Response**

640. The two million was funds transferred to the PMC. At the time of audit, the project was still ongoing. However, the two security projects i.e., at Bunjwanga Assistant Chief's and Odiado Chief's Office were implemented and in use.

#### **Committee Observations**

641. The Committee observed that: -

- (i) The projects were on going at the time of audit.
- (ii) They were implemented and are now in use.
- (iii) The completion certificates, project implementation status and photos were availed to the auditors for verification and the matter was addressed.
- (iv) The Committee marked the matter as resolved.

### **3.4.7 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020**

#### **1.0 Cash and Cash Equivalent**

642. The cash and cash equivalents balance of Kshs.60,124,064 include un-presented cheque totalling Kshs.825, 083 which were stale and therefore not payable. These cheques, some from 14 May 2018 had not been reversed in the cash book as at 30 June 2020. In the circumstance, it was not possible to ascertain accuracy and completeness of the cash and cash equivalents balance of Kshs. 60,124,064 as at 30 June 2020.

#### **Management Response**

643. The stale cheques totalling Kshs.825,083 were reversed in the cash book at the start of financial year 2020-2021.



### **Committee Observations**

644. The Committee observed that: -

- (i) The query arose because documents were not submitted during the audit period.
- (ii) During examination of the reports, the cashbook extract was provided and verified by the auditors.
- (iii) The documents were found to be satisfactory, and the matter was adequately addressed.
- (iv) The Committee marked the matter as resolved.

### **2.0 Budget Performance**

645. The summary of appropriation-recurrent and development combined reflects a total budget receipt of Kshs. 213,522,525 against the actual receipt of Kshs. 130,154,801 resulting to an underfunding of Kshs. 83,367,724 or 39% of the budget. Further, the Fund expended Kshs. 70,030,737 resulting in under expenditure of Kshs. 143,491,788 or 67% of the budget. The underfunding and under expenditure may have affected delivery of services to the residents of the constituency.

### **Management Response**

646. The delay disbursement by the exchequer resulted in delays in project implementation. At the time of audit, the projects were on-going. However, the projects have since been completed. Projects photos and completion certificates has been attached for audit verification.

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### **Committee Observation**

647. The Committee observed that delay in disbursement of funds led to delay in project implementation. The projects have been completed and matter adequately addressed. Consequently, the Committee marked the matter as resolved.

### **3.0 Project Performance**

648. Review of the project implementation status report revealed that the Fund was to implement a total of 68 projects/programmes at a total cost of Kshs. 137,367,724 across different sectors during the financial year. The report indicated that nineteen (19) projects with a total budget of 31,064,968 had not started, five (5) projects budgeted at Kshs. 49,026,944 were still on-going while forty-four (44) projects valued at Kshs. 57,275,812 had been completed as at the time of audit in March 2021. In the circumstance, the Fund failed to implement all its planned projects as approved and subsequently not achieving set goals and programs for the benefit of the residents of Funyula Constituency

### **Management Response**

649. The delay disbursement by the exchequer resulted in delays in project implementation. At the time of audit, the project were on-going. However, the projects have since been completed. Projects photos and completion certificates has been attached for audit verification.

#### **Committee Observation**

650. The Committee observed that the delay in disbursement of funds resulted in a delay in project implementation. However, the projects have since been completed and physically verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **4.0 Unapproved Reallocation of Funds**

651. As disclosed in Note 4 to the financial statements under transfers to other government entities figures of Kshs. 49,862,250 are transfers amounting to Kshs. 6,500,000. The transfer was towards construction of a school hall-60-seater capacity in three secondary schools each at a cost of Kshs. 2,000,000. However, physical verification indicated that the budgeted funds were reallocation towards completion of other projects within the institutions as detailed below:

<b>Institution</b>	<b>Project Activity as Approved in the 2018/2019 Code List</b>	<b>Reallocation Project Activity</b>
Ganjala Secondary School	Construction of 1 school hall-60-seater capacity to completion	Construction of 1 storey 120 capacity multi-purpose hall
St. Marks Bukiri Mixed Day Secondary School	Construction of 1 school hall-60-seater capacity to completion	Construction of 1 storey 320 capacity dormitory
St. Cecilia Nangina Girls Secondary School	Construction of 1 school hall-60-seater capacity to completion	Construction of 1 storey 2000 capacity multi-purpose hall

652. However, there was no approval by the Accounting Officer for the reallocation as required by Section 6(2) of the National Government Constituency Development Fund Act, 2015. In the circumstance, the Fund incurred expenditure of Kshs. 6,000,000 in breach of the Accounting Officer regulations.

#### **Management Response**

653. Funds reallocation minutes, Board approval and implementation status report were submitted for audit review.

#### **Committee Observation**

654. The Committee observed that the funds reallocation minutes and Board approval were made available to the auditors for review, adequately addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **5.0 Renovation of a Tuition Block at St. Mariana Technical Training Institute**

655. Included in transfers to other government entities figure of Kshs. 49,862,250 under note 4 to the financial statements of Kshs. 2,000,000 to St. Mariana Technical Training Institute towards renovation of a tuition block. However, verification of certificate of registration for the institution availed for audit indicated that the institute was registered on 26 April 2012 as Nangina Social Work Youth Polytechnic (A Private Youth Polytechnic) by the Ministry of Youth Affairs and Sports hence a County Government function.

656. It was not possible to ascertain compliance to Section 24 of the NG-CDF Act, 2015 which stipulates that a project funded by CDF should only be in respect of works and services falling within the function of the National Government under the Constitution.

**Management Response**

657. The Institution by the time of audit was registered under Nangina Social Work Youth Polytechnic, the Institution was later transferred under the management of Bumbale Technical Training Institute renamed St. Mariana Technical Institute.

**Committee Observation**

658. The Committee observed that a physical verification confirming the existence of the project was conducted by the auditors, adequately addressing the issue. Consequently, the Committee marked the matter as resolved.

**3.4.8 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021**

**1.0 Cash and Cash Equivalents**

659. The statement of asset and liabilities reflects cash and cash equivalents balances of Kshs. 30,787,174 which, as shown under note 10(a) relates to the fund's bank balances. However, a review of the bank reconciliation statement for the month of June 2021, revealed stale cheques amounting to Kshs. 721,009 that had not been reversed in the cash book as at that date. In addition, certificate of bank balance was not provided for audit. In the circumstances, the accuracy and completeness of the cash and cash equivalents balances of Kshs. 30,787,178 could not be confirmed.

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**Management Response**

660. The stale cheques were reversed in the financial year 2021-2022.

**Committee Observation**

661. The Committee observed that the certificates of bank balances were made available for audit review and marked the matter as resolved.

**2.0 Projects Management Committee (PMC) Bank Account Balances**

662. Note 17.4 to the financial statements reflects project management committee bank account balances amounting to Kshs. 87,103,004 which, as detailed in Annex 5, comprises of seventy-four (74) PMC bank balances held in various accounts in Equity Bank. However, the balances were not supported by bank reconciliation statements, cash book and certificates of bank balances. In the circumstances, the accuracy and completeness of PMC balances of Kshs. 87,103,004 could not be confirmed.

**Management Response**

663. In the under review, the PMC did maintain cash books and bank reconciliation statements. Currently we have set systems to maintain the same. However, the certificates of bank balances were availed to the auditor for review.

#### **Committee Observation**

664. The Committee observed that this was a case of documents not being provided at the time of audit. The certificate of bank balance was later provided and verified by auditors and the matter was adequately addressed. Consequently, the Committee marked the matter as resolved.

### **3.0 Other Grants and Transfers**

#### **3.1 Bursary to schools and tertiary institutions**

665. Included in the other grants and transfers expenditure is amounts of Kshs. 21,523,416 and Kshs.21,830,835 both relating to bursaries to Secondary schools and tertiary institutions respectively. However, no evidence was provided to indicate the criteria that were used to identify the needy cases. In addition, the amount of Kshs.43,354,251 differs from the supporting schedules amount of Kshs. 44,335,232 resulting to an unexplained variance of Kshs.980,981.

#### **Management Response**

666. Bursary sub-committee minutes outlining how bursary forms were distributed were availed for audit review.

#### **Committee Observation**

667. The Committee observed that the query arose because supporting evidence was not provided during audit. The management subsequently updated the supporting schedules and submitted them for audit verification, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **3.2 Emergency funds**

668. Other grants and transfers include an amount of Kshs.7,500,000 relating to emergency projects. This amount was incurred under rural electrification and renewable energy in supply of transformers and reticulations to cover fifty (50) households in each of the three sub-location of Subiriri, Nanderama and Mango. However, no evidence was provided to support the number of transformers and the list of fifty (50) households in each of the three sub-locations.

#### **Management Response**

669. The emergency fund was spent in supply of transformer and reticulation to cover fifty (50) households in the said Sub-location.

#### **Committee Observation**

670. The Committee observed the query arose due to management's failure to provide supporting evidence during the audit. The supporting documents were later made available and verified by the auditors, adequately addressing the matter. Consequently, the Committee marked the matter as resolved.

### **3.3 Failure to provide projects returns for security projects**

671. Include in the Other Grants and Transfers expenditure is an amount of Kshs. 13,887,770 disbursed for implementation of security projects. The amount includes a total of Kshs. 3,930,000 incurred on implementation of three (3) projects; Namuduru Police Patrol Base, Namboboto and Agenga Chief's offices at a cost of Kshs 1,550,000, Kshs.1,430,000 and Kshs.950,000 respectively. However, expenditure returns from the three respective projects management committee were not provided to support the amounts disbursed. In the circumstances, the accuracy and completeness of the expenditure of Kshs. 78,289,234 in respect of other grants and transfers could not be confirmed.

#### **Management Response**

672. At the time of audit, the projects were still ongoing. Returns from the three security projects to support disbursement of funds were availed for audit review.

#### **Committee Observations**

673. The Committee observed that: -

- (i) There was a delay in the project's implementation.
- (ii) The project implementation status, completion certificates and voucher were availed for audit review, adequately addressing the matter.
- (iii) The Committee marked the matter as resolved.

### **4.0 Transfer to Other Government Entities**

674. The Statement of receipts and payments reflects an amount of Kshs. 118, 298,742 under transfer to other Government Entities which, as indicated in notes 6, comprise amounts of Kshs. 71,908,241 and Kshs. 46,390,500 being transfers to primary Schools and Secondary Schools respectively. However, the transfers were not supported by expenditure returns by the Project Management Committee of the respective recipient institutions. In the circumstance, the accuracy, completeness and propriety of the transfers totalling Kshs. 118,298,742 could not be confirmed.

#### **Management Response**

675. At the audit the projects were ongoing. Expenditure returns for projects in primary and secondary schools were availed for audit review.

#### **Committee Observation**

676. The Committee observed that the query arose because documents were not submitted during the audit period. Expenditure returns were subsequently provided and verified by the auditors, adequately addressing the matter. Consequently, the Committee marked the matter as resolved.

### **5.0 Stalled Construction of Bukiri Police Post**

677. The statement of receipts and payments reflects an expenditure of Kshs. 78, 289,234 in respect of other grants and payments which, as disclosed in Note 7, include Kshs.



13,887,770 disbursed for security projects. Included in the security projects expenditure is an amount of Kshs. 13,887,770 is Kshs. 1,527,770 disbursed for construction of Bukiri Police Post. Review of the project file indicated that the tender opening minutes were not initialized on each page by the tender opening committee members as required by Section 78, paragraph 11 of the Public Procurement and Disposal Act, 2015.

678. In addition, evaluation criteria required bidders to have a valid business permit. However, the winning bidder did not submit a valid permit and the letter of acceptance were not signed by the contractor. The contract agreement provided for a contract period of twelve (12) weeks, however, as at the time of audit inspection on 12 May 2022, the contract had taken a period of twenty-nine (29) weeks and stalled. In the circumstances, it could not be confirmed that proper procurement procedures were followed and that value for money was obtained from the project.

#### **Management Response**

679. The procurement process was corrected and that tender opening minutes were initialized, a valid business permit provided, and the contractor signed letter of acceptance as required by Public Procurement and Disposal Act, 2015. The tender opening minutes have since been initialized by the tender opening committee members, valid business permit provided, and the contractor signed the letter of acceptance. Project scope was varied to include more office rooms and More funds were later allocated to complete the project. The construction of Bukiri Police Post although took long than expected, it was completed.

#### **Committee Observations**

680. **The Committee observed that: -**

- (i) **Physical verification of the police post was done by the auditors which confirmed that the project is complete and in use.**
- (ii) **The project status report, photos and completion certificates were availed to the auditors for review thereby addressing the matter.**
- (iii) **The Committee marked the matter as resolved.**

#### **6.0 Human Resource Records**

681. The statement of receipts and payments reflects compensation of employees' expenditure of Kshs. 2,382,668 which, as disclosed in Note 4, to the financial statements, include an expenditure of Kshs. 2,156,668 on basis staff salaries. Staff records available revealed that nine (9) of the employees were serving on contract terms and that gratuity due to the nine employees was not disclosed in the financial statements. Further, the note 4 indicates that in 2019/2020, the fund had a balance of Kshs. 1,116,661 under gratuity to contractual employees while in the year under review, the balance was Nil. No explanation was provided on how the balance was cleared.

682. In addition, the record provided for audit indicated that contracts for all the nine (9) employees had expired as at 30 June 2021 but had not been renewed. The fund did not also remit amounts totalling Kshs. 90,040 to statutory bodies during the year under review. In the circumstances, the management was in breach of the law.

#### **Management Response**

683. Kshs. 1,116,661 was an actual payment to contractual employees in FY2019/2020. The contract has no guarantee of renewal. There was delay in remittance of deduction due to capacity challenges however the constituency did employ staff to enable the operation of the office hence the deduction are being remitted in time.

#### **Committee Observations**

684. The Committee observed that the management delayed in making the statutory deductions remittances due to capacity challenges. Subsequently, more staff were employed, and remittances are now made on time. Consequently, the Committee marked the matter as resolved.

### **3.4.9 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022**

#### **1.0 Unsupported Cash and Cash Equivalents**

685. The statement of asset and liabilities reflects cash and cash equivalents balances of Kshs. 81,233,769 as disclosed in Note 10A to the financial statements. However, the bank reconciliation statement for the Fund's account for the month of June 2022 and cash book reflect balances of Kshs. 82,201,718 and Kshs. 82,184,278 respectively. The respective variances of Kshs. 967,949 and Kshs. 17,440 were not explained or reconciled. In addition, the bank reconciliation statement reflects un-presented cheques balance of Kshs. 4,155,900 which was not supported by detailed analysis. In the circumstances, the accuracy and completeness of the cash and cash equivalents balances of Kshs. 81,233,769 could not be confirmed.

#### **Management Response**

686. The cash and cash equivalent was reconciled and the attached bank reconciliation and amended financial statement availed for audit review.

#### **Committee Observations**

687. The Committee observed that during audit review, the management initially presented unsupported bank reconciliation statements. They later amended the bank reconciliation and financial statements which were made available for verification by the auditors, adequately addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **2.0 Unsupported Expenditure on Emergency Project**

688. The statement of receipt and payments reflects an amount of Kshs. 54,949,215 in respect of other grants and transfers which, as disclosed in Note 7 to the financial statements, includes Kshs. 5,922,206 relating to emergency projects. The amount was disbursed to implement five (5) projects. However, project files were not provided for review to support the expenditure. In the circumstances, the propriety of the expenditure of Kshs. 5,922,206 in respect to emergency projects could not be confirmed.

#### **Management Response**

689. The management has provided the supporting documents to support expenditure on Emergency vote of Kshs. 5,922,206.

#### **Committee Observation**

690. The Committee observed that the project files supporting the expenditure were not provided for audit review during audit. However, the documents were later made available and verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **3.0 Unsupported Expenditure on Committee Allowances**

691. The statement of receipt and payments reflects an amount of Kshs. 3,514,751 relating to committee allowance. However, attendance register, and committee minutes were not provided for audit review. In the circumstances, the propriety of the expenditure of Kshs. 3,514,751 could not be confirmed.

#### **Management Response**

692. The attendance registers and Committee minutes to support the expenditure of Kshs. 3,514,751 were provided to the auditor for review.

#### **Committee Observation**

693. The Committee observed that attendance register and committee minutes to support the expenditure were not provided to the auditors during audit. The documents were later made available and verified by the auditors thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **4.0 Unsupported Expenditure on Other Committee Expenses**

694. The statement of receipt and payments reflects an amount of Kshs. 13,392,507 in respect of use of goods and services which, as disclosed in Note 5 to the financial statements, includes Kshs. 6,044,000 relating to Other Committee expenses. However, supporting documents including payment vouchers and monitoring and evaluation reports were not provided for audit review. In the circumstances, the propriety of the expenditure of Kshs. 6,044,000 could not be confirmed.

#### **Management Response**

695. Payment vouchers, Monitoring and evaluation reports were provided to the auditor for verification and Committee minutes to support the expenditure of Kshs. 6,044,000.

#### **Committee Observation**

696. The Committee observed that the supporting documents for the expenditure were not provided at the time of audit. Subsequently, the payment vouchers, monitoring and evaluation reports, and committee minutes were made available to the auditors

for review, adequately addressing the matter. Consequently, the Committee marked the matter as resolved.

#### **5.0 Unsupported Expenditure on Printing, Advertisement and Information Supplies and Services**

697. The statement of receipt and payments reflects an amount of Kshs. 13,392,507 in respect of use of goods and services which, as shown in Note 5 to the financial statements, includes Kshs. 3,433,756 relating to printing, advertising and information supplies and services. However, the expenditure was not supported with documents including ledger schedules, payment vouchers and procurement documents including, request for quotation, tender opening report, tender evaluation minutes, and goods received notes. In the circumstances, the propriety of the expenditure of Kshs. 3,433,756 could not be confirmed.

#### **Management Response**

698. The annual expenditure return (ledger schedules), payment vouchers and procurement documents including, request for quotation, tender opening report, tender evaluation minutes, and goods received notes to support expenditure of Kshs. 3,433,756 were provided for audit verification.

#### **Committee Observation**

699. The Committee observed that the supporting documents for the expenditure were not provided at the time of audit. Subsequently, ledger schedules, payment vouchers and procurement documents were made available to the auditors for review, adequately addressing the matter. Consequently, the Committee marked the matter as resolved.

#### **6.0 Unsupported Expenditure on Fuel, Oil and Lubricants**

700. The statement of receipt and payments reflects an amount of Kshs. 13,392,507 in respect of use of goods and services which, as disclosed in Note 5 to the financial statements, includes Kshs. 400,000 relating fuel, oil and lubricants. However, the expenditure was not supported by relevant documents including ledger schedules, payment vouchers and procurement records. In the circumstances, the propriety of the expenditure of Kshs. 400,000 could not be confirmed.

#### **Management Response**

701. The annual expenditure return (ledger schedules), payment vouchers and procurement records in support of Kshs. 400,000 was availed for audit review. The management has provided the supporting documents to support expenditure on fuel and lubricants of Kshs. 400,000.

#### **Committee Observation**

702. The Committee observed that the supporting documents for the expenditure on fuel and lubricants were not provided at the time of audit. Subsequently, ledger

**schedules, payment vouchers and procurement documents were made available to the auditors for review, adequately addressing the matter. Consequently, the Committee marked the matter as resolved.**

#### **7.0 Transfer to Other Government Entities**

703. The statement of receipt and payments reflects an amount of Kshs. 54, 949,215 in respect of other grants and transfers which, as disclosed in Note 7 to the financial statements, includes Kshs. 2,741,777 incurred on sports projects for supply of sports kits. However, supporting documents including payment vouchers, procurement documents and list of beneficiaries was not provided for audit review. In the circumstances, the propriety of the expenditure of Kshs. 2,741,777 could not be confirmed.

#### **Management Response**

704. The management has provided procurement documents, payment vouchers and list of beneficiaries to support expenditure of Kshs. 2,741,777.

#### **Committee Observation**

705. The Committee observed that the procurement documents, payment vouchers and list of beneficiaries were not provided at the time of audit. Subsequently, the documents were made available to the auditors for review, adequately addressing the matter. Consequently, the Committee marked the matter as resolved.

#### **8.0 Budgetary Control and Performance**

706. The summary statement of appropriation reflects receipt budget and actual on comparable basis of Kshs. 215,064,932 and Kshs. 185,640,263 respectively. Resulting to under-funding of Kshs. 29,424,669 or 14% of the budget. Similarly, the statement reflects actual expenditure of Kshs. 104,406,495 against approved budget of Kshs. 215,064,932 resulting to under-performance of Kshs. 110,658,437 or 51% of the budget. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

707. The under-performance of Kshs. 110,658,437 was brought about as a result of late disbursement from the exchequer. The management is committed to implement all the projects as and when the disbursement is received.

#### **Committee Observation**

708. The Committee observed that the under-performance resulted from late disbursement by the exchequer and was satisfied with the management response. Consequently, the Committee marked the matter as resolved.



## **9.0 Variance on Unutilized Fund Balances**

709. Note 17.3 to the financial statements on unutilized funds reflects comparative balances on four components which are at variance with the corresponding closing balances in the audited financial statements for the year ended 30 June 2021.

### **Management Response**

710. The financial statements have since been implemented to reflect the correct opening balances as per the Audited Financial statement.

### **Committee Observation**

711. The Committee observed that the financial statements did not reflect the correct opening balances. However, the amended statements were subsequently provided and verified by the auditors, thereby addressing the matter. Consequently, the Committee marked the matter as resolved.

### **3.5 TESO NORTH CONSTITUENCY**

The Fund Account Manager, appeared before the Committee on 7<sup>th</sup> October 2023, tabled the NGCDF management responses and supporting documents on the audited accounts and submitted as follows:

#### **3.5.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2013/2014**

##### **1.0 Accuracy and Completeness of the Financial Statements**

712. The balances in both the statement of receipt and payments, and the statement of assets and liabilities were not supported by balance. The Fund did not maintain ledgers from which the financial statement balances could have been extracted from. In addition, a statement of cash flow was not prepared as required by IPSAS. Consequently, the accuracy and completeness of the financial statements could not be confirmed as at 30 June 2014.

##### **Management Response**

713. The IPSAS Cash reporting framework was adopted for the first time in this financial 2013/14 and thus the omission of the statement of cash flow and trial balance in the financial Statement was an oversight, however the statement of cash flow and trial balance was prepared and attached to the corrected copy of the financial statement. The NG CDF maintains an annual expenditure return which serves as a ledger and basis of the preparation of financial statements.
714. Through continuous NG CDF Board training on preparation and presentation of the financial statements, recent financial statements have been prepared in conformity with The IPSAS Cash reporting framework.

##### **Committee Observation**

715. **The Committee observed that the matter was addressed in the subsequent year and marked the matter as resolved.**

##### **2.0 Ownership of Motor Vehicle**

716. Note 18 to the financial statements indicates that the fund is not in possession of the motor vehicle GK A 546T which was not physically verified. The vehicle has since the last general election been held by the County Government of Busia. Under unclear circumstances, the fund's efforts to gain access and possession of the motor vehicle have not been successful to enhance service delivery to the constituents. It is not clear under what circumstances the vehicle is not under the fund use. In the circumstances, the ownership and utilization of motor vehicles could not be confirmed as at 30 June 2014.

##### **Management Response**

717. The motor vehicle GK A546T is registered under the NG-CDF Board as per Section 36(3) of the NG-CDF act of 2015. The vehicle was being used and in the possession of the County Government of Busia although it is currently grounded at a garage in Busia Town. Correspondences were sent to the County Government office, but none was responded to.

### **Committee Observations**

718. The Committee observed that: -

- (i) The motor vehicle registered under the Accounting Officer has been held by the County Government of Busia since 2013 and is currently grounded at a garage in Busia Town.
- (ii) Correspondences have been sent to the County Government office, but none have been responded to.
- (iii) Management provided copies of the logbook and photos of the motor vehicle during examination by the Committee for audit review.
- (iv) There was an ongoing tussle over ownership between the NGCDF and the County Government of Busia.
- (v) The matter was reported in the subsequent financial year.
- (vi) The matter is not addressed.

### **Committee Recommendation**

719. The Committee recommends that within three months of the adoption of the report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Accounting Officer should ensure that the motor vehicle GK A546T is reverted back to the NG-CDF Teso North.

### **3.0 Cash and Cash Equivalents**

720. The Statement of financial assets and liabilities reflects cash and cash equivalents balance of (Kshs.4,949,136.30) as at 30 June 2014. Included in the negative balance were outstanding imprests of Kshs.1,829,000. Further, cash and bank balance brought forward were not discussed and supported. In addition, as the fund uses IPSAS cash basis, it is not clear how the deficit of Kshs.4,949,136.30 was financed during the year.

### **Management Response**

721. As at the closure of the financial year, the cash book balance was overdrawn by Kshs.6,778,136.30. However, the balance stood at Kes 4,381,316.00. This was due to PMC cheques amounting to Kes. 8,554,000 that were withheld due to strained cash flow. The funds were received on 21<sup>st</sup> July 2014. The outstanding imprest of Kshs. 1,829,000 remained unsurrendered as there was an activity that had not been completed as at 30th June 2014. However, the imprest was surrendered in the subsequent financial year. Teso North constituency was hived from Amagoro constituency in 2013. Therefore, Teso north did not have any opening balances for the year 2013/2014 financial year.

### **Committee Observations**

722. The Committee observed that the query arose due to: -

- (i) PMC cheques amounting to Kes. 8,554,000 that were withheld due to strained cash flow.
- (ii) Un surrendered imprest of Kshs. 1,829,000 since an activity had not been completed as at 30<sup>th</sup> June 2014. However, the outstanding imprests were surrendered in the subsequent financial year and posted to the cashbook.

- (iii) **The Committee was satisfied with the management response and marked the matter as resolved.**

#### **4.0 Transfer to Other Government Entities**

723. The statement of receipts and payments reflects transfer to the other Government Institutions of Kshs. 14,785,993.70 for the year ended 30 June 2014. However, the fund paid Kshs. 5,300,000 to 18 schools and dispensary for the purchase of land. The ownership documents for the various parcels purchased were not made available for audit review except sale agreements and search contracts. Consequently, it has not been possible to ascertain the value, ownership and location of the purchased parcels of land worth Kshs 5,300,000 as at 30 June 2014.

#### **Management Response**

724. The NG CDFC in their meeting resolved to disburse funds to PMCs who are the administrators and implementers of projects. The land title deeds are yet to be produced. The school management have confirmed the lack of funds to process the title deed for land under succession as the biggest challenge in acquisition of the title deed.

#### **Committee Observations**

725. The Committee observed that: -

- (i) Out of the 19 institutions, one (1) has processed the title deed while eighteen (18) are yet to process.
- (ii) The matter is unresolved as the biggest challenge facing management is the acquisition of the title deeds.

#### **Committee Recommendations**

726. The Committee recommends that:-

- a) Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers should submit to the Accounting Officer all pending land matters in the constituency, including nineteen (19) projects where the constituency purchased land i.e, misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
- b) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

### **3.5.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2014/2015**

#### **1.0 Accuracy, Completeness Presentation, of the Financial Statements**

727. The International Public Sector Accounting Standards (Cash Basis) Financial Statements presentation format prescribed by the National Treasury requires the management to include the action taken on the previous year auditor's recommendations. In the year

2013/2014, Teso North CDF had a qualified opinion (except for). However, no report on the action taken on the audit issues raised was included in the financial statements for the year under review.

728. Further, the financial statements reflect the use of goods and services balance of Kshs.196,000 which relates to rent expense only. The expenditure on the other operating expenses were not disclosed as required but were instead irregularly included under committee expense balance of Kshs.8,120,700. In the circumstances, the presentation of the financial statements was not in conformity with IPSAS (Cash Basis) as prescribed by the National Treasury and in accordance with the Public Finance Management Act,2012.

#### **Management Response**

729. At the time of preparation and submission of the financial statements for 2014/15 financial year, the constituency had not received the previous year certificate and as such was unable to include a report on progress on follow up of auditor recommendations. The financial statement was amended whereby the items were segregated appropriately. Through continuous NG-CDF Board training on preparation and presentation of the financial statements, recent financial statements have been prepared in conformity with The IPSAS Cash reporting framework.

#### **Committee Observation**

730. **The Committee observed that the issue was addressed as the Constituency has complied in the subsequent financial years, and the matter was marked as resolved.**

### **2.0 Acquisition of Assets**

731. During the year under review, the Fund acquired assets worth Kshs.695,000. However, a motor vehicle Ford Ranger registration No. GKA 546T of unspecified value was not disclosed or included in the summary of fixed assets. Further, it was alleged that the motor vehicle had not been handed over by a former member of parliament three years after the MP left office. In addition, the fund incurred Kshs. 552, 750 to hire taxis for project monitoring and evaluation. The Fund did not also maintain a complete fixed asset register. Consequently, the existence, accuracy, location, security, and value of fixed assets could not be confirmed.

#### **Management Response**

732. The NG-CDF Fund was not in possession of the Motor Vehicle GKA 546T since it was not handed over to the NG CDF Fund after the 2013 general elections. The vehicle has been in use and in the possession of the County Government of Busia although it is currently grounded at a garage in Busia Town. Correspondences were sent to the County Government Office, but none was responded to. Copies of the logbook and photos of the Motor Vehicle were provided. The asset register was updated to include the value of the Motor Vehicle and attached to the amended financial statements.

#### **Committee Observations**

733. **The Committee observed that: -**



- (i) This is a recurring matter from FY 2013/2014.
- (ii) The issue was addressed as the management provided the asset register amended financial statements to the auditors for verification.
- (iii) The Committee marked the matter as resolved.

### **3.0 Stalled Projects**

734. During the year 2013/2014, construction projects with disbursement amounting to Kshs.5,238,880.00 were not completed as required. Further in the 2014/2015 another Kshs.7,100,000.00 was disturbed part of which was to start new projects in institutions which had incomplete projects as at 30 June 2015. As a result, the propriety and value for money for the expenditure of Kshs.12,338,880 could not be ascertained.

#### **Management Response**

735. The projects of Kshs.5,238,880 for the year 2013/2014 and Kshs.7,100,000 for 2014/2015 were all undertaken to completion.

#### **Committee Observation**

736. The Committee observed that the project implementation status, project completion certificates and project photos were made available and verified by the auditors thereby addressing the issue. Further, the auditors conducted a physical verification of the projects. Consequently, the Committee marked the matter as resolved.

#### **Other Matter**

### **4.0 Budget Control and Performance**

737. The fund had budgeted to receive Kshs.154,997,391 from the National management board as transfers from the board which included balances from previous year amounting to Kshs.42,108,463.50. However actual receipts amounted to only Kshs.131,709,296.00 resulting in delayed disbursements of Kshs. 23,288,095.50. Further, the fund under spent by Kshs.42,151,170.30 as detailed.

#### **Management Response**

738. The AIE for these funds was received towards the end of the financial year while some were still held by the board as at 30 June 2015, therefore it was not possible to implement the projects immediately. However, these funds were utilized in the financial year 2015/2016.

#### **Committee Observation**

739. The Committee observed that the AIEs and bank statements were made available for audit review and marked the matter as resolved.

### **5.0 Projects Implementation Status**

740. During the two years to 30<sup>th</sup> June 2015 out of 292 projects allocated a total of Kshs 211,930,761 were to be implemented however 72 projects with a total allocation of Kshs

123,649,921.77 were on going and incomplete. Further 51 projects with budget allocation of Kshs. 26, 901,799.00 were stalled having exhausted the allocations before completion. In addition, 6 projects allocated Kshs. 8,125,000.00 were considered abandoned as detailed.

**Management Response**

741. The projects were completed and are in use. The updated PIS, project photos, and completion certificates were provided.

**Committee Observation**

742. The Committee observed that: -

- (i) There was a delay in project implementation. However, the projects were later completed and are in use.
- (ii) The issue was addressed as the project completion certificates and photos which were made available for audit review. Further, the auditors physically verified the projects.
- (iii) The Committee marked the matter as resolved.

**3.5.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2015/2016**

**1.0 Lack of Land Ownership Documents**

743. During the year under review, the fund purchased land amounting to Kshs. 5,150,000 for various Institutions in the constituency. However, the title deeds are yet to be processed hence the ownership of these land could not be verified.

**Management Response**

744. Out of the 13 parcels, 4 title deeds have been processed and the following 9 were still being processed

- 1. Moding Girls Sch - 3 acres - 500,000
- 2. Kolait Girls Sec. Sch - 1 acre - 300,000
- 3. Albert Ekirapa Sec Sch - 400,000
- 4. Gara Sec. Sch - 300,000
- 5. Osajai Talent Centre - 800,000
- 6. Kakapel Resource Centre - 400,000
- 7. Awata Primary Sch. - 250,000
- 8. Kagutio Pri. Sch - 300,000
- 9. Akadetewai Chiefs Office - 500,000

745. The letters from the various institutions confirming purchase of the land were availed to the auditors. The following 4 parcels of land have title deeds

- i. St Johns Kajei - 1 acre - 300,000
- ii. St. Benards Kakurit - 2 acres 300,000
- iii. Ekisegele Pri. Sch - 400,000
- iv. Moding Police Station - 400,000

Copies of the land title deeds were provided.

### **Committee Observations**

746. The Committee observed that: -

- (i) Thirteen parcels of land were purchased with only four title deeds having been processed.
- (ii) The matter is partially addressed as the auditor verified the four title deeds that were availed for audit review.
- (iii) Nine title deeds are still being processed.

### **Committee Recommendations**

747. The Committee recommends that:-

- a) Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers should submit to the Accounting Officer all pending land matters in the constituency, including nine (9) parcels of land purchased by the constituency i.e., misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
- b) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

### **2.0 Refurbishment of Amagoro Land Registry**

748. A local company was paid Kshs. 1, 500, 000 in December 2015 for refurbishment and furnishing of Amagoro lands registry. However, a site visit of the project revealed that the project is complete, but the office had not been opened to serve the citizens since the land registrar had not been posted. In view of this, the constituents of Teso North Constituency have not got value for money from the project.

### **Management Response**

749. The project is currently being occupied by the Ministry of Cooperatives

### **Committee Observation**

750. The Committee was satisfied with the management response and marked the matter as resolved.

### **Other Matter**

### **3.0 Budgetary Control Performance**

751. The Fund had an approved budget of Kshs. 119,163,825 resulting in an under expenditure of Kshs. 42,565,984 or overall budget utilization of 74%. Further, all budgetary expenditure items incurred an absorption rating of below 90%. Consequently, the budget target was not met, and various projects budgeted for were not implemented within the financial year.

Under the circumstances, it was not clear how the CDF intended to clear this backlog of projects as low budget absorption negatively affected service delivery.

### **Management Response**

752. The under absorption was as a result of delayed disbursement by the exchequer less than 1 week to the close of the financial year that made it difficult to carry out procurement processes and complete the works before the end of the financial year. However, the projects were completed and are in use. The AIEs were provided to the auditors for review.

### **Committee Observations**

753. The Committee observed that:

- (i) The under absorption was as a result of delayed disbursement by the exchequer less than one week to the close of the financial year. The projects were later completed and are in use.
- (ii) The AIEs were availed for audit review thereby addressing the issue.
- (iii) The Committee marked the matter as resolved.

### **4.0 Project Implementation Status**

754. During the year under review, the Fund had not commenced implementation of various projects and programmes amounting to Kshs.45, 329,798 representing 32% of the funds received during the year. Therefore, the Fund did not fully meet the budget target and effective service delivery.

### **Management Response**

755. Delay in project implementation was as a result of delayed disbursement by the exchequer less than 1 week to the close of the financial year that made it difficult to carry out procurement processes and complete the works before the end of the financial year. However, the projects are complete and in use. The updated PIS, project photos were provided.

### **Committee Observations**

756. The Committee observed that: -

- (i) The delays in the implementation of projects resulted from the delays in the disbursement of funds by the exchequer. However, the projects were later completed and are in use.
- (ii) The issue was addressed as the project completion certificates and photos were availed for audit review. Further, the auditors physically verified the projects.
- (iii) The Committee marked the matter as resolved.

## **3.5.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017**

### **1.0 Budgetary Performance**

757. The Fund revenue was budgeted at Kshs 124,462,537 against actual receipt of Kshs 162,631,522 representing an overall under collection of Kshs 38, 165,985(31%). Further,

the Fund spent a total of Kshs 122,735,843 against a budget of Kshs.124,462,537 representing under expenditure of Kshs.1,726,694 (1.4%).

#### **Management Response**

758.Kshs.38,165,985 includes the cash book opening balance of Kshs. 36,565,985 and funds of Kshs. 1,600,000 that had not been received from the Board. The cash book opening balance was utilized as at the end of the year. Kshs. 1,726,694 was the cashbook closing balance of Kshs. 126,694 and the Kshs. 1,600,000. The Kshs.1,600,000 was received in the subsequent financial year and the funds utilized.

#### **Committee Observation**

759.The Committee was satisfied with the management response and marked the matter as resolved.

### **2.0 Project Performance**

760.The Fund was to implement a total of 106 projects/programmes by different sectors during the financial year 2016/17. Further analysis indicated that 4 or 4% of the projects had not been started, 16 or 15% of the projects were still on going and 86 or 81% of the projects had been completed as at the time of the audit in May 2018. Further, the Fund incurred expenditure on two projects costing Kshs.9,289,917 that were noted budgeted for in the approved project proposal in respect to roads projects and mocks and examinations amounting to Kshs.8,289,917 and Kshs.1,000,000 respectively.

#### **Management Response**

761.The Fund was unable to implement fully all budgeted projects due to the late disbursement of funds from the exchequer. Kshs.1,000,000 paid for mocks and examination was paid as part of bursary funds. Kshs.8,289,917 relates to approved security projects and not road projects.

#### **Committee Observation**

762.The Committee was satisfied with the management response and marked the matter as resolved.

### **3.5.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018**

#### **1.0 Use of Goods and Services - Inaccuracies in Financial Statements**

763.Included in the use of goods and services figure of Kshs.5,232,932 are expenditure on staff training, fuel/oil and lubricants, other operating expenses and committee allowances totalling to Kshs.4,529,501. However, review of expenditure records revealed the following anomalies:

##### **1.1 Training Expenses**

764.The Training expenses figure of Kshs.392,200 disclosed under note 3 to the financial Statements was supported with records of Kshs.1,160,309 leading unexplained differences of Kshs.768,109



### **Management Response**

765. The anomalies were corrected where training expenses had been incurred and during audit review supportive documents were misplaced but they are now available for verification where the Kshs. 392,200 was paid via cheque number 6344 for Kshs. 200,000 and Number 6345 for Kshs. 192,200 and payment voucher numbers 250 for Kshs. 201,000 and 251 for Kshs.191,200

### **Committee Observation**

766. The Committee observed that the payment vouchers supporting Kes. 392,200 were made available for audit review and the issue was addressed. Consequently, the Committee marked the matter as resolved.

### **1.2 Fuel, Oil and Lubricants**

767. The Fuel, Oil and Lubricants figure of Kshs.321,192 as detailed under note 3 to the financial statements was not supported with the proper analysis. Further, management explanation that the payment vouchers relating to expenditure on fuel, oil, and lubricants were taken over by the Ethics and Anti-Corruption Commission (EACC) were not supported with a summary of documents signed for by the EACC officials.

### **Management Response**

768. The documents were picked by EACC.

### **Committee Observations**

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769. The Committee observed that:

- i. At the time of audit, the documents were with the Ethics and Anti-Corruption Commission.
- ii. The management later submitted copies of payment vouchers supporting Kshs.321,192 were reviewed by the auditors thereby addressing the issue.
- iii. The Committee marked the matter as resolved.

### **1.3 Other operating expenses**

770. The other operating expenses figure of Kshs.366,109 as detailed under note 3 to the financial statements were supported with payment vouchers totalling to Kshs.950,000 resulting in an excess expenditure totalling to Kshs.583,891 not accounted for.

### **Management Response**

771. The error and omission have been noted and to be corrected forthwith.

### **Committee Observations**

772. The Committee observed that the management acknowledged the error and submitted the correct payment vouchers supporting Kes. 366,109 for audit review.

773. The Committee was satisfied with the explanation, and marked the matter as resolved.

#### **1.4 Committee Allowances**

774. The committee allowances figure of Kshs.3,450,000 as detailed under note 3 to the financial statements was supported with payment documents of Kshs.2,992,000 occasioning to an unexplained and unsupported difference of Kshs.458,000 as detailed below:

<b>Date</b>	<b>PV NO</b>	<b>Details</b>	<b>Amount Kshs</b>
23 May 2018	2	Monitoring and Evaluation	189,000
20 June 2018	265	Evaluation	120,000
26 February 2018	31	Administration	97,000
22 June 2018	256	Administration	52,000
		<b>Total</b>	<b>458,000</b>

775. In the circumstances it was not possible to confirm the propriety of Kshs 458,000 incurred on the use of goods and services during the year under review.

#### **Management Response**

776. On close scrutiny, it was established that PV No. 2 and 265 was amounting to Kes. 503, 460 & Kes. 200,000 respectively.

#### **Committee Observation**

777. **The Committee observed that the documents supporting the difference were not availed at the time of audit. However, the payment vouchers were later made available for audit review the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

#### **1.5 Irregular Payments of Committee Allowances**

778. Included in the use of goods and services figure of Kshs.5,232,932 were payments made for committee allowances totalling Kshs.952,000. However, as at the time of the audit, the committee allowances of Kshs.952,000 were not supported with meeting attendance register and minutes.

#### **Management Response**

779. Minutes for committee meetings for November, December 2017, January 2018 (2 meetings) and February 2018 (3 meetings), March 2018 (4 meetings), April 2018 and June 2018 (2 meetings) were provided.

#### **Committee Observation**

780. **The Committee observed that the payment vouchers totalling to Kshs.952,000 were made available and verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

## **2.0 Transfer to Other Government Units**

### **2.1 Unsupported Figures**

781. Included in the Transfer to other government entities figure of Kshs.24,805,738 were payment documents of Kshs.3,872,242 which were not availed for audit review, notwithstanding inclusion of the payments in the expenditure as detailed below:

<b>Date</b>	<b>PV No</b>	<b>Details</b>	<b>Kshs</b>
22 March 2018	26	Ikapolok Primary School	1,000,000
22 June 2018	208	Goromait Primary School	400,000
22 June 2018	201	SA Aboloi Secondary School	800,000
22 June 2018	239	SA Aboloi Secondary School	1,672,242
		<b>Total</b>	<b>3,872,242</b>

### **Management Response**

782. The said documents were not availed during audit since they had been taken by EACC.

### **Committee Observations**

783. The Committee observed that

- i. At the time of audit, the documents were with the Ethics and Anti-Corruption Commission.
- ii. The payment vouchers supporting Kshs. 3,872,242 were later made available for audit review and the matter was adequately addressed.
- iii. The Committee marked the matter as resolved.

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## **3.0 Projects with no Expenditure Returns**

784. Projects expenditure amounting to Kshs.4,050,000 did not have returns.

### **Management Response**

785. The PMCs for the 23 projects are yet to provide the expenditure documents.

### **Committee Observation**

786. The Committee observed that the PMC expenditure returns were not provided at the time of audit. However, they were later made available for audit review thereby addressing the matter.

787. The Committee marked the matter as resolved.

## **4.0 Cash and Cash Equivalents**

788. The Cash book and Bank Reconciliation statements for the year under review revealed the following anomalies:

- i. The opening balances as at 1 July 2017 could not be confirmed because the cash book for 2017/2018 was not updated. The cash book did not include transactions for the month of July 2017.
- ii. The cash book balance as per the bank reconciliation statement for September 2017

was not agreeing with the cash book balancing figure. The bank reconciliation statement had a cash of Kshs.105,631, whereas the cash book had a balancing figure of Kshs.4,792,503 to an unexplained variance of Kshs.4,686,872.

- iii. Further the cash book was not updated for four months from October 2017 to January 2018.

In the circumstances, it was not possible to confirm that the cash and cash equivalents of Kshs.11, 040,649 is fairly stated.

#### **Management Response**

789. The cash book balance as at 30<sup>th</sup> June 2017 was Kshs.11,040,649. There were no transactions in the months of July 2017 and August 2017. The error in the reconciliation was noted and the sub county accountant reconciled the error.

#### **Committee Observation**

790. The Committee observed that the error in the reconciliation was corrected by the sub-county accountant, thereby addressing the matter. Consequently, the Committee marked the matter as resolved.

#### **Other Matter**

##### **1.0 Budget Control and Performance**

##### **1.1 Budget Analysis**

791. During the year under review, the Fund had an approved budget of Kshs.86,810,345 from the NGCDF Board, but actual receipts were Kshs.84,310,345 resulting into underfunding by Kshs.2,500,000 or 3%. Further the Fund had an adjustment of Kshs.11,879,310 and balance brought forward figure of Kshs.126,694 bringing the total to Kshs.12,006,004 and an overall budgeted receipt of Kshs.98,396,390. However, the Fund managed to spend only Kshs.73,396,390 or 74% of the total budgeted receipts.

#### **Management Response**

792. During the audit process the balances were still at the NGCDF Board. However, the funds were received in the subsequent financial year and projects were implemented. The AIEs were provided for review.

#### **Committee Observation**

793. The Committee observed that the funds were received in the subsequent year, the projects implemented and the AIEs availed for audit review thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

##### **2.0 Projects Implementation Status**

794. According to the PIS Report, the CDPC Teso North had 607 projects with a value of Kshs.657,166,611 and had approved Kshs. 440,321,320 and disbursed Kshs.425,166,873 to implement these projects which were at various levels as Summarized ANNEX IV From the analysis, it was noted that 13 projects with a value of Kshs.8,700,000 that would

have been completed by 30 June 2017 or earlier and had been advanced Kshs. 5,000,000 and were still ongoing.

795. Another two projects which had received Kshs. 1,100,000 had stalled while one project did not kick off. Further analysis of the PIS show that during the year under review, 48 projects with disbursements of Kshs. 24,685,738 remained ongoing yet they should have been completed and handed over by December 2018. Another four (4) projects already approved and expected to Kshs. 8,477,027 had not started as scheduled.

#### **Management Response**

796. Most of the projects were not implemented during the said financial years since the funds were still held at the NGCDF Board but they have since been implemented in the subsequent financial years. The PIS completion certificates were provided for review.

#### **Committee Observation**

797. **The Committee observed that there was a delay in project implementation. However, the projects were completed in the subsequent financial years and the Project Implementation Status and completion certificates were made available and verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

### **3.0 Other Grants and Transfers**

#### **3.1 Irregularities in Sports Expenditure**

798. Included in the other grants and Transfers Figure of Kshs. 38,930,148 was Kshs. 1,700,000 for Sports expenditure. However, examination of the payment vouchers on sports expenditure plus the supporting documents revealed the following anomalies;

- i. The Sports equipment's purchased i.e., football boots jerseys and socks were not taken on charge /received by the fund's stores before issuance.
- ii. There was need of incorporating the local sports federation representatives, but they were not involved e.g., Athletics Kenya and Kenya Football Association.

#### **Management Response**

799. It was noted that relevant authority was not included and NGCDF Teso North resolved to include the Sports department before procurement of sports kit.

#### **Committee Observation**

800. The Committee observed that the equipment was not properly received, recorded and accounted for. The matter is not addressed.

#### **Committee Recommendation**

801. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager complies with provisions of Section 159 (2) of the Public Procurement and Asset Disposal Act (CAP.412C) which provides that, *An accounting officer of a procuring entity shall record goods, works and services received under subsection (1) in an inventory of the procuring entity as shall be prescribed.***



802. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager complies Section 36 (1) of the National Government Constituencies Development Fund Act (CAP.414A) which provides that, *Projects under this Act shall be implemented by the project management committee appointed in accordance with the regulations made under section 57, with the assistance of the relevant department of Government, government registered private practitioners procured in accordance with the Public Procurement and Asset Disposal Act (Cap. 412C) and all payments through cheques or otherwise shall be processed and effected in accordance with government regulations for the time being in force*

### **3.2 Irregularities on Environment Projects Expenditure**

803. Included in the other grants and transfers figure of Kshs.38,930,148 was Kshs.1,700,000 for Environment projects which included trees planting & maintenance, installation of garbage collection tins, development of tree nursery for seedlings, installation of water tanks and gutters within the constituency. However, examination of payment vouchers for environment expenditure and a subsequent verification of projects carried out on 20th and 21st March 2019 respectively and revealed the following anomalies:

- i. The trees that were supposed to be planted, installation of water tanks and gutters, nurseries for seedlings in various schools and grafted avocados along the Bungoma-Malaba road were not physically available.
- ii. The project stakeholders should have involved the relevant government departments such as Kenya Forest to help in identification of the trees varieties to be planted and on the best practice technical know-how, but they were not involved since there was no evidence of their input.

### **Management Response**

804. It was noted that relevant authority was not included and NGCDF Teso North has resolved to be including the Forest department before procurement of tree seedlings.

### **Committee Observation**

805. The Committee observed that the Fund Account Manager failed to involve the relevant government departments in the process.

### **Committee Recommendations**

806. The Committee recommends that: -

- a) Going forward all Fund Account Managers should ensure that the relevant government departments are involved whenever their input is needed pursuant to the Section 36 (1) of the NG-CDF Act (CAP. 414A).
- b) The Accounting Officer should ensure that the Fund Account Manager complies with provisions of Section 159 (2) of the Public Procurement and Asset Disposal Act (CAP.412C) which provides that, *An accounting officer of a procuring entity shall record goods, works and services received under subsection (1) in an inventory of the procuring entity as shall be prescribed.*

- c) **The Accounting Officer should ensure that the Fund Account Manager complies Section 36 (1) of the National Government Constituencies Development Fund Act (CAP.414A) which provides that, *Projects under this Act shall be implemented by the project management committee appointed in accordance with the regulations made under section 57, with the assistance of the relevant department of Government, government registered private practitioners procured in accordance with the Public Procurement and Asset Disposal Act (Cap. 412C) and all payments through cheques or otherwise shall be processed and effected in accordance with government regulations for the time being in force.***

### **3.3 Emergency Projects**

807. Included in the figure of other grants and services of Kshs.38,930,148 was Kshs.800,000 disbursed to various project management committees in four (4) primary Schools at Kshs.200,000 each for construction of a six door pit latrines. However, examination of payment vouchers for disbursement and physical verification in schools revealed the anomalies.

#### **Management Response**

808. The Fund was used during emergency and since the schools were at risk of being closed due to lack of latrine the PMCs contracted locals to construct the latrines and the error is noted. The constituency is now involving the relevant technical officers to ensure for future construction all requirements are met.

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#### **Committee Observation**

809. **The Committee observed that the projects were not being supervised by a technically qualified officer. This was later addressed to ensure that for future constructions, all requirements are met.**
810. **The Committee marked the matter as resolved.**

### **4.0 Irregular Procurement of Strategic Plan Development Consultancy**

811. A local consultant was paid Kshs.1,700,000 vide payment on 3 May 2018 being part payment to procuring services for developing strategic plan for the period 2018-2022. The total amount as per their tender price was Kshs.3,268,000 which is above the minimum requirement of national open tender in case of a service, but the method used for procurement of services could not be determined.

#### **Management Response**

812. A local Contractor was arrived at since the funding was in phases, and it was wise to promote locals. The constituency shall endeavour to adhere to the procurement requirements in the immediate future.

#### **Committee Observation**

813. The Committee observed that the Fund Account Manager did not adhere to the procurement laws during the procurement of the service provider.

#### **Committee Recommendation**

814. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager adheres to Section 45 (3)(b) of the Public Procurement and Asset Disposal Act (CAP.412C) which provides that (3) '*All procurement processes shall be— b) undertaken by a procuring entity as per the threshold matrix prescribed*' and the Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020.

### **3.5.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019**

#### **1.0 Stale cheques in bank reconciliation statements.**

815. The statements of assets and liabilities reflect cash equivalent balance of Ksh. 4,961,167 as at June 30<sup>th</sup>, 2019. However, audit review on bank reconciliation statements reflects un presented cheques totaling Ksh. 6, 874, 887 out of which cheques totaling Ksh. 345, 520 related to the period between 11 March 2017 and 13 December 2018 were stale.

#### **Management Response**

816. The unrepresented cheques of Kshs.345,520 were reversed and cash and cash equivalents corrected.

#### **Committee Observation**

817. The Committee observed that the matter was addressed as the unrepresented cheques of Kshs.345,520 were reversed and cash and cash equivalents corrected. Consequently, the Committee marked the matter as resolved.

#### **2.0 Budgetary Control and Performance.**

818. The statement of comparative budget and actual amount reflect final receipts budget and actual on comparable basis of Kshs.98,950,622 and Kshs.143,909,747 respectively resulting to an underfunding of Kshs.55,040,875 or 28% of the budget. Similarly, the fund spent Kshs.138,950,581 against an approved budget of Kshs.198,950,622 resulting to an underfunding and underperformance affecting the planned activities and may have impacted negatively on service delivery to the residents of Teso South Constituency.

#### **Management Response**

819. The under expenditure was as a result of delay in receiving funds in time from the Board for effective planning purposes during the year.  
However, these funds were eventually received towards the end of the year thus could not be utilized within the current financial year.  
The budget has since been fully implemented in the consecutive year.  
Attached is the Project Implementation Status for audit review.

### **Committee Observation**

820. The Committee noted that the matter was addressed as the under-expenditure was as a result of delay in receiving funds from the exchequer. The funds were disbursed in the subsequent financial year and the projects implemented. Consequently, the Committee marked the matter as resolved.

### **3.0 Project Implementation Status**

821. According to the Project Implementation Status report as at 30 June 2019, the Management had planned to implement seven hundred (700) projects since 2013/2014 to 2018/2019 at a total cost of Kshs.534,782,102 and which were at various levels of implementation. Seventy-four (74) projects relating to 2018/2019 costing Kshs. 45,243,646 were indicated as ongoing.
822. Further, fifty-five (55) projects totalling to Kshs.78,297,096 relating to 2017/2018 and prior years were indicated as still ongoing while two (2) projects for construction of classrooms at Achunet and Kongurakol Primary Schools amounting to Kshs.1,100,000 were stalled. No reason was provided for the delay in implementing the projects.

### **Management Response**

823. The projects were delayed due to the delay in disbursement of funds from the exchequer. The projects were implemented in the subsequent financial year when the funds were received. The project completion certificates, and project photos were availed to the auditors for review.

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### **Committee Observations**

824. The Committee observed that: -
- (i) The delays in the implementation of projects resulted from the delays in the disbursement of funds by the exchequer. The funds were disbursed in the subsequent financial year and projects implemented accordingly.
  - (ii) The project completion certificates and photos were provided and verified by the auditors and the query was adequately addressed.
  - (iii) The Committee marked the matter as resolved.

### **4.0 Unsatisfactory Implementation of Projects**

825. During the year under review four (4) projects were physically verified in July 2020 and unsatisfactory observations were noted on two (2) of the projects.

<b>Project Name</b>	<b>Project Activities</b>	<b>Amount Kshs</b>	<b>Observation</b>
Amoni Secondary School	Construction of one class room	600,000	- Construction was at foundation level. - Ownership of land was not confirmed.

Youth Empowerment Centers	Setting up of ICT innovation Hubs	4,677,027	<ul style="list-style-type: none"> <li>- At Angurai and Malaba youth Empowerment Centers</li> <li>- There were 5 laptops on site against 15 supplied.</li> <li>- 5 were found to be faulty and not functional</li> <li>- The rest were not provided</li> </ul>
<b>Total</b>		<b>5,277,027</b>	

826. In the circumstances, I am unable to confirm whether the public obtained value for money for the unsatisfactory implementation of projects totalling to Kshs.5,277,027.

#### **Management Response**

827. During the time of the audit, the projects were still on going, however the projects were later completed and handed over to the institution for utilization. The project completion certificate and project photos were availed to the Office of the Auditor General and verified.

#### **Committee Observation**

828. The Committee observed that there was a delay in project implementation. However, the projects were subsequently completed and verified by the auditors and the matter was marked as resolved.

#### **5.0 Delay in installation of Transformers**

829. As disclosed in Note 8 to the financial statements, the statement of receipts and payments reflects other payments balance of Kshs.8,780,659/=. The balance included a transfer to Rural Electrification Authority totalling to Kshs.2,000,000/= which was disbursed to the Authority for installation of transformers in various locations within the constituency. However, as at the time of the audit in July 2020, the transformers had not been installed, over one year since the payment was made.

#### **Management Response**

830. At the time of audit, the transformers had not been installed. However, the transformers were installed and in use.

#### **Committee Observation**

831. The Committee observed that the management's response was satisfactory and marked the matter as resolved.

### **3.5.7 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020**

#### **1.0 Transfers to other government entities – Unverified expenditure returns**

832. As disclosed under note 5 to the financial statements, the statement of receipts and payments for the year ended 30 June 2020 reflects transfers to other government entities



of Kshs.83.676,384, which includes an amount of Kshs.8,500,000 in respect of transfers to five (5) secondary schools for various projects as detailed below:

<b>Project Name</b>	<b>Institution</b>	<b>Amount Kshs</b>
Drilling and Equipping of a Borehole.	St Thomas Girls Secondary School	3,000,000
Completion of Laboratory, Plastering, Flooring, Shuttering And Painting.	St Teresa Malaba Secondary School.	1,500,000
Completion of Laboratory, Plastering, Flooring, Internal Slabs, Electrical Wiring, Plumbing and Painting.	St Antony Akobwait Cha Secondary School.	1,500,000
Balance for Clearing School Bus Loan.	Bishop Sulumeti Girls Secondary School.	500,000
Construction of Dormitory.	SA Kolanya Girls High School.	2,000,000
<b>Total</b>		<b>8,500,000</b>

833.The expenditure returns for the projects were not provided for audit contrary to Regulation, 15(1)(d) of the National Government Constituencies Development Fund Regulations, 2016.

In the circumstances, it was not possible to ascertain the completeness, accuracy and occurrence of the expenditure of Kshs.8.500,000 for the year under review.

#### **Management Response**

834.During the time of the audit, the project files were with the PMC's. The projects were later completed, and the files handed over to the Teso North NGCDF and have been availed to the auditors

#### **Committee Observation**

835.The Committee observed that management matters were satisfactorily addressed and marked the matter as resolved.

#### **Other Matter**

#### **2.0 Budgetary Control and Performance**

#### **2.1 Budget Performance**

836. The summary statement of appropriation - recurrent and development combined reflects a final receipts budget and actual on a comparable basis of Kshs.201,444,410 and Kshs.123,413,298 respectively resulting to an underfunding of Kshs.78,031,112 or 39% of the budget. Similarly, the Fund spent Kshs.121,076,416 against an approved budget of Kshs.201,444,410 resulting to an under expenditure of Kshs. 80,357,994 or 40% of the budget.
837. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Teso North Constituency.

#### **Management response**

838. Kshs.80,357,994 were the unutilized funds as at the end of the financial year and this was due to the delay in disbursement of funds from the exchequer.  
The projects were implemented in the subsequent financial year when the funds were received. The AIEs were provided to the auditor for review.

#### **Committee Observations**

839. The Committee observed that there was delay in disbursement of funds from the exchequer resulting in unutilized funds as at the end of the financial year. However, the projects were implemented in the subsequent financial year when the funds were received thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

### **2.2 Project Implementation Status**

840. During the year under review, the fund had planned to implement forty-three (43) projects at a total cost of Kshs.75,016,124 and which were at various levels of implementation.

<b>Status</b>	<b>No. of Projects</b>	<b>Value Kshs.</b>
Complete	25	15,366,124
Ongoing	10	44,750,000
Not Started	8	14,900,000
<b>Sub-Total</b>	<b>43</b>	<b>75,016,124</b>

841. The Project Implementation status report further indicated that nineteen (19) projects costing Kshs.17,000,000 relating to 2018/2019 and earlier years were still ongoing, and no reason was provided for their non-completion.
842. Further eight (8) projects relating to 2018/2019 and earlier years did not have information relating to the budget, amounts disbursed and their completion status.

<b>Entity</b>	<b>Description</b>	<b>Financial year</b>
Malaba Youth Empowerment	Construction of welding shed under emergency	2018/2019
Malaba Youth Empowerment Centre	Construction of two door pit latrine under	2018/2019

Entity	Description	Financial year
	emergency	
Kakapel Community Centre	Completion of resource Centre	2015/2016
Ikapolok Primary	Change of activity from fencing to Septic	2018/2019
Ikapolok Primary	Replacement of fencing and gate	2017/2018
Aboloi Secondary	Construction of laboratory	2017/2018
Chemasiri TTI	Water drilling	2018/2019
Kocholya KMTC	Fencing and gate	2019/2020

843. Failure to complete the projects within the stipulated period is likely to deny the constituents the much-needed services.

### Management Response

844. The projects delayed due to the delay in disbursement of funds from the exchequer. The projects were implemented in the subsequent financial year when the funds were received. The project completion certificates, and project photos were availed to the auditors for review.

### Committee Observations

845. The Committee observed that the delays in the implementation of projects resulted from the delays in the disbursement of funds by the exchequer. The funds were disbursed in the subsequent financial year and projects implemented accordingly. Consequently, the Committee marked the matter as resolved.

### 2.3 Project Verification

846. During the year under review, eleven projects costing Kshs. 3,369,900 were verified in March 2021 out of which eight (8) projects totalling Kshs. 27,069,900 were at different levels of implementation and three (3) projects totalling Kshs. 6,300,000 were not implemented as summarized below:

No.	Institution	Project Details	Amount Kshs.	Comments
1	Malaba Youth Empowerment Centre	Fencing of the entity	500,000	The fencing was well done-project complete
2	Akichelesit GSU Camp	Construction of 4 door toilets and 2 bathrooms	400,000	Project complete and in use
3	St Benard Kakurikit Secondary School	Construction of four modern toilets with sewerage system, purchase of one 2,500 litres water tank and 4 hand wash cylinders and four hand washstands.	623,677	Instead of four doors five had been fixed - 1000litre water tank installed instead of 2500 litres, No hand wash cylinder and washstands had been installed.

No.	Institution	Project Details	Amount Kshs.	Comments
4	Changara Secondary School	Purchase of tree seedlings, avocado, eucalyptus and fertilizer	100,000	No seedling survived
5	Echakara Secondary School	Purchase of tree seedlings, avocado, eucalyptus and fertilizer	200,000	Only a few seedlings survived that is approximately twenty out of the 1700
6	Changara Chief's Office	Construction of a chiefs' office	2,000,000	Project yet to be implemented.
7	Moding Chiefs Office	Construction of 4 door toilets and 2 bathrooms	400,000	Project complete no major anomaly was noted
8	Kocholya KMTC	Construction of a three-storey building for administration block, lecture rooms and laboratory.	22,846,223	Not implemented as per the guidelines of the Director of KMTC and project documents. Building not in accordance with BQs, one storey building was done instead of two
9	Malaba Youth Polytechnic	Kshs.700,000 - fencing, gate, reinforcement shutters. - 4 No laptops, and one printer for Kshs.600,000, -20 No sewing machines, 20 tables and 20 stools for Kshs.700,000	1,300,000	Fencing of Malaba Youth Polytechnic of Kshs.700,000 done, however, 4 laptops, 2 desktops, one printer, 20 sewing machines, 20 worktables, 20 stools totalling to Kshs.1,300,000 not procured
10	Malaba Youth Empowerment Centre	Drilling and equipping of borehole).	2,000,000	Borehole not equipped, hence not functional).
11.	St Thomas Amagoro Girls High School	Drilling and equipping of borehole).	3,000,000	Borehole not equipped, hence not function
<b>Grand Total</b>			<b>33,369,900</b>	

847. Non-implementation of projects as planned may result to denial of services to the Constituents and possible loss of public funds through price escalations.

#### **Management Response**

848. The projects delayed due to the delay in disbursement of funds from the exchequer. The projects were implemented in the subsequent financial year when the funds were received. The project completion certificates, and project photos had been availed to the auditors for review.

#### **Committee Observations**

849. The Committee observed that: -



- (i) **The delays in the implementation of projects resulted from the delays in the disbursement of funds by the exchequer. The funds were disbursed in the subsequent financial year and projects implemented accordingly.**
- (ii) **The project completion certificates and photos were availed verified by the auditors thereby addressing the issue.**
- (iii) **The Committee marked the matter as resolved.**

### **3.0 Delayed Implementation of Changara Chief's Office**

850. As disclosed under note 6 to the financial statements, the statement of receipts and payments for the year ended 30 June 2020 reflects other grants and transfers of Kshs.28,228,853/= which includes Kshs.6,832,744 is in respect of security operations out of which Kshs. 2,000,000 was transferred towards the construction of Changara Chiefs' office on 7 May 2020.
851. The tender for the construction was awarded to a local firm on 6 November 2020 and accepted the offer on 7 November 2020 for a contract sum of Kshs.5,920,735. However, as at the time of the audit, there was no evidence that a contract agreement was signed between the Fund and the contractor, and the work had therefore not commenced. Although the management explained that the delay in implementation of the project was due to disagreements within the community, no further information was provided on how the management is addressing the concerns of the community so that the project may be implemented.

#### **Management Response**

852. The Ministry of Interior funded construction of ACC Changara Offices to completion. The building provides space for the area chief. The NG-CDFC had requested the NG CDF Board for reallocation of the funds. The project completion certificates, and project photos were availed to the auditors for review.

#### **Committee Observation**

853. **The Committee observed that there was a delay in project implementation. However, the projects were implemented and in use and the auditors physically verified the projects, the completion certificates and project photos thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

#### **Bursaries**

854. As disclosed under note 6 to the financial statements, the statement of receipts and payments for the year ended 30 June 2020 reflects Kshs.28,228,853 in respect of other grants and transfers out of which Kshs.869,784 and Kshs.5,937,255 relates to bursaries to tertiary and secondary schools respectively. However, there was no evidence that a bursary sub-committee to issue, receive back completed bursary forms, vet, classify and categorize needy students according to the given criteria as required by the CDF Board Circular Vol. 1/111 of 13 September 2010.



### **Management Response**

855. Teso North constituency undertakes bursary program and considers the needy students within the constituency. The constituency requests the community to fill bursary application form and return them to the NGCDF offices of Teso North. The forms are vetted by a bursary committee and then forwarded to the NG CDFC who then adopt the list and the bursaries are issued to the needy cases as per the vetted candidates. The minutes of the committee and NGCDF were availed for review.

### **Committee Observation**

856. **The Committee observed that the matter was addressed as the auditors verified the submitted minutes of the PMC. Consequently, the Committee marked the matter as resolved.**

## **3.5.8 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021**

### **1.0 Inaccuracies in Cash and Cash Equivalents**

857. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.23, 120,750 which, as disclosed in Note 10A to the financial statements represents bank balances. However, review of bank reconciliation statements for the month of June 2021 revealed stale cheques amounting to Kshs.161,000 that had not been reversed in the cash book.

### **Management Response**

858. The stale cheques of Kshs. 161,000 had not been presented by some beneficiaries of bursary. The cheques were later reversed and replaced to other requiring needy cases.

### **Committee Observation**

859. **The Committee observed that the stale cheques Kshs. 161,000 were reversed in the cashbook and reissued to other beneficiaries. The cash book extract was availed and verified by the auditors thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

### **2.0 Lack of Ownership Documents**

860. The statement of receipts and payments reflects transfers to other Government units of Kshs.51,819,204 as disclosed in Note 6 to the financial statements. The amount includes Kshs.46,207,204 transfers to tertiary institutions out of which an amount of Kshs.45,007,204 was disbursed for construction of Kocholya Kenya Medical Training College administration block, lecture halls, library and laboratories which were verified on 11 May 2022 to be complete and in use. However, a title deed for the land on which the project is constructed was not provided for audit verification.

### **Management Response**

861. Kocholya KMTC was fully funded by NGCDF, and the land was purchased at Kshs. 8,000,000. The title deed for the KMTC was processed and availed to the auditors.

#### **Committee Observation**

862. The Committee observed that at the time of audit, the title deed for the land on which the project is constructed was not provided for verification. However, it was later availed and verified by the auditors and the query was adequately addressed. Consequently, the Committee marked the matter as resolved

#### **3.0 Unsupported Procurement of Sports Items**

863. The statement of receipts and payments reflects other grants and transfers of Kshs. 83,251,391 as disclosed in Note 7 to the financial statements. The amount includes Kshs. 4,307,354 incurred in purchasing sports items that were delivered to the Teso North Constituency Development Fund offices. However, the supporting procurement records were not provided for audit

#### **Management Response**

864. Teso North constituency undertakes sports projects through the PMC's who are trained on their mandate so as to deliver their roles within the law. The purchase of sports items was done by the PMC however, the constituency now ensures that the PMC's follow the procurement regulations so as to have competitiveness in the process.

#### **Committee Observation**

865. The Committee observed that the supporting procurement records were not provided for audit verification and the PMC did not follow the right procurement process.

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#### **Committee Recommendation**

866. The Committee recommends that upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager submits tender and procurement documents and conduct continuous capacity building to the Project Management Committees on keeping procurement records to enhance compliance with Section (68) of the Public Procurement and Asset Disposal Act (CAP.412C) and its regulations.

#### **4.0 Unsupported Project Management Committee Bank Accounts Balances**

867. Note 17.4 to the financial statements reflects Project Management Committee (PMC) bank account balances of Kshs. 18,548,977 while casting with ninety-nine (99) accounts revealed a balance of Kshs. 18,823,398 resulting to unreconciled variance of Kshs. 274,421. Further, the PMC bank balances were not supported by bank reconciliation statements, cash books and certificates of bank balance.

#### **Management Response**

868. The constituency during the year did not maintain a cash book but maintained schedules and project returns to monitor the operations of the account. However, it currently maintains the cashbooks for all the PMC's.

#### **Committee Observations**

869. The Committee observed that at the time of the audit, the PMC bank balances were not supported by bank reconciliation statements, cash books and certificates of bank balance. However, the schedules and project returns were subsequently made available and verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **5.0 Unsupported Fixed Assets**

870. Annex 4 to the financial statements on summary of fixed assets register reflects a balance of Kshs.22,742,374 which includes Kshs.5,740,000 for transport equipment. However, the transport equipment balance excludes a motor vehicle valued at Kshs.2,875,000. In addition, logbooks for two (2) motorcycles were not provided for audit verification.

#### **Management Response**

871. There was an omission in preparation of the fixed asset register summary where Kshs. 2,875,000 was omitted as part of acquisition of assets. However, this has been amended and the summary of fixed assets updated. The logbooks for the 2 motorcycles were at the NG CDF Board who have the ownership of all assets. The Constituency obtained copies of the logbooks and availed to the auditors for review.

#### **Committee Observation**

872. The Committee observed that the error was corrected, and the summary of fixed assets updated. The copies of the logbook were subsequently made available and verified by the auditors thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

#### **Other Matter**

#### **6.0 Budgetary Control and Performance**

873. The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs.218,561,877 and Kshs.170,066,064 respectively, resulting in an under-funding of Kshs.48,495,813 or 22% of the budget. Similarly, the Fund spent an amount of Kshs.147,358,680 out of the approved expenditure budget of Kshs.218,561,877, resulting in an under expenditure of Kshs.71,203,197 or 33% of the budget.

#### **Management Response**

874. Kes. 48,495,813 had not been received from the NG CDF Board as at the end of the financial year under review. However, the amount was received in subsequent financial years and funds were utilized. Kshs.71,203,197 were the unutilized funds as at the end of the financial year and this was due to the delay in disbursement of funds from the exchequer.

#### **Committee Observation**

875. The Committee observed that there was a delay in disbursement of funds from the exchequer which affected funding for projects. The unutilized funds were utilized

**by the end of the financial year. Consequently, the Committee marked the matter as resolved.**

#### **7.0 Unresolved Prior Year Audit Matters**

876. In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

##### **Management Response**

877. The issues remained unresolved as the constituency had not appeared before parliament for conclusion of the matters.

##### **Committee Observation**

878. **The Committee observed that the management submitted a report on prior year audit issues which was verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

#### **8.0 Failure to Construct Security Guard House**

879. The statement of receipts and payments reflects transfers to other Government units of Kshs.51,819,204 as disclosed in Note 6 to the financial statements. The amount includes Kshs.46,207,204 transfers to tertiary institutions out of which Kshs.1,200,000 was disbursed to Chamasiri Technical Training Institute for construction of a security guard house. However, physical verification carried out on 11 May 2022 revealed that the security guard house had not been constructed.

##### **Management Response**

880. There were delays in preparation of the bills of quantities and designs due to the backlog of requests at the works offices. However, the project is complete and in use. The project completion certificates, and project photos were availed to the auditors for review.

##### **Committee Observation**

881. **The Committee observed that the project completion certificates and photos were availed to the auditors and verified thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

### **3.5.9 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022**

#### **1.0 Inaccuracies in the Financial Statements**

##### **1.1 Transfers from NG-CDF Board**

882. The statements of receipts and payments reflect an amount of Kshs.184,177,758 in respect of transfers from the Accounting Officer, as disclosed in Note 1 to the financial statements. However, the summary statements of appropriation reflect actual receipts from NG-CDF Board of Kshs.207,298,508 resulting in a variance of Kshs.23,120,750.
883. In the circumstances, the accuracy and completeness of the amount of Kshs.184,177,758 shown in the statement of receipts and payments in respect of transfers from NG-CDF Board could not be confirmed.

##### **Management Response**

884. The statement of appropriation captures both the fund disbursed and the opening balances thus having a balance of Kshs.207,298,508 thus the variance of Kshs.23,120,750 reflects the cash book balance.

##### **Committee Observation**

885. **The Committee observed that the documents supporting the expenditure made available for audit review and the matter was marked as resolved.**

##### **1.2 Undisclosed Outstanding Temporary Imprest**

886. Statement of assets and liabilities reflects total financial assets balance of Kshs.15,402,580. However, the balance excludes a balance of Kshs.994,188 in respect of outstanding temporary imprest shown in the cash book.
- In the circumstances, the accuracy and completeness of the total financial assets balance of Kshs.15,402,580 could not be confirmed.

##### **Management Response**

887. There was an omission in the year under review where the outstanding imprest was omitted from the cash and cash equivalents. The financial statements were adjusted in the subsequent financial year to reflect the correct balances.

##### **Committee Observation**

888. **The Committee observed that the outstanding imprest omitted from the cash and cash equivalents was adjusted in the subsequent financial year and the matter was addressed. Consequently, the Committee marked the matter as resolved.**

#### **2.0 Accuracy of the Cash and Cash Equivalents Balance**

889. The statement of assets and liabilities as at 30 June 2022 reflects cash and cash equivalents balance of Kshs.15,402,580. However, the bank reconciliation statement for the Funds bank account for the month of June 2022 reflects unpresented cheques totalling



Kshs.3,487,802 out of which cheques totalling Kshs.552, 146 had become stale as at 30 June 2022 and had not been reversed in the cash book.

**Management Response**

890. The stale cheques were reversed in the cash book. The updated cash book was provided to the auditor for review.

**Committee Observation**

891. **The Committee observed that the updated cash book extract was made available for audit review and marked the matter as resolved.**

**3.0 Unsupported Project Management Committee (PMC) Balances**

892. Note 17.4 to the financial statements reflect PMC bank balances of Kshs.25,164,370 which, as shown under Annex 5 to the financial statements, comprise of bank balances held in 32 bank accounts maintained by various Project Management Committees. However, cash books, bank confirmation certificates and bank reconciliation statements were not provided to support the individual balances.

**Management Response**

893. The PMC bank balances, bank statements and bank confirmation certificates were provided for review.

**Committee Observation**

894. **The Committee observed that the query arose because documents supporting the PMC bank balances were not submitted during audit. However, they were later availed and verified by the auditors thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

**4.0 Unsupported Expenditures on Use of Goods and Services**

895. As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects use of goods and services amount of Kshs.18,017,546 which includes Kshs.5,970, 186 in respect of committee expenses out of which, Kshs.830,000 was not supported by documents including Constituency Committee minutes, project monitoring and evaluation reports, attendance registers and invitation letters.

**Management Response**

896. Constituency Committee minutes, project monitoring and evaluation reports, attendance registers and invitation letters relating to expenditure of Kshs. 830,000 in respect of use of goods and services were provided for review.

**Committee Observations**

897. **The Committee observed that the query arose because documents supporting the expenditure on goods and services were not submitted during audit.**

898. The NGCDFC minutes, project monitoring and evaluation reports, attendance registers and invitation letters relating to expenditure of Kshs. 830,000 were made available and verified by the auditors, thereby addressing the issue.

899. The Committee marked the matter as resolved.

#### **Other Matter**

##### **5.0 Budgetary Control and Performance**

900. The summary statement of appropriation reflects actual expenditure of Kshs. 191,895,928 against approved budget of Kshs. 208,705,422 resulting in under-performance of Kshs. 16,809,514 or 8% of the budget. The under-performance affected the planned activities and may have impacted negatively on service delivery to the public

#### **Management Response**

901. Kshs. 16,809,514 were the unutilized funds as at the end of the financial year and this was due to the delay in disbursement of funds from the exchequer.

#### **Committee Observation**

902. The Committee observed that the query arose due to delay in disbursement of funds from the exchequer. The AIEs as evidence of delayed disbursements were made available and verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

##### **6.0 Unresolved Prior Year Matters**

903. In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has indicated in the progress on follow up of the auditor's recommendations section that some issues have been resolved while some have not. No satisfactory explanation was provided on the failure to resolve all the issues raised in the report.

#### **Management Response**

904. The issues remained unresolved as the constituency had not appeared before parliament for conclusion of the matters.

#### **Committee Observation**

905. The Committee observed that the management submitted a report on prior year audit issues which was verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.

##### **7.0 Lack of Land Ownership Documents**

906. Statement of receipts and payments reflects transfers to other Government units of Kshs. 92,500,000 which, as disclosed in Note 6 to the financial statements, includes transfers to primary schools and tertiary institutions of Kshs. 21,700,000 and Kshs. 61,200,000 respectively. However, review of the project expenditure returns

revealed that the Constituency Management purchased four (4) pieces of land for one (1) primary school, one (1) chief's office and two (2) tertiary institutions totalling to Kshs.14,600,000 which were not supported with land ownership documents including land title deeds, official search and valuation report. This is contrary to Regulation 11(1)(k) of the National Government Constituencies Development Fund Regulations, 2016 which states that the functions of a Constituency Committee shall include obtaining and ensuring custody of ownership documents for assets.

#### **Management Response**

907. The land title deeds were provided to the auditor for review.

#### **Committee Observation**

908. The Committee observed that the title deeds were not provided during the time of audit. The matter is not addressed.

#### **Committee Recommendations**

909. The Committee recommends that: -

- a) Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers should submit to the Accounting Officer all pending land matters in the constituency, including one (1) primary school, one (1) chief's office and two (2) tertiary institutions totalling to Kshs. 14,600,000 i.e. misplaced title deeds, delayed title deeds processing, succession, transfer and ownership.
- b) The Accounting Officer should upon adoption of this report follow up on the matters of land ownership with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

### **3.6 BUTULA CONSTITUENCY**

The Fund Account Manager, appeared before the Committee on 7<sup>th</sup> October 2023, tabled the NGCDF management responses and supporting documents on the audited accounts and submitted as follows:

#### **3.6.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2013/2014**

##### **1.0 Going Concern**

910. The High Court of Kenya in its ruling on petition 71 of 2013 held that the Constituencies Development Fund Act 2013 establishing the Constituencies Development Fund was unconstitutional rendering the existence of the Fund illegal. It is not clear whether legislation providing for the Fund will be in place within the period given by the High Court of twelve months for the Fund to continue existing.

##### **Management Response**

911. The going concern of the Constituencies Development Fund was addressed through the enactment of the NGCDF Act, 2015.

##### **Committee Observation**

912. The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act, 2015 and its Regulations 2016 which aligned the Fund functions to National Government functions. Consequently, the Committee marked the matter as resolved.

##### **2.0 Under Expenditure**

913. Butula CDF had an approved budget of Kshs 92,263,444.00 for the Year ended 30 June 2014. However, the Fund spent Kshs 84,857,486.06 resulting to unexplained under expenditure of Kshs.7,406,156.44

##### **Management Response**

914. The under absorption was due to delays in disbursement of funds by the exchequer. Out of the unspent Balance of Kshs 7,406,156.44, Kshs 3,406,156.00 were balances carried forward from the Administration vote that were to be spent during the first quarter of 2014/2015 on recurrent expenses before we received any disbursement from the Board.

##### **Committee Observation**

915. The Committee observed that the matter was adequately addressed as the under-absorption of the funds was due to late disbursement of funds by the exchequer. Consequently, the Committee marked the matter as resolved.

### **3.6.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2014/2015**

#### **1.0 Presentation Accuracy and Completeness of the Financial Statements**

916. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires the management to include among the statements presented for audit, a report on action taken on previous year auditor's recommendations. In the year 2013/2014, Butula CDF received a qualified opinion. However, a report on follow up of audit issues raised was not included in the financial statements for the year under review.

#### **Management Response**

917. The Audit opinion for FY 2013/2014 was unqualified. The issues raised under other matters have since been addressed and submitted to the auditor for review.

#### **Committee Observation**

918. The Committee observed that the issues raised had been addressed, and marked the matter as resolved.

#### **2.0 Budget Control and Performance**

919. The fund received transfers from the National Board totalling to Kshs. 99,906,847 compared to the budgeted sum of Kshs. 166,559,703 which included Kshs. 48,661,177 brought forward from the previous year. Therefore, the CDF was under-funded by Kshs. 66,652,856. The fund incurred expenditure totalling to Kshs. 96,783,074 and therefore underspent by Kshs. 69,776,629. Further, revenue received from the hiring out the CDF Road grader was not included in the financial statement.

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#### **Management Response**

920. Butula CDF was under funded by Kshs 48,661,177.00 in 2013/2014 which was disbursed during the year under review, in August 2015, Kshs 40,907,574.00 and Kshs 14,699,778.00. The underfunding of Kshs 66,652,856.00 in 2014/2015 was disbursed to the Main Account in August 2015 and October 2015 (Kshs' 46,487,775.60 and Kshs 12,511,487.00 respectively) The under expenditure of Kshs 69,776,629.00 as captured in the report was occasioned by late disbursement by the Exchequer. Kshs 46,487,775.60 and Kshs 12,511,487.00 was disbursed to the Main Account in August 2015 after closure of the Financial Year. The amount has been included in the revised financial statements.

#### **Committee Observation**

921. The Committee observed that the query arose due to delayed exchequer releases. The AIEs as evidence of delayed disbursements were made available and verified by the auditors, thereby addressing the issue. Consequently, the Committee marked the matter as resolved.



### **3.0 Cash And Cash Equivalents**

922. The cash and cash equivalents balance of Kshs. 10,777,376 includes a reconciled bank balance of Kshs. 7,220,387. Further, the reconciliation statement reflects receipts in cash book not recorded in bank statement totalling to Kshs. 2,417,769 which were however not explained. In addition, surrender documents for imprests totalling to Kshs. 3,556,709 from previous year were not provided for audit review.

#### **Management Response**

923. Revised Financial Statements with the correct Figures were provided for audit review. The amount of Kshs 2,411,769.00 as captured in the audit report was revenue generated from hire of the grader. It is true that surrender documents for Kshs 3,556,709.00 for imprests from previous year were not provided for Audit review. Imprest surrender documents were availed for review. Revised Financial Statements for 2013/2014 have been attached for review.

#### **Committee Observations**

924. **The Committee observed that: -**

- (i) This was a matter of documents not being provided during the audit cycle.**
- (ii) The imprest surrender documents and revised financial statements were later availed and verified by the auditors thereby addressing the issue.**
- (iii) The Committee marked the matter as resolved.**

### **4.0 Other Grants and Transfers**

925. The Butula CDF disbursed Other Grants and Transfers totalling to Kshs.40,869,301. However, payment vouchers for expenditure amounting to Kshs. 2,782,000 were not made available for audit verification. In the circumstance, the propriety of the expenditure could not be ascertained.

#### **Management Response**

926. The vouchers in question were provided for review.

#### **Committee Observations**

927. **The Committee observed that the Fund Account Manager failed to submit the documents during audit. However, payment vouchers for the expenditure amounting to Kshs. 2,782,000 were later provided and verified by the auditors thereby addressing the issue. Consequently, the Committee marked the matter as resolved.**

### **5.0 Incomplete Building Project at Shibale Market Centre**

928. The CDF fund paid Kshs.500,000 for purchase of land and construction of houses for Administration police at Shibale market centre. However, the relevant bills of quantities, house design and other procurement documents were not made available for audit review.

929. An inspection visit to the site found a stalled six-room incomplete structure with the walling half-way done. The project appears to have not been properly planned, funded and supervised. As a result, the value for money was not obtained from the expenditure.

**Management Response**

930. NG-CDFC have plans to allocate more funds for its completion.

**Committee Observation**

931. **The Committee observed that BQs, House design and other procurement documents were provided and verified by the auditors thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**

**6.0 Committee Expenses**

932. During the year under review, the Butula CDF fund incurred committee expenses totalling to Kshs. 6,506,955. However, sampled payment vouchers totalling to Kshs. 845,991 were not provided for audit review. Therefore, propriety of the payments could not be confirmed.

**Management Response**

933. The payment vouchers in question were later availed for audit review.

**Committee Observation**

934. **The Committee observed that this was a matter of documents not being provided during the audit cycle. The payment vouchers were later made for audit thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**

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**7.0 Transfer To Other Government Units**

935. Transfers to Other Government Units during the year amounted to Kshs. 44,368,108. However, expenditure on construction projects amounting to Kshs. 20,481,039 could not be verified due to lack of proper project files, bills of quantities and other tender documents.

**Management Response**

936. The Projects in question have been implemented and attached payment certificates and photos attached.

**Committee Observation**

937. **The Committee observed that the matter was addressed as the projects have been implemented, and marked the matter as resolved.**

**8.0 Other Payments**

938. During the year under review, other payments were budgeted at Kshs. 1,304,500. However, the statement of receipts and payments reflects other payments balance Kshs.

1,150,000 relating to the procurement of a strategic plan for the fund. Further, procurement records for the expenditure were not provided for audit review.

#### **Management Response**

939. Procurement was dully conducted. Photocopies of the procurement records are hereby provided for review.

#### **Committee Observation**

940. The Committee observed that this was a matter of documents not being provided during the audit cycle. The matter was adequately addressed as the procurement records were later availed for audit review. Consequently, the Committee marked the matter as resolved.

#### **9.0 Acquisition Of Non-Current Assets**

941. The statement of receipts and payments indicate that assets bought during the year cost Kshs. 1,345,880 while actual payment vouchers on acquisition of assets reflected expenditure totalling to Kshs. 1,570,475 thus resulting in an explained variance of Kshs. 224,595. Further, the summery of the Fixed Asset Register Annex I reflected an increase of Kshs. 1,543,896 from Kshs. 28,538,674 to Kshs. 30,082,569.

#### **Management Response**

942. The understatement has been corrected in the revised financial statements.

#### **Committee Observation**

943. The Committee observed that the matter was adequately addressed as the understatement was corrected, and marked the matter as resolved.

#### **Other Matter**

#### **10.0 Project Implementation and Management**

944. The Fund allocated Kshs.199,978,911.44 for a total of 242 projects during the two years ending 30 June 2015. Works on 64 projects allocated a total of Kshs.113,619,748 were ongoing as at 30 June 2015. This included 6 health institutions allocated Kshs.5,582,759 for construction works in the year 2013/14 which works were suspended for lack of sufficient funds. 178 projects costing Kshs.86,359,163 were completed

Sector/status	Ongoing		Complete	
	No	Value (Kshs)	No	Value(Kshs)
Administration	7	14,675,883	18	8,937,329
Agriculture				
Education	26	76,168,813	41	24,737,931
Environment	7	3,093,293	81	22,927,286
Health	7	5,931,759	9	4,550,000
Market	5	7,500,000		

Road			15	19,000,000
Security	12	6,250,000	7	2,300,000
Sports			7	3,906,617
<b>Total</b>	<b>64</b>	<b>113,619,748</b>	<b>178</b>	<b>86,359,163</b>

945. Delay in completing the projects denied the public responsive and prompt services expected from the investment of Kshs 113,619,748 in tax payers' money.

**Management Response**

946. The Projects were implemented in the subsequent year and are complete and in use.

**Committee Observation**

947. **The Committee observed that the matter was addressed as the projects are complete and in use. Consequently, the Committee marked the matter as resolved.**

### 3.6.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2015/2016

#### 1.0 Incomplete Projects - Bwaliro Girls Secondary School

948. The Fund disbursed Kes. 800,000 disbursed to Bwaliro Girls Secondary School for construction of two staff houses. However, physical audit verification revealed that both houses were incomplete and the one which was near completion was poorly constructed.

**Management Response**

949. Bwaliro Girls Secondary School Project was allocated Kshs. 800,000 during the financial year 2015/2016 for construction of two staff houses and at the time of audit verification, the two staff houses were near completion. However, the project is complete and in use. The completion certificate and photos to the project have been availed to the auditor for review.

**Committee Observation**

950. **The Committee observed that the matter was addressed as the projects are complete and in use. Consequently, the Committee marked the matter as resolved.**

**Other Matter**

#### 2.0 Budgetary Performance

951. The Fund had an approved budget of Kes. 194,907,850 and spent Kes. 130,050,259 resulting to under expenditure of Kes. 64,857,591 or overall budget utilization of 65%. Further, some budgetary expenditure items incurred absorption rating of below 90%. This includes Compensation of Employees at 68%. Transfers to other Government Units at 60% and lastly other grants and transfers at 66%.

**Management Response**

952. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption. Further disbursements for the

FY under review were made in the 2016/2017 FY, amounting to Kshs 77,631,211.00 and some additional funding in subsequent years for its full completion as per attached the AIEs and bank statement. However, the projects have been completed and in use

#### **Committee Observation**

953. **The Committee observed that the matter was adequately addressed as it was as a result of delayed disbursement of funds by the exchequer, an issue beyond the control of the Accounting Officer. The matter was marked as resolved.**

#### **3.0 Project Implementation Status**

954. During the year under review the Fund planned to implement a total of 99 projects/programmes by different sectors during the financial year. Further analysis indicated that 2 or 2% of the project had not started 29 or 29% of the projects were still ongoing and 68 or 69% of the project had been completed. Therefore, the fund did not fully meet the budget target and effective delivery of service.

#### **Management Response**

955. The delayed disbursement by the exchequer resulted in delays in implementation of the projects. However, the projects were funded in the subsequent financial years to completion. The completion certificates for the projects have been availed to the auditor for review.

#### **Committee Observation**

956. **The Committee observed that the matter was adequately addressed as it was as a result of delayed disbursement of funds by the exchequer, an issue beyond the control of the Accounting Officer. The matter was marked as resolved.**

#### **4.0 Undisbursed Allocation**

957. The Fund received Kes. 120,999,263 in the year against total national allocation of Kes. 125,131,211 resulting to undisbursed allocation of Kes. 4,131,948. This will hinder the implementation of this year's projects and subsequently have an impact on next year's delivery of targets.

#### **Management Response**

958. The Funds were received in subsequent year and disbursed to PMC thus the projects were implemented and are complete and in use as per attached AIES, Bank Statement and Completion Certificates and photos.

#### **Committee Observation**

959. **The Committee observed that the matter was addressed as it was a result of delayed disbursement of funds by the exchequer. The Committee marked the matter as resolved.**



### **3.6.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017**

#### **1.0 Transfers To Other Government Units**

960. Included in the Transfers to other Government Units balance of Kshs.30,501,775 is an amount of Kshs 1,000,000 in respect to transfers to Secondary Schools which in turn includes Kshs 1,000,000 remitted to a local secondary school for construction of modern library. However, physical verification conducted at school revealed that money was applied as part payment for purchase of the school bus without prior approval by the National Constituencies Development Fund Board.

#### **Management Response**

961. The School Management changed project activity.

#### **Committee Observation**

962. The Committee observed that the PMC changed the project activity without approval of the NGCDF Board.

#### **Committee Recommendation**

963. **The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers adhere to Section 6 (2) of the NGCDF Act 2015 which provides 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.’**

#### **2.0 Stalled Projects**

964. The Fund implemented two projects for construction of administration blocks at Busiada Girls Secondary School and Lugulu AC Secondary School at a cost of Kshs 2,000,000 and Kshs 1,000,000 respectively. However, physical verification revealed that the projects were not completed

#### **Management Response**

965. Busiada Girls Secondary School has been complete and is in use while the Lugulu AC Secondary School the school management changed the project activities which led to its decline for additional funding from Accounting Officer. They have since been clarified and awaiting Board’s approval and subsequent funding for the storey building.

#### **Committee Observation**

966. **The Committee observed that the matter was addressed as the auditors physically verified the projects and confirmed their existence and that they are in use, thereby addressing the matter. Consequently, the Committee marked the matter as resolved.**

## **Other Matter**

### **1.0 Budgetary Performance**

967. Butula CDF had approved budget of Kshs.146,754,143. However, only Kshs.110,185,545 was spent resulting in under-expenditure of Kshs.36,568,689 equivalent to 25% of the total budget.

### **Management Response**

968. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption.

### **Committee Observation**

969. The Committee observed that the matter was adequately addressed as it was as a result of delayed disbursement of funds by the exchequer, an issue beyond the control of the Accounting Officer. Consequently, the Committee marked the matter as resolved.

### **2.0 Project Performance**

970. The Fund was to implement a total of 23 projects in various sectors during the financial year under the review. Works on the projects started during the year; 16 projects (representing 70% of the portfolio) were ongoing and seven (7) representing 30% of the portfolio has been complete as at the time of audit as analyzed.

<b>Audit Components</b>	<b>Current year Final Budget Figures</b>	<b>Actual Expenditure Figures</b>	<b>Difference between Budget and Actual Expenditure</b>	<b>%Budget Absorpti on</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Transfer from NGCDF Board	146,754,142	110,305,872	36,448,271	75%
<b>Payments</b>				
Compensation of Employees	2,719,121	2,419,121	300,000	89%
Use of Goods and Services	18,394,934	15,992,558	2,402,376	87%
Transfers to Other Government Units	47,892,846	30,301,775	17,391,071	64%
Other grants and Transfers	75,622,242	59,172,000	16,450,242	78%
Acquisition of Assets	2,125,000	2,100,000	25,000	99%
<b>Total</b>	<b>146,754,143</b>	<b>110,185,454</b>	<b>36,568,689</b>	<b>75%</b>

<b>Butula NG-CDF</b>								
<b>Sector</b>	<b>Budgeted Projects</b>		<b>Ongoing</b>			<b>Completed</b>		
	<b>No</b>	<b>Kshs</b>	<b>No</b>	<b>Kshs</b>	<b>%</b>	<b>No</b>	<b>Kshs</b>	<b>%</b>
Primary School Infrastructure Projects	5	3,500,000	3	2,100,000	60%	2	1,400,000	40%
Secondary School Projects	8	12,200,000	7	10,200,000	88%	1	2,000,000	13%
Tertiary School Projects	1	4,675,000	1	4,675,000	100%	-	-	0%
Security Projects	5	4,000,000	5	4,000,000	100%	-	-	0%
Sports Activities	1	1,637,931	-	-	0%	1	1,637,931	100%
Environment Activities	1	1,637,931	-	-	0%	1	1,637,931	100%
Acquisition of Assets	1	2,125,000	-	-	0%	1	2,125,000	100%
Bursaries	1	20,655,173	-	-	0%	1	20,655,173	100%
<b>Total</b>	<b>23</b>	<b>50,431,035</b>	<b>16</b>	<b>20,975,000</b>	<b>70%</b>	<b>7</b>	<b>29,456,035</b>	<b>30%</b>

971. In the circumstance the residents of Butula Constituency did not receive all the services due from the budgeted projects that were not completed.

#### **Management Response**

972. The said projects were implemented in the subsequent year and are complete and in use.

#### **Committee Observation**

973. The Committee observed that the matter was adequately addressed as the projects were completed and are in use. Consequently, the Committee marked the matter as resolved.

### **3.6.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018**

#### **1.0 Project Implementation Status**

974. During the year under review, the Fund was to implement a total of 27 projects/programs with original budget of Kshs 86,810,344 through different project management committees. However, review of the projects implementation status report revealed that 14 or 52% of the projects had not started, 10 or 37% were on going and 3 or 11% had been complete as at the time of audit as tabulated below;

### Management Response

975. The completion certificate and photos to the project have been availed to the auditor for review. The said projects have since been implemented and complete and in use

### Committee Observation

976. The Committee observed that the matter was addressed as the projects were implemented, completed and are in use. Consequently, the Committee marked the matter as resolved.

### 2.0 Budget Performance

977. Review of Fund's statement of comparison of budget and actual amounts for the year under review revealed that the Fund spent Kshs 32,595,534 against a budgeted amount of Kshs 134,637,925 resulting in under absorption of Kshs 102,042,391 representing 76% as analyzed.

Sector	Total Project Cost	Budgeted Project	Actual/Implemented Projects						
			Not Started		Ongoing		Completed		% of Completed Projects
Transfers to Secondary Schools	5,000,000	5	0	-	3	3,00,000	2	2,000,000	40%
Transfers to Tertiary Schools	8,000,000	1	0	-	1	8,000,000	1	-	-
CDF-Office	7,285,041	1	0	-	0	-	1	7,285,041	100%
Security	21,000,000	8	8	21,000,000	0	-	0	-	-
Sports	1,736,207	2	2	1,736,207	0	-	0	-	-
Environment	1,736,207	1	1	1,736,207	0	-	0	-	-
Emergency Projects	4,568,966	1	0	-	1	4,568,966	0	-	-
Monitoring Evaluation and Capacity Building	2,604,310	3	0	-	3	2,604,310	0	-	-
Education Bursary Mock Exams and CATS	21,702,586	2	0	-	2	21,702,586	0	-	-
Strategic Plan	3,500,000	1	1	3,500,000	0	-	0	-	-
Constituency Innovation Hubs	4,677,027	1	1	4,677,027	0	-	0	-	-
Acquisition of Assets	5,000,000	1	1	5,000,000	0	-	0	-	-
<b>Total</b>	<b>86,810,344</b>	<b>27</b>	<b>14</b>	<b>37,649,441</b>	<b>10</b>	<b>39,875,862</b>	<b>3</b>	<b>9,285,041</b>	<b>11</b>

### Budgetary Performance

Receipt/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
Receipts	Kshs	Kshs	Kshs	
Transfers from CDF Board	134,637,925	74,473,865	60,164,060	55
Total	134,637,925	74,473,865	60,164,060	55
Payments				
Compensation of Employees	2,722,000	657,816	2,064,184	76
Use of Goods and Services	6,115,069	2,375,088	3,739,981	61
Transfers to Other Government Units	35,000,000	12,000,000	23,000,000	66
Other grants and Transfers	75,547,408	17,562,630	57,984,778	77
Acquisition of Assets	7,076,421	0	7,076,421	100
Other Payments	8,177,027	0	8,177,027	100
Total	134,637,925	32,595,534	102,042,391	76%

### Management Response

978. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption.

### Committee Observation

979. The Committee observed that the matter was adequately addressed as it had resulted from the delayed disbursement of funds by the exchequer, and marked the it as resolved.

## 3.6.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019

### 1.0 Inaccuracies In Opening Balances

980. The reflected opening balances had varied with audited financial statements as shown below:

Component	Reflected Opening Balance (Kshs.)	Audited Balance (Kshs.)	Variance (Kshs.)
Compensation of Employees	1,920,291	657,816	1,262,475
Use of Goods and Services	7,378,990	2,375,088	5,003,902
Transfer to Other Government Units	32,626,290	12,000,000	20,626,290
Other Grants and Transfers	69,568,788	17,562,630	52,006,158
Acquisition of Assets	367,990	0	367,990
<b>Total</b>	<b>111,862,349</b>	<b>32,595,534</b>	<b>79,266,815</b>
<b>Surplus (Deficit)</b>	<b>(37,508,902)</b>	<b>41,757,913</b>	<b>(79,266,815)</b>
<b>Net Increase in Cash and Cash Equivalent</b>	<b>(38,168,959)</b>	<b>41,757,913</b>	<b>(79,926,872)</b>



The above variances were not explained and reconciled

**Management Response**

981. The Variance Occurred as typing and has been corrected in the revised financial statements.

**Committee Observation**

982. The Committee observed that the query was satisfactorily addressed as the errors had been corrected, and made available for audit review. Consequently, the Committee marked the matter as resolved.

**2.0 Inaccuracy In the Statement of Assets and Liabilities**

983. The Statement of Assets and Liabilities reflects total balance of Kshs. 3,709,372 and nil liabilities. However, the statement reflects net liabilities at the bottom instead on net financial position balance of Kshs. 3,709,372. The error was not corrected.

**Management Response**

984. The error was corrected in the amended financial statements

**Committee Observation**

985. The Committee observed that the query was satisfactorily addressed as the errors were corrected. Consequently, the Committee marked the matter as resolved.

**3.0 Budgetary Control and Performance**

986. The Summary statement of appropriation-recurrent and development combined reflects final receipts budget and actual on comparable Basis of Kshs. 218,960,082 and Kshs. 116,662,814 respectively resulting to underfunding of Kshs. 102,297,268 or 47% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs. 218,960,082 and Kshs. 112,953,442 respectively resulting to an under expenditure of Kshs. 7,268,221 Or 48% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

**Management Response**

987. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption.

**Committee Observation**

988. The Committee observed that the matter was adequately addressed as it was as a result of delayed disbursement of funds by the exchequer, an issue beyond the control of the Accounting Officer. The matter was marked as resolved.



#### **4.0 Unresolved Prior Year Matters**

989. In the audit report of the previous year several issues were raised. However, the Management has indicated the issues are resolved. However, the Parliament has not discussed the report.

##### **Management Response**

990. The issues were discussed with the Office of the Auditor General and addressed.

##### **Committee Observation**

991. **The Committee was satisfied with the management response and marked the matter as resolved.**

#### **5.0 Delay In Project Implementation**

992. Project Implementation Status Report as at 30 June, 2019 showed that twenty-eight (28) projects budgeted to be implemented at a total of Kshs 64,669,021, three (3) projects with a total cost of Kshs 8,926,568 had not started, seven (7) of the projects at Kshs 22,200,000 were still ongoing all totalling to Kshs 31,126,568 and eighteen (18) of the projects at Kshs 33,542,453 had been completed. Physical verification revealed that the works of completion of administration block at Lugulu AC Secondary School initiated during the 2013-2014 financial year at the cost of Kshs 1,000,000 remained stalled and incomplete. Though in the deliberations of Fund's Committee it was agreed that the project should receive additional funding amount Kshs.3,000,000 to ensure its logical completion, no allocation in the 2019,2020 approved projects code list.

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##### **Management Response**

993. The said projects have been implemented and complete and in use. Lugulu AC Secondary School the School Management changed the activities to a storey building which was conditionally approved subject to ascertaining its viability.

##### **Committee Observation**

994. **The Committee observed that the issue was addressed as the projects were completed and are in use. Consequently, the Committee marked the matter as resolved.**

#### **6.0 Abandoned Works at The Fund Office**

995. Included in the balance of acquisition of Assets totalling Kshs 2,162,421 is refurbishment works at the NGCDF Office of a contract sum of Kshs 2,076,421. Review of records and physical verification showed that the contractor had vacated the site after 56% of the contract sum.

##### **Management Response**

996. The Project is complete and in use.

#### **Committee Observation**

997. The Committee observed that the issue was addressed as the projects were completed and are in use. Consequently, the Committee marked the matter as resolved.

### **3.6.7 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020**

#### **1.0 Inaccuracies In Summary Statements of Appropriation**

998. The Summary statement of appropriation-recurrent and development combined reflects proceeds from sale of assets amount of Kshs 146,000 under budget utilization difference. However, the balance is not reflected under final budget or actual. Further the statement reflects budget utilization difference under total payments totalling to Kshs 90,013,039 instead of a total of Kshs 89,813,039 resulting to an unreconciled variance amounting to Kshs 200,000. Consequently, the accuracy, completeness and validity of summary statement of appropriation - recurrent and development combined for the year ended 30 June 2020 could not be confirmed.

#### **Management Response**

999. The inaccuracies have been corrected in the revised financial statements and Kshs.146,000 arose as sale of tender documents.

#### **Committee Observation**

1000. The Committee observed that the inaccuracies in the financial statements were corrected, made available for audit review and the matter was marked as resolved.

#### **2.0 Lack of Land Title Deed**

1001. As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects other grants and other payments totalling to Kshs 35,806,131. The balance includes security projects totalling to Kshs.18,800,000 out of which an amount of Kshs 10,000,000 was spent towards the construction of Burinda Chief's Camp. However, land ownership documents were not provided. Consequently, the accuracy, completeness and validity of the expenditure totalling to Kshs.10,000,000 for the year ended 30 June 2020 could not be confirmed.

#### **Management Response**

1002. Camp and currently Marachi West Assistant County Commissioner Office hence the NG-CDFC Butula Constituency completed the process of acquiring the legal documents.

#### **Committee Observation**

1003. The Committee observed that the matter was addressed as the title deed was availed to the auditors for audit review. Consequently, the Committee marked the matter as resolved.

## **Other Matter**

### **3.0 Budgetary Control and Performance**

1004. The Summary statement of appropriation-recurrent and development combined reflects final receipts budget and actual on comparable basis totalling to Kshs 219,329,769 and Kshs 149,962,045 respectively resulting to under-funding amounting to Kshs 69,994,733 or 32% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs. 219,329,769 and Kshs.129,516,7 of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public<sup>30</sup> respectively resulting to under expenditure amounting to Kshs 89,813,039 or 41% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

1005. Disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption.

#### **Committee Observation**

1006. **The Committee observed that that the matter was adequately addressed as the underfunding was occasioned by the late disbursement of funds by the exchequer. Consequently, the Committee marked the matter as resolved.**

### **4.0 Delay In Project Implementation**

1007. Review of records for the forty-seven (47) projects budgeted to be implemented at a total cost of Kshs 137,367,300 during the year under review revealed twelve (12) projects with total cost of Kshs 37,647,300 had not started, thirty one (31) of the projects at Kshs 88,073,124 were still ongoing and four (4) of the projects at Kshs 8,500,000 had been completed. In the circumstances, I am unable to confirm whether the public obtained value for money for the expenditure totalling to Kshs.88,073,124 on the ongoing and Kshs.37,647,300 on projects not started for the year ended 30 June 2020.

#### **Management Response**

1008. The said projects were complete and in use.

#### **Committee Observation**

1009. **The Committee observed that the matter was adequately addressed as the projects were completed and in use. Consequently, the Committee marked the matter as resolved.**

### **5.0 Unsatisfactory Implementation Of Projects**

1010. As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects transfers to other Government Units totalling Kshs.66,600,000. The balance includes transfers to secondary and primary schools totalling to Kshs.10,750,000. However, review of the projects documents, monitoring and evaluation reports by the

chief of works and physical verification during audit revealed significant instances of the incomplete and sub-standards works. Consequently, I am unable to confirm whether the public obtained value for money from the expenditure totalling to Kshs.10,750,000 incurred on the projects.

**Management Response**

1011.The Substandard works were done well and project handed over and in use.

**Committee Observation**

1012.The Committee observed that the matter was adequately addressed as the projects were completed and in use. Consequently, the Committee marked the matter as resolved.

**3.6.8 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021**

**1.0 Inaccuracy of Cash and Cash Equivalents**

1013. The Statement of financial position reflects a balance of Kshs.51,842,358 under cash and cash equivalents. However, a bank reconciliation statement for the month of June,2021 reflects receipts in the bank statement not in cash totalling Kshs.75,000 which relates to the period between 8th October 2020 and 18th June 2021.The bank reconciliation statement also reflects payments in the bank not reflected in the cash book totalling Kshs.9,786. No explanation was provided for failure to update the cash book. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.51,842,358 could not be confirmed.

**Management Response**

1014.The inaccuracies has been corrected in the revised financial statements and Kshs 75,000 arose from sale of tender documents.

**Committee Observation**

1015.The Committee observed that the matter was adequately addressed as the inaccuracies in the financial statements were corrected and made available for audit review. Consequently, the Committee marked the matter as resolved.

**2.0 Unsupported Project Management Committee (PMC) Account Balances**

1016.Financial statements reflects a balance of Kshs 34,058,786 relating to PMC Account balance which as detailed under Annex 5 comprises of Sixty Seven (67) Project Management Committee bank account balances. However, Certificates of bank balance to support the individual balances were not provided for audit review. Further the balance of Kshs 34,058,786 disclosed at Annex 5 excludes balance totalling Kshs 4,355,590 relating to three schools. In the circumstances, the accuracy and completeness of the PMC account balance of Kshs.34,058,786 could not be confirmed.

**Management Response**

1017. The certificate of bank balances were provided for ascertainment and confirmation.

### **Committee Observation**

1018. The Committee observed that the matter was adequately addressed as the certificates of bank balances were made available for audit review. Consequently, the Committee marked the matter as resolved.

### **3.0 Lack of Ownership of Documents**

1019. The Statement of receipts and payments reflects amount of Kshs 53,828,132 for transfers to other Government Units as disclosed in Note 6 to the financial statements. The amount includes Kshs 20,257,132 for transfers to secondary schools which further includes Kshs 1,000,000 transferred to Madola Sec School for purchase of land. However, a title deed for the land was not provided for audit. In the circumstances, occurrence of (the expenditure on transfer to other government units amounting to Kshs.1,000,000 and the ownership of the land by the school could not be confirmed.

### **Management Response**

1020. The said purchase of land has been processed and the school has ownership of land Title deed number.

### **Committee Observation**

1021. The Committee observed that the matter was adequately addressed and marked it as resolved.

### **4.0 Unsupported Expenditure-Other Payments**

1022. The Statement of receipts and payments reflects an amount of Kshs.11,500,000 under other payments as disclosed in Note 9 to the Financial Statements. The amount includes Kshs 5,000,000 and Kshs 6,500,000 as transfers to Rural Electrification Authority (REA) and Geographical Information System (GIS) respectively. However, expenditure returns were not provided by respective Project Management Committees to support the expenditures. In the circumstances, the propriety of Kshs.11,500,000 could not be confirmed.

### **Management Response**

1023. The NG-CDF Butula agreed with the Rural Electrification Authority to map constituents for supply of electricity which already funds have been paid to Kenya power for supply of transformers which has already been implemented. The NG-CDF Butula had planned to have a Geographical Information System within the constituency thus allocating funds to it but the Ministry of Information have not approved for its implementation hence the funds are still in the PMC.

### **Committee Observation**

1024. The Committee observed that the Auditor verified the quotation for electricity supply. However, the matter is not addressed as it is pending follow-up with REA.



#### **Committee Recommendation**

1025. Within three months of adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Accounting Officer should submit to the National Assembly a status report highlighting similar projects with REA in other Constituencies.
1026. Within three months upon adoption of this report, in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Accounting Officer should follow up with REA and GIS to ensure the project is completed. Further, the Accounting Officer should submit expenditure returns of the project to the Office of the Auditor General for audit review.

#### **Other Matter**

##### **5.0 Budgetary Control and Performance**

1027. The summary statement of appropriation indicates the Fund had approved budget of Kshs 248,987,188 for the year under review. However actual receipts amounted to Kshs 196,152,994 or 79% of the budget. The resultant difference of Kshs 52,834,195 was unexplained. Similarly, the Fund expended Kshs 144,441,636 against approved budget of Kshs 248,987,188 resulting to an under funding of 104,545,552 or 42% of the budget. The underfunding and underperformance on budget utilization affected the planned activities and may have negatively impacted on service delivery to the public.

#### **Management Response**

1028. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption.

#### **Committee Observation**

1029. The Committee observed that the matter was adequately addressed as it was as a result of delayed disbursement of funds by the exchequer, an issue beyond the control of the Accounting Officer. Consequently, the Committee marked the matter as resolved.

##### **6.0 Unresolved Prior Year Matters**

1030. In the audit report of previous year several issues were raised under the report on the financial statements and report of lawfulness. The management has indicated that the issues were resolved on progress on follow up. However, evidence to indicate how the issues were resolved was not provided. The matters therefore remain unresolved.

#### **Management Response**

1031. The Management have forwarded the evidence to Office of Auditor General after discussing how to clear them.

#### **Committee Observation**

1032. The Committee observed that the matter was adequately addressed following the examination of the Constituency's audited accounts and marked the matter as resolved.

### **3.6.9 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022**

#### **1.0 Variances Between the Financial Statements and Supporting Schedules**

1033. The Financial Statements reflects six (6) items with balances which are at variances with the amount shown in supporting schedules as shown below.

<b>Component</b>	<b>Amount in the Financial Statements (Kshs.)</b>	<b>Amount in the Supporting Schedules (Kshs.)</b>	<b>Variance (Kshs.)</b>
Use of Goods and Services	9,347,759	10,602,878	(1,255,119)
Transfers to Primary schools – Note 6	21,669,800	22,660,800	(991,000)
Sports projects – Note 7	5,347,496	5,483,313	(135,817)
Bursaries to Secondary Schools – Note 7	30,333,607	29,495,607	838,000
Emergency Projects – Note 7	9,907,996	9,907,550	446
Gratuity held and paid during the year – Note 12B	728,093	933,697	(205,604)

#### **Management Response**

1034. The Figures reported are the correct balances in the Financial Statement as indicated in the Financial Statements.

#### **Committee Observation**

1035. The Committee observed that the management's response was satisfactory and that the matter was adequately addressed. Consequently, the Committee marked the matter as resolved.

#### **2.0 Inaccuracies in the Statement of Assets and Liabilities**

1036. The Statement of Assets and Liabilities reflects net financial Assets of Kshs 29,801,053 and net financial position of Kshs 30,150,158 resulting in unexplained variance of Kshs 349,105.

#### **Management Response**

1037. The inaccuracies arose since Kshs 349,105 was prepaid gratuity for staff and it has been corrected in the revised Financial Statements. In the circumstances, the accuracy and completeness of the statement of assets and liabilities for the year ended 30 June 2022 could not be confirmed.

#### **Committee Observation**

1038. **The Committee observed that the matter was addressed as the inaccuracies were corrected in the revised financial statements. Consequently, the Committee marked the matter as resolved.**

#### **3.0 Unsupported Bursaries**

1039. The Statement of receipts and payments reflects an amount of Kshs 78,620,066 in respect of other grants and transfers which as disclosed in note 7 to the financial statements includes Kshs 16,392,300 being disbursement of bursaries to tertiary institutions, out of which Kshs 4,714,000 was disbursed as bursaries to students of Masinde Muliro University of Science and Technology - Butula Campus. However, evidence of advertisement or public notification for bursary application, list of all the applicants, list of qualifying applicants, bursary committee vetting minutes, approval minutes, list of beneficiaries and list of rejected applicants were not provided for audit. In the circumstances, accuracy, completeness and propriety of the expenditure of Kshs.4,714,000 could not be confirmed.

#### **Management Response**

1040. The NG-CDF Butula Constituency has a bursary sub-committee which does the application, compilation, sorting, vetting and awarding bursary to deserving students.

#### **Committee Observation**

1041. **The Committee observed that the matter was adequately addressed and marked it as resolved.**

#### **4.0 Unsupported Project Management Committee (PMC) Bank Balances**

1042. Note 17.4 to the financial statements reflects Project Management Committee (PMC) Account balances totalling to Kshs.34,375,551 which as disclosed in Annex 5 comprises of balances held by Project Management Committees in the Eighty one (81) banks accounts. However, cash books, certificates of bank balances bank statements and bank reconciliation statements from Project Management Committees were not provided to support the balances. In the circumstances, completeness and accountability of the funds totalling to Kshs.34,375,551 could not be confirmed.

#### **Management Response**

1043. The PMC balances bank certificates and all documents accountability has been provided for verification.

#### **Committee Observation**

1044. **The Committee observed that the matter was adequately addressed and resolved as all the accountability documents were availed to the auditor for verification. Consequently, the Committee marked the matter as resolved.**

### **Other Matter**

#### **5.0 Budgetary Control and Performance**

1045. The summary statement of appropriation reflects receipts of budget and actual on comparable basis amounts of Kshs 242,765,416 and Kshs 228,685,116 respectively resulting to underfunding of Kshs 14,080,300 or 6% of the Budget. Similarly, the statement reflects actual expenditure of Kshs 198,534,958 against approved expenditure of Kshs 242,765,416 resulting to under performance of Kshs 44,230,458 or 18% of the budget. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

1046. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption.

#### **Committee Observation**

1047. **The Committee observed that the matter was adequately addressed as it had resulted from the delayed disbursement of funds by the exchequer. Consequently, the Committee marked the matter as resolved.**

#### **6.0 Project Implementation Status**

1048. During the year under review the Fund planned to implement seventy three (73) projects valued at Kshs 12,019,363. However as at 30 June,2022 fifty (50) or 68% of the projects valued at Kshs 67,812,943 had been complete while twenty-three (23) or 32% of the projects valued at Kshs 59,205,734 were still ongoing. In the circumstances, value for money was not obtained from the 23 projects which were still on-going.

#### **Management Response**

1049. The said projects their funding was received towards closure of the financial year and they are complete and in use apart from few which are ongoing.

#### **Committee Observation**

1050. **The Committee observed that the matter was adequately addressed as it had resulted from the delayed disbursement of funds by the exchequer. Consequently, the Committee marked the matter as resolved.**

#### **7.0 Failure To Submit Quarterly Reports on Project Management Committee (PMC) Bank Accounts**

1051. The Fund Management did not provide quarterly reports on the status of the Project Management Committee Accounts. This is Contrary to Section 15(10) of the National Government Constituencies Development Fund Regulations 2016 which requires the Officer of the Board seconded to the Constituency to keep a record of the bank accounts opened by a Project Management Committee and to table a quarterly report to a Constituency Committee on the status of the Project Management Committee accounts. In the circumstances, Management was in breach of the law.

#### **Management Response**

1052. The Management usually prepares quarterly PMC reports and tables to the NGCDFC on quarterly basis for them to implement where necessary.

#### **Committee Observation**

1053. **The Committee observed that the management's response was satisfactory and that the matter was adequately addressed. Consequently, the Committee marked the matter as resolved.**

#### **8.0 Broken Down but Serviceable Grader**

1054. Annex 4 to the financial statements on summary of assets register reflects assets worth Kshs 32,340,686 which includes transport equipment worth 24,855,520. Included in the transport equipment is a grader purchased in 2009 at cost of Kshs 18,005,520 physical inspection carried out during audit revealed that the grader had broken down and was lying at the offices of the Butula Sub-County Commissioner Though the asset register indicates that is serviceable, Service Logbook (GP55) Ownership Logbook Mechanical inspection reports, or bonding documents were not provided for audit. In the circumstances, value for money was not obtained from the broken-down grader.

#### **Management Response**

1055. The said grader broke down and its maintenance cost was too high hence the NG-CDFC with recommendations from the County Mechanical Engineer recommended for its disposal. The Logbook is held by the Accounting Officer.

#### **Committee Observation**

1056. The Committee observed that the grader is yet to be disposed.

#### **Committee Recommendation**

1057. **The Committee recommends that the Accounting Officer should ensure within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Managers initiate disposal of the unserviceable motor vehicles and broken-down graders and comply with PART XIV of the Public Procurement and Asset Disposal Act 2015 and the PPAD regulations 2020, that highlights – *Disposal of Assets*.**

#### **9.0 Lack Of Internal Audit Reports**

1058. The Fund did not provide internal audit reports for audit from the internal audit department charged with the responsibility of auditing and giving reasonable assurance on financial matters and transactions of the Fund during the year under review. In the Circumstances the effectiveness of the financial and non-financial performance management systems of the Fund could not be confirmed.



Component	Amount in the Financial Statements (Kshs)	Amount in the Supporting Schedules (Kshs)	Variance (Kshs)
Use of Goods and Services	9,347,759	10,602,878	1,255,119
Transfers to Primary Schools-Note 6	21,669,800	22,660,800	(991,000)
Sports Projects-Note 7	5,347,496	5,483,313	(135,817)
Bursaries to Secondary Schools-Note 7	30,333,607	29,495,607	838,000
Emergencies Projects-Note 7	9,907,996	9,907,550	446
Gratuity held and paid during the year Note 12B	728,093	933,697	(205,604)

### Management Response

1059. The Internal Audit reports are available for verification and confirmation.

### Committee Observation

1060. The Committee observed that the matter was addressed as the internal audit reports were availed for review by the auditor. Consequently, the Committee marked the matter as resolved.

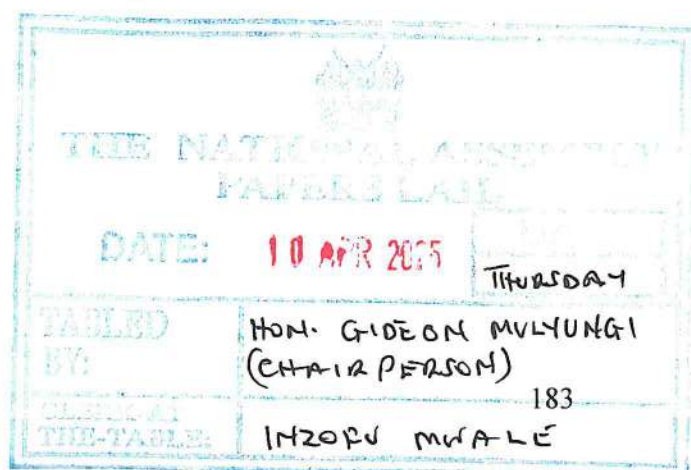
SIGNED.....

*Gideon Mutehi Mulyungi*

DATE.....

*08/04/2025*

**HON. GIDEON MUTEHI MULYUNGI, M.P.**  
**(CHAIRPERSON)**



REPUBLIC OF KENYA



NATIONAL ASSEMBLY  
THIRTEENTH PARLIAMENT

DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

ADOPTION SCHEDULE

We, the undersigned members of the Decentralized Funds Accounts Committee, today.....do hereby affix our signatures to this..... **REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE AUDITED FINACIAL STATEMENTS FOR THE NATIONAL GOVERNMENT CONSITUENCIES DEVELOPMENT FUND (NGCDF) FOR TESO SOUTH, MATAYOS, FUNYULA, TESO NORTH AND BUTULA CONSTITUENCIES IN BUSIA COUNTY FOR FINANCIAL YEARS 2013/2014, 2014/2015, 2015,2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022** to affirm our approval and confirm accuracy, validity and authenticity: -

	NAMES	SIGNATURE
1.	Hon. Dr. Gideon Mutemi Mulyungi, CBS, EBS, MP Chairperson	
2.	Hon. Gertrude Mbeyu, M.P - ViceChairperson	
3.	Hon. Joseph Kahangara Mburu, MP	
4.	Hon. David Mwalika Mboni, MP.	
5.	Hon. Innocent Momanyi Obiri, MP	
6.	Hon. Richard Cheruiyot, Kilel, MP.	
7.	Hon. Adhe Guyo Wario, MP.	
8.	Hon. Caroline Jeptoo Ng'elechei, MP	
9.	Hon. Dorothy Muthoni, Ikiara, MP	
10.	Hon. Jackson Lentoijoni, Lekumontare, MP.	
11.	Hon. Abdi Barre Hussein, MP	
12.	Hon. Joyce Osogo, Bensuda, Atieno, MP	
13.	Hon. Martin Wanyonyi Pepela MP	
14.	Hon. Stephen Mogaka, MP	
15.	Hon. Reuben Kipngor, Kiborek, MP	

