

4.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

676. The Auditor General flagged out five audit Matters during the examination of the financial statements of Msambweni Constituency for the year 2015/2016.

4.2.3.1 Cash and Cash Equivalents

677. The statement of assets as at 30 June 2016 reflected a bank balance of Kshs. 14,639,107. Bank reconciliation availed for audit revealed that unrepresented cheques were amounting to Kshs. 17,692,673 out of which cheques amounting to Kshs. 373,722 were stale and therefore could not be presented for payment. In addition, receipts in the cashbook not reflected in the bank statements amounted to Kshs. 215, 000. Further, bank charges and commissions amounting to Kshs. 70,441 had not been adjusted in the cashbook. Consequently, the accuracy and validity of the cash and cash equivalent balance of Kshs. 14,639,107.44 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

678. Mr. Kenneth Amanya, the Fund Account Manager submitted that the cashbook was corrected to reflect the true position as some errors were noted. The corrected cashbook and bank reconciliation were availed for audit review.

Committee Observations

679. The Committee observed that-

- (i) The Fund Account Manager had unrepresented and stale cheques not reversed in the cashbook, did not maintain an up-to-date cashbook as it had not recorded bank charges; and
- (ii) The unrepresented and stale cheques were however reversed and unrecorded payments recorded in the cashbook after the audit period.

Committee Recommendations

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

4.2.3.2 Transfer to other government Units

a) Transfers to Diani NG-CDF Health Centre Project.

681. The statement of receipt and payments for the year ended 30 June 2016 reflected an amount of Kshs. 59,500,000 in respect of transfers to other government entities. Included in this amount was Kshs. 10,000,000 being additional grants to Diani NG-CDF Health Centre which was being constructed by Msambweni NG-CDF at a total cost of Kshs. 30,

000, 000. However, examination of records availed for audit revealed that certificate No. 1 for Kshs. 10,300,000 was raised upon request by the contractor for payment of works which was not evaluated. Further, as at the end of the financial year under review, the contractor had been paid a total of Kshs. 27,121,000. However, physical verification of the project and examination of the bill of quantities revealed that works amounting to Kshs. 5,466,450 were still unfinished though the certificate was issued.

Submission by the Fund Account Manager

682. Mr. Kenneth Amanya, the Fund Account Manager submitted that, the payments of Kshs. 10,300,000 and Kshs. 16,821,000 were paid upon issuance of an evaluation certificate by the works officer. The project was completed and all works were done according to the BQ, with no extra costs.

Committee Observations

683. The Committee observed that payments were based on evaluation certificates issued by the works office and that the project had been completed and all works were done according to the BQ, with no extra costs, hence the audit query was resolved.

Committee Recommendations

684. The Committee recommends that-

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

b) Transfers to Dori Secondary School Project.

685. Included in the transfers to other government entities is Kshs. 19,500,000 for the proposed construction of laboratory, dormitory, six classrooms, pit latrine, kitchen and administration block at Dori Secondary School. Examination of records availed for audit revealed that the project management committee paid the contractor Kshs. 15,396,034 during the year, resulting in unpaid balance of Kshs. 4,103,966. However, examination of the bills of quantities showed works amounting Kshs. 8,266,272 remained unfinished though certified for payment. Under the circumstance, the propriety of expenditure of Kshs. 59,500,000 transferred to other government entities for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

686. Mr. Kenneth Amanya, the Fund Account Manager submitted that the payments of Kshs. 15,396,034 were paid upon issuance of an evaluation certificate by the works officer. The project was completed and all works were done with no extra cost.

Committee Observations

687. The Committee observed that payments were based on the evaluation certificate issued by the works officer and the audit query was resolved.

Committee Recommendations

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

4.2.3.3 Other payments

689. Note 9 to the financial statements for the year ended 30 June 2016 reflected other payments of Kshs. 2,000,000 is the cost of construction of Msambweni Social Hall. It was, however, noted that this project had not been started at the time of audit in November 2016. The reason for the delay in implementation was unresolved land disputes. Further, the Project Management Committee did not return unutilized funds for the project to the Constituency account contrary to Section 26(1) of the National Government CDF Act, 2015 which requires new proposals to be submitted for all unspent funds at the end of the financial year. Consequently, the validity of the payments of Kshs. 2,000,000 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

690. The Fund Account Manager submitted that during public participation, the community had proposed the construction of the social hall and went further to offer land for its construction, after the project had been approved by the Board, the NG CDF went to start the construction but the owner who had earlier offered the land changed his mind and refused to donate it for the construction. The CDFC re-allocated the funds to construct a Dormitory at Msambweni Secondary School.

Committee Observations

691. The Committee observed that-
- (i) The funds were reallocated for the construction of a Dormitory at Msambweni Secondary School;
 - (ii) Reallocation was approved and the project is complete.

Committee Recommendations

692. The Committee recommends that the Accounting Officer ensure that all Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.

4.2.3.4 Budgetary Controls and Performance

693. During the year under review, Msambweni NG-CDF's actual expenditure for the year ending 30 June 2016 amounted to Kshs. 98,006,155.71 against a budget of Kshs. 121,739,588 resulting in an overall net under expenditure of Kshs. 23,733,432 or 23%. It is noted that the Fund overspent in other payments by Kshs. 1,500,000 or 300%. No evidence of approval of excess expenditure was availed for audit verification. Further, the fund underspent on four areas by Kshs. 25,233,432 or 21%. Further, actual disbursements to the Fund during the year under review were Kshs. 86,705,735 or 71% of the budget. This may have contributed to delays in projects implementation. Failure to utilize funds may lead to poor service delivery to the people of Msambweni Constituency.

Submission by the Fund Account Manager

694. The Fund Account Manager submitted that during the year, the board disbursed funds to Msambweni CDF as follows:

DATE	AIE NO	AMOUNT
20/07/2015	A796135	23,956,971.35
30/01/2016	A796338	20,000,000
30/01/2016	A820621	10,000,000
30/01/2016	A820754	20,000,000
6/30/2016	A825542	10,000,000
6/30/2016	A825774	2,748,764
	Total	86,705,735.35

695. The funds brought forward was Kshs. 26,203,387.3 and the amount received was Kshs. 86,705,735.35 totaling Kshs. 112,909,122.65. Underspending was due to late disbursement of funds from the Board, process of procurement and delay of BQs preparation. There was no over expenditure on other payments of Kshs. 1,500,000 as the Constituency had a balance b/f of Kshs. 2,000,000 for the construction of Msambweni social hall and an allocation of Kshs. 500,000 for the renovation of Mafisini Social Hall for the FY2015/16 totaling Kshs. 2,500,000 available for other payments. Therefore, during the financial year, the Fund spent only Kshs. 2,000,000 for Msambweni Social Hall. The Kshs. 500,000 allocated for Msambweni Social was not spent in that financial year because the funds were not received in that financial year and the project was also re-submitted to Mafisini Primary School.

Committee Observations

696. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury whereas over expenditure was as a

result of rollover funds from previous years which was utilized in the financial year, hence the audit query stands resolved.

Committee Recommendations

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

4.2.3.5 Project Implementation

698. The statement receipts and payments for the year ended 30 June 2016 indicated that Kshs. 83, 897,609 had been disbursed to various projects as transfers and grants. Out of these, twenty-two [22] projects with a budget of Kshs. 62,300,000 were visited for audit verification. Four of these projects with a budget of Kshs. 30 million were ongoing and one project [Msambweni Social Hall] with a budget of Kshs. 2 million had not started due to unresolved land issues as explained by management. The Fund Account Manager should have ensured that ownership of land on which projects funded by the Fund was to be carried out and had no disputes to avoid delay in project implementation.

Submission by the Fund Account Manager

699. The Fund Account Manager submitted that all projects were complete. Kshs. 2,000,000 was re-allocated to construct a dormitory at Msambweni Secondary school. The letter authorizing the re-allocation, bank balance and completion certificate of the dormitory had been availed for audit verification.

Committee Observations

700. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury. The projects are complete and in use and the audit query resolved.

Committee Recommendations

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

4.3 MATUGA CONSTITUENCY

702. Mr. Peter Mwaighonda, the current Fund Account Manager (2007 to date) appeared before the Committee on 29th September, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Matuga Constituency and was accompanied by:

1. Mr. James Chebii, Ag. Manager Field Financial Services
2. Ms. Christine Mwangolo, Ag. Manager Field Operations
3. Mr. Andrew Lumunge, Former Fund Account Manager

4.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

4.3.1.1 Transfers to Other Government Units

704. The statement of receipts and payments for the year ended 30 June 2014 reflected transfers to other Government entities amounting to Kshs. 36,920,038 which included Kshs. 32,422,000 in respect of transfers to secondary schools. However, supporting schedules for amounts transferred to secondary schools indicate the total transfers were Kshs. 34,299,431 resulting in an unexplained and unreconciled variance of Kshs. 1,877,431. In addition, payment to one of the secondary schools was indicated as Kshs. 1,477,431 even though the actual payment amounted to Kshs. 1,100,000 again resulting to an unexplained variance of Kshs. 377,431. Consequently, the accuracy of the transfer to other Government entities amounting to Kshs. 36,920,038 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

705. The Fund Account Manager submitted that the total transfers to the Education sector (Primary and Secondary schools) during 2013/2014 F.Y was Kshs. 34,299,431.00 and not Kshs. 32,422,000.00. The Financial statement had since been amended to reflect the true position.

706. The payment to the aforementioned secondary school was Kshs. 1,100,000.00. The Kshs. 377,431.00 was erroneously categorized as transfers to Secondary schools. The Financial statement had since been amended to reflect the true position.

Committee Observations

707. The Committee observed that the Fund Account Manager had erroneously categorized a payment as transfers to Secondary schools and that financial statement had since been amended to reflect the true position.

Committee Recommendations

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

4.3.1.2 Other Grants and Transfers

709. The statement of receipts and payments for the year ended 30 June 2014 reflected an amount of Kshs. 46,869, 506 in respect of other grants and transfers which included Kshs. 35,171, 858 relating to scholarships and other educational benefits. However, supporting schedules and bursary documents for students in special schools, secondary and tertiary institutions amounting to Kshs. 15,290,353 were not availed for audit verification. In addition, the financial statements reflected an amount of Kshs. 4,006,539 relating to emergency projects out of which Kshs. 448,560 was a grant to a secondary school being final payment for the sinking of a borehole and other related works at the school.
710. However, no documentation was provided for audit verification to justify the payment as an emergency project. Consequently, the accuracy and propriety of the other grants and transfers amounting to Kshs. 35,620, 418 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

711. Mr. Peter Mwaighonda, the Fund Account Manager submitted that bursary documents for students in special schools, secondary and tertiary institutions amounting to Kshs. 15,290,353.00 had since been availed for verification.
712. Emergency funds of Kshs. 448,560.00 was the final payment for the sinking of a borehole at Golini secondary school, Members considered completion of the project as an Emergency because leaving it at the stage it had reached could mean that the borehole could collapse leading to loss of public funds. Thus, members considered the request from the P.M.C - Golini secondary school for completion of the project and subsequently approved the payment (Kshs. 448,560.00) through MIN. C.D.F.C/MTG/27/2014 at the C.D.F.C Meeting held on 9th April, 2014.

Committee Observations

713. The Committee observed that-
- (i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure which is contrary to the provisions of section 68 of the PFMA Act, 2012; and
 - (ii) The documentation was however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

714. The Committee recommends that-

- 1) The Accounting Officer ensures that the Fund Account Manager always avails supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.; and
- 2) The Accounting Officer ensures that the Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015

4.3.1.3 Cash and Cash Equivalents

715. The statement of financial assets and liabilities reflected a cash and cash equivalent balance of Kshs. 6,443, 915. Information provided for audit revealed that a board of survey on cash did not check and close the Kenya Commercial Bank Account Number 1108631967 cashbook on 30th June 2014 as required by Chapter 5.9.9.2 of Government financial regulations and procedures which requires the board of survey to verify the cash and bank balances on the last working day of the financial year. In addition, the bank reconciliation statements for the Kenya Commercial Bank Account had unrepresented cheques amounting to Kshs. 104, 175 which were stale as at 30th June 2014 and the same had not been reversed in the cashbook. Consequently, the accuracy and completeness of the cash and bank balance of Kshs. 6,443,915 at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

716. Mr. Peter Mwaighonda, the Fund Account Manager disclosed that the Constituency had opened a new bank account with Equity bank and was in the process of closing the KCB bank account after ensuring all issued cheques had been cleared and upon verification in the Bank reconciliation. The Board of Survey had been done. The stale cheques amounting to Kshs. 104,175.00 were reversed in the Cashbook on 29/9/2014 and the Cashbook page extract had been provided for audit review.

Committee Observations

717. The Committee observed that-

- (i) The Fund did not close the KCB bank account because it had to ensure all the issued cheques had been cleared.
- (ii) The stale and unrepresented cheques were reversed in the Cashbook on 29/9/2014 and the Cashbook page extract was provided for audit review.

Committee Recommendations

718. The Committee recommends that:

- 1) The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.
- 2) The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

4.3.1.4 Use of Goods and Services

719. Included in the use of goods and services balance of Kshs. 2,165,434 are amounts of Kshs. 83,800 and Kshs. 83,200 in respect of repairs of motor vehicles and partitioning the accountant's office respectively. However, no evidence was availed for audit verification to support the adherence to public procurement procedure in the sourcing of these services. Under the circumstances, the competitiveness of the procurement of goods and services amounting to Kshs. 167,000 could not be ascertained.

Submission by the Fund Account Manager

720. Mr. Peter Mwaighonda, the Fund Account Manager submitted that repair of the motor vehicle at Kshs. 83,800.00 had been done through a request for quotations and the winning bidder, M/s Wandandu Garage had been awarded the tender. The following documents in support of adherence to Public Procurement procedures had been availed to the auditor; Pre-inspection and post-inspection reports, Quotations, Evaluation report, Tender opening minutes, LSO copy.

721. The partitioning of the office at Kshs. 83,200.00 had been done through a request for quotations and the following documents in support of adherence to Public Procurement procedures had been availed to the auditor; Measurements for the partitions/estimates from the Public Works department, quotations, tender opening minutes, tender evaluation reports and LSO.

Committee Observations

722. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure; and
- (ii) The documentation was submitted to the auditor and later verified.

Committee Recommendations

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

4.3.1.5 Fund Balance

724. The statement of financial assets and liabilities as at 30 June 2014 included a fund balance brought forward amounting to Kshs. 3,719, 263. However, no supporting documents were availed for audit verification in support of the balance. In addition, the statement of financial assets and liabilities included a prior year adjustment balance of Kshs. 377, 431 which had not been explained or supported. Consequently, the accuracy and validity of the net financial position balance of Kshs. 6,443, 915 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

725. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the fund balance of Kshs. 3,719,263.00 was the bank balance brought forward from the previous year as per the Cashbook extract and bank reconciliation. The documents had since been availed for verification. Accounting of Kshs. 377,431.00 was erroneous since the expenses had been incurred under Goods and Services in that financial year.

Committee Observations

726. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the balances. The documents were later submitted to the auditor and subsequently reviewed.
- (ii) The delays in the preparation of complete financial statements are attributable to a lack of adequate capacity at the Constituency NG-CDF Offices. The Sub- County Treasuries (formerly District Accountant) in charge of maintaining books of accounts for all national government offices at the Sub-County is also maintaining accounting records and various supporting documents of the fund at the Constituencies.

Committee Recommendations

727. The Committee recommends that:

- 1) The National Government Constituencies Development Fund Board strengthens the NG-CDF Regional Offices by establishing Treasury units to serve the Constituency funds within the regions; and
- 2) The NG-CDF Board should consider employing Regional Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board.

4.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

728. The Auditor General flagged out five audit Matters during the examination of the financial statements of Matuga Constituency in the year 2014/2015.

4.3.2.1 Receipts and Payments

729. The statement of receipts and payments for the year ended 30 June 2015 reflected receipts from CDF Board amounting Kshs. 132, 995,842. However, records held by the parent Ministry at the same time revealed that Kshs. 114,028, 955 had been disbursed to the fund resulting in an unexplained variance of Kshs. 18,966, 887. Consequently, the accuracy and completeness of receipts from CDF Board balance of Kshs. 132, 995, 842 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

730. Mr. Peter Mwaighonda, the Fund Account Manager submitted that Matuga C.D.F received a total of Kshs. 132,995,842.75 from NG-CDF Board in the year under review, 2014/2015 as summarized as hereunder:

A.I.E No.	Date	Amount (Kshs)
A750178	22/07/2014	42,004,390.00
A796502	08/01/2015	25,330,484.00
A796829	16/02/2015	18,198,291.00
A796961	21/04/2015	17,132,193.50
A796055	30/06/2015	30,330,484.25
Total		132,995,842.75

731. Copies of the A.I.Es received in the FY 2014/2015 and a copy of the Bank Statement was availed for verification.

Committee Observations

732. The Committee observed that the Constituency had received Kshs. 132,995,842 in the financial year and audit query resolved.

Committee Recommendations

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

4.3.2.2 Committee Expenses

734. The statement of receipts and payments reflected the Committee expenses of Kshs. 4,219,600 for the year ended 30 June 2015. Included in this was Kshs. 2,317,700 incurred by Development Committee during the inter Constituency visit to Busia and Kisumu. A review of the budgetary provisions indicated that the Fund had provided for Kshs. 1,450,000 on the same resulting to an over-expenditure of Kshs. 867,700. This contravened section 21(3) of the Constituencies Development Fund Act, 2013 which requires that a project whose cost exceeds the budget limit shall be referred back to the Constituencies Development Fund Committee for amendment and re-submission. Consequently, the propriety of Kshs. 867,700 spent on committee allowances for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

735. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the amount budgeted for the Inter-Constituency visit to Busia & Kisumu was Kshs. 1,450,000.00. In the previous year an amount of Kshs. 867,700.00 approved for the Inter-Constituency visits remained unspent bringing the total available balance to Kshs. 2,317,700.00. The Kshs. 2,317,700.00 was the actual budget for the Inter-Constituency visits. The 2nd Schedule had since been availed.

Committee Observations

736. The Committee observed that the expenditure of Kshs. 867,700.00 was not an over-expenditure because the funds were approved in 2013/14 but were spent in the FY 2014/15 hence the audit query stands resolved.

Committee Recommendations

737. The Committee recommends that the Fund Account Manager ensures compliance with Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

4.3.2.3 Transfers to Other Government Units

738. The statement of receipts and payments for the year ended 30 June 2015 reflected an amount of Kshs. 74,095,224 in respect of transfers to other Government units. An audit review of the procurement procedures revealed that the Project Management Committee failed to maintain a list of prequalified contractors and had advertised tenders locally. Although the Constituencies Development Fund Board had provided for local advertisement in its financial manual this contravenes Regulation 25 of the Public Procurement and Disposal Regulations, 2006 which requires that the procuring entity prepare a list of prequalified suppliers to be used in the procurement. Consequently, the regularity, authenticity and validity of Kshs. 74,095,224 in respect of transfers to other government units for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

739. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the procuring entities used an open tendering method whereby all tenders were advertised locally in public places. Further, the NG-CDFC was in the process of pre-qualifying suppliers and contractors, a process done jointly with other Government departments at the Sub-County level.

Committee Observations

740. The Committee observed that the Fund Account Manager used the open tendering method where all tenders were advertised locally in public places.

Committee Recommendations

741. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Public Procurement and Asset Disposal Act, 2015 and its PPAD Regulations 2020.

4.3.2.4 Cash and Cash Equivalents

pThe statement of financial assets reflected a bank balance of Kshs. 33,195,678. Included in this balance is the Equity bank account balance of Kshs. 31,961,226. However, the bank reconciliation statement availed for audit indicated that the cashbook balance as at 30 June 2015 amounted to Kshs. 1,630,741 resulting in an unexplained variance of Kshs. 30,330,484. Further, the bank reconciliation statement included an amount of Kshs. 30,357,484 as receipts in the bank not recorded in the cashbook and Kshs. 381,259 as payment in the bank not recorded in the cashbook. Management had not explained the failure to record these transactions in the cashbook. Consequently, the accuracy and completeness of cash and bank balance of Kshs. 33,195,678 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

742. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the statement of financial assets reflected a bank balance of Kshs. 33,195,678.00 which included Kshs. 31,961,226.00 Equity Bank account balance and KCB reconciled balance of Kshs. 1,234,452.00. The Kshs. 30,330,484.00 was receipted in the cashbook and Kshs. 381,259.00 bank charges were posted in the Cashbook in the subsequent financial year. The Cashbook page extract was availed to the Auditor for verification.

Committee Observations

743. The Committee observed that there were inaccuracies on cash and cash equivalents as cashbook and bank reconciliation statements were not updated

Committee Recommendations

744. The Committee recommends that-

- 1) The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are up-to-date, accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 101(4); and
- 2) The Accounting Officer ensures that the Fund Account Manager at all times avails supporting documentation to the financial statements within (3) three months after the end of the financial year pursuant to section 68 (2) (k) of the PFM Act 2012.

4.3.2.5 Budgetary Controls and Performance

745. During the year under review, Matuga Constituency had a total budget of Kshs. 121,321,937. The Fund made total payments and transfers amounting to Kshs. 106,244,080 or 88% of the budgeted fund.

746. Matuga CDF had an over absorption of Kshs. 7,266,790 which the management did not explain how it was funded. Further, the fund was underspent by Kshs. 24,325,500 which is an indication that not all planned projects and programs were implemented in the year under review. These also imply that the management had over-budgeted and therefore there was a need to review the budgeting process to direct funding to priority areas.

Submission by the Fund Account Manager

747. Mr. Peter Mwaighonda, the Fund Account Manager submitted that there were balances brought forward from the previous year, which catered for the aforementioned amount of Kshs. 7,266,790.00 whose expenditure was approved in the previous year. The under-expenditure of Kshs. 24,325,500.00 was due to a delay in the disbursement of funds by the NG-CDF Board. An A.I.E for a sum of Kshs. 30,330,484.25 was received on 30th June, 2015.

Committee Observations

748. The Committee observed that underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

749. The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board for timely transfers to the constituencies.

4.3.2.6 Presentation

750. The financial statements presented for audit during the year ended 30 June 2015 included key constituency information and management, statement of receipts and payments and statement of financial assets. However, all these statements did not contain

page numbers. Under the circumstances, it had not been possible to confirm that the overall financial statements comply with the International Public Sector Accounting Standards (IPSAS 1) paragraph 32 (b) which requires that information provided in the statements be reliable, comparable and understandable.

Submission by the Fund Account Manager

751. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the omission was noted and the subsequent statements comply with the International Public Sector Accounting Standards.

Committee Observations

752. The Committee observed that-

- (i) Statement of receipts and payments, and statement of financial assets did not comply with the IPSAS No. 1 paragraph 32 on the requirement that information provided in the statements be reliable, comparable and understandable; and
- (ii) The omissions and inconsistencies are attributable to a lack of adequate capacity. The accounting records of the fund are maintained by the Sub- County treasuries (formerly District Accountant) who handles all MDAs at the Sub-County.

Committee Recommendations

753. The Committee recommends that:

- 1) The National Government Constituencies Development Fund Board strengthens the NG-CDF Regional Offices by establishing Treasury units to serve the Constituency funds within the regions; and
- 2) The NG-CDF Board employs qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices

4.3.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

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

4.3.3.1 Inaccuracies in the Financial Statements

755. The financial statements for the year under review presented for audit contained the following anomalies:

(i) Note 4 to the financial statements reflected compensation of employees' figure of Kshs. 1,541,067 for the year ended June 2015 whereas the certified financial statements for the same period indicated Kshs. 1,520,267 resulting in an unexplained and unreconciled variance of Kshs. 20,800.

(ii) Annex 4 to the financial statements reflected the balance of the asset of Kshs. 13,192,655 as at 30 June 2016, an increase of Kshs. 194,500 from the previous year. However, the statement of receipts and payments reflected assets acquired during the year amounting to Kshs. 236,000 resulting in an unexplained understatement of assets by Kshs. 41,500.

756. Consequently, the accuracy of compensation of employees and assets acquisitions balances reflected in the financial statements could not be confirmed.

Submission by the Fund Account Manager

757. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the compensation of employees' figure was Kshs. 1,609,277.90 as reflected in the certified financial statements and Note 4. Annex 4 to the financial statements was adjusted to reflect the net increase of Kshs. 236,000.00. This figure agrees with assets acquisitions during the year.

Committee Observations

758. The Committee observed that-

- (i) The omissions and inconsistencies are attributable to a lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County; and
- (ii) The financial statements were amended and variations corrected. Further, the relevant documentation were presented to the auditor general for verification after the audit period.

Committee Recommendations

759. The Committee recommends that:

- 1) The National Government Constituencies Development Fund Board strengthens the NG-CDF Constituency Offices by establishing Treasury units to serve the Constituency funds within the regions; and
- 2) The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices

4.3.3.2 Transfers to Other Government units

760. The statement of receipts and payments for the year ended 30 June 2016 reflected an amount of Kshs. 88,735,478 in respect of transfers to other government units as detailed in Note 6 to the financial statements. This included Kshs. 66,751,000 to secondary schools out of which Kshs. 18,626,633 was transferred to Matuga Girls Project Management Committee account for the construction of an administration block. Records availed for audit review indicated that the project's approved budget amounted to Kshs. 14,901,633 resulting in unapproved disbursement of Kshs. 3,725,000. Further, the contract agreement indicated that the project was to be completed by June 2016. A site visit during April 2017 revealed that the project was at the plastering, plumbing and electrical fitting stage but the contractor was not on site. Consequently, the propriety and value for money of Kshs. 18,626,633 transferred to Matuga Girls Secondary School for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

761. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the initial budget for Matuga Girls' Project was Kshs. 14,901,633.00 as approved in F/Y 2015/2016. An additional budget of Kshs. 6,626,633.60 was approved in F/Y 2016/2017 bringing the total budget to Kshs. 18,626,633.00. The plastering, plumbing and electricity works were done to completion.

Committee Observations

762. The Committee observed that Matuga Girls' Project had an allocation of Kshs. 14,901,633.00 which was approved in F/Y 2015/2016. Further, an additional budget was approved in F/Y 2016/2017 bringing the total budget to Kshs. 18,626,633.00.

Committee Recommendations

763. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure

that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.

4.3.3.3 Other Grants and Other Payments

764. The statement of receipts and payments for the year ended 30 June 2016 reflected an amount of Kshs. 26,306,561 in respect of other grants and other payments as detailed in Note 7 to the financial statements. Included in this amount is Kshs. 5,400,259 paid as emergencies to fund various projects. However, the Project Management Committee did not provide Minutes classifying these projects as emergencies as required by Section 8(3) of the National Government Constituency Fund Act, 2015. Consequently, the propriety of Kshs. 5,400,259 incurred on emergency projects during the year under review could not be confirmed.

Submission by the Fund Account Manager

765. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the Kshs. 5,400,259.00 was an emergency fund for the previous year which the Committee sought Board's approval to re-allocate to the various projects as required by the NG-CDF Act, 2015. The approval was granted by the Board.

Committee Observations

766. The Committee observed that Kshs. 5,400,259.00 was an emergency fund for the previous financial year which the Committee sought Board's approval to re-allocate to the various projects as required by the NG-CDF Act, 2015. The approval was granted hence the explanation is satisfactory.

Committee Recommendations

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

4.3.3.4 Bank Balance

768. The statement of assets as at 30 June 2016 reflected a bank balance of Kshs. 66,098,243. The bank reconciliation statement presented for audit included payments in bank statements not recorded in cashbook totaling Kshs. 2,594 and which is related to bank charges. It was not clear why the management had not adjusted the cashbook with this amount. Consequently, the accuracy and completeness of cash and bank balance of Kshs. 66,098,243.75 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

769. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the Kshs. 2,594 bank charges were expensed in the subsequent financial year.

Committee Observations

770. The Committee observed that-

- i. The Fund did not maintain an up-to-date cashbook as it had not recorded bank charges totaling Kshs. 2,594 in the cashbook. However, unrecorded payment was subsequently recorded in the cashbook;
- ii. The challenges in maintaining up to date financial statements including cashbook are attributable to lack of adequate capacity; and
- iii. The accounting records of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

771. The Committee recommends that;

- 1) The National Government Constituencies Development Fund Board strengthens the NG-CDF Constituency Offices by establishing Treasury units to serve the Constituency Funds; and
- 2) The NG-CDF Board should consider employing qualified Accountants beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

4.3.3.5 Budgetary Controls and Performance

772. During the year under review, Matuga NG-CDF had an approved final budget of Kshs. 161,924,965. The Fund made total payments and transfers amounting to Kshs. 125,657,205 or 78% of the budgeted fund resulted in under-absorption of the budget by Kshs. 36,267,760 or 22% as summarized below:

Expenditure item	Final Budget Kshs	Actual expenditure Kshs	Utilizati on %	Budget Utilization Difference Kshs	Under/ utilized
Compensation of Employees	2,684,727	1,609,277	60%	1,075,449	40%
Use of goods and services	11,510,299	8,769,889	76%	884,063	24%
Transfer to other Governments units	96,230,593	88,735,478	92%	7,495,115	8%
Other grants and transfers	50,199,346	26,306,561	52%	23,892,784	48%
Acquisition of Assets	300,000	236,000	79%	64,000	21%
Other Payments	1,000,000			1,000,000	100%
TOTAL	161,524,965	125,657,205	78%	36,267,760	22%

773. The under-absorption indicates that the goods and services were not delivered to the residents of Matuga Constituency as budgeted. In addition, the CDF underspent by 48% on other grants and other payments which comprised of bursary among other payments an indication that funds were not released to learning institutions as planned.

Submission by the Fund Account Manager

774. Mr. Peter Mwaighonda, the Fund Account Manager submitted that under-absorption of Kshs. 36,267,760.00 was due to a delay in funds disbursement from the Board. The Kshs. 64,180,719.00 was received on 30th June, 2016 further, delay to enactment and commencement of the National Government Constituencies Development Fund Act, 2015 and its regulations on 19th February, 2016 delayed the appointment of the new Committee members which led to under-absorption of funds.

Committee Observations

775. The Committee observed that underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received towards the end of the financial year and therefore it was not possible for the projects to utilize all the funds within a few days and the audit query is resolved.

Committee Recommendations

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

4.3.3.6 Project Implementation

777. The project implementation status report availed for audit review indicated that a total of 38 projects were approved for implementation during the year under review at a total budget of Kshs. 128,650,000. As at 30th June 2016, three (3) projects with a total budget of Kshs. 20,300,000 had not been completed.

Submission by the Fund Account Manager

778. Mr. Peter Mwaighonda, the Fund Account Manager attributed the delay to the enactment of the National Government Constituencies Development Fund Act, 2015 which was done on 19th February, 2016 which delayed the appointment of new Committee members. The Implementation Status of the three projects is as follows:

S/NO.	PROJECT	STATUS
1.	Mwaluphamba Sec. school Administration block	Complete
2.	Matuga Girls Sec. School Administration block	On-going
3.	Lukore Sec. school Dormitory	Complete

Committee Observations

779. The Committee observed that the slow implementation of projects was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within a few days, hence the audit query is resolved.

Committee Recommendations

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

4.3.3.7 Project Verification

781. Audit verification was done in April 2017 on ten (10) projects with a budget of Kshs. 32,500,000 revealed the following:

S/No	Project Name	Activity	Completion Date	Project cost (Kshs)	Status
1	Kombani primary school	Renovation of 12 No. Classrooms; Re-roofing, floor screeding, plastering and painting	Mar-16	3,600,000.00	Complete
2	Golini primary school	Renovation of 8 No. Classrooms; Re-roofing, floor screeding, plastering and painting	Feb-16	2,400,000.00	Complete
3	Tiwi Boys' secondary school	Construction of 2 No. Classrooms	Jan-16	2,200,000.00	Complete but not in use
4	Waa Boys' high school	Construction of a Staff House	Jan-16	2,500,000.00	Complete
5	Tiwi Girls' secondary school	Construction of a Laboratory Block	Jan-16	5,300,000.00	Complete
6	Tsimba chief's office	Construction of Chief's office	Jun-16	2,500,000.00	Complete but the roofing was done using gauge 30 iron sheets instead of gauge 28
7	Ng'ombeni secondary school	Construction of a Laboratory	Jul-15	5,300,000.00	Complete but ceiling done using plywood instead of soft board
8	Tiwi Girls' secondary school	Construction of Administration Block	Mar-15	3,000,000.00	Complete
9	Kaya-Tiwi secondary school	Construction of a Library	Mar-15	3,200,000.00	Partially painted

10	Amb. Mwakwere sec. school water project	Sinking of a Borehole and Construct/install Submersible Pump & Related Accessories	Nov-14	2,500,000.00	Funds re- allocated to Building a Dormitory
	Total			32,500,000	

782. Poor implementation of projects affects service delivery to the public adversely and casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituencies Development Fund Committee.

Submission by the Fund Account Manager

783. Mr. Peter Mwaighonda, the Fund Account Manager submitted that the delay in implementation of the projects was due to a delay in funds disbursement from the Board but the projects were now completed and in use.

Committee Observations

784. The Committee observed that the projects are complete and in use. The slow implementation of projects was occasioned by the late disbursement of funds by the NG-CDF Board and the National Treasury hence the audit query is resolved.

Committee Recommendations

785. The Committee recommends that the Accounting Officer ensure that all Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.

4.4 KINANGO CONSTITUENCY

786. Mr. Joseph Kumbatha, the current Fund Account Manager appeared before the Committee on 29th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Kinango Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Mr. Kenneth Martin Amany, Former FUND ACCOUNT MANAGER during the period under audit.

4.4.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

4.4.1.1 Compensation to Employees

788. The statement of receipt and payment for the year ended 30 June 2014 reflected an amount of Kshs. 1,211,126 in respect of amount paid as compensation to employees. However, the supporting schedule reflected a figure of Kshs. 1,225,526 resulting in an unexplained or reconciled difference of Kshs. 14,400. In addition, an audit review of payment vouchers revealed that the fund paid Kshs. 41,340 and Kshs. 73,200 to NHIF and NSSF respectively. These amounts included penalties for noncompliance amounting to Kshs. 13,200 for NHIF and Kshs. 60,000 for NSSF; however, these payments could not be traced in the financial statements. Under the circumstances the propriety and accuracy of Kshs. 1,211,126 in respect to compensation to employees for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

789. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the supporting schedule figure of Kshs. 1,225,526 included the social security benefits amount of Kshs. 14,400 reported in Note 9 of the statement of receipts and payments. He acknowledged the omissions and penalties under NHIF & NSSF. However, corrective measures were instituted to ensure statutory deductions are filed on time.

Committee Observations

790. The Committee observed that-

- (i) The Fund Account Manager had not filed statutory deductions on time-NHIF & NSSF in contravention to the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No 9 of 1998. Further, the Fund paid penalties for non-compliance amounting to Kshs. 13,200 for NHIF and Kshs. 60,000 for NSSF; and

- (ii) Corrective measures had been instituted and statutory deductions are done on time.

Committee Recommendations

791. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager deducts and submit statutory deductions on time in accordance with the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No. 9 of 1998 to avoid the incurrence of fines and penalties.

4.4.1.2 Transfers to Other Government Units

792. Included in the transfers to other government units' balance of Kshs. 95,279,579 were transfers to various PMC bank accounts for various projects that were identified for implementation during the year under review. However, records showing all receipts, disbursements and actual expenditures monthly in respect of all the projects and sub-projects were not made available for audit verification. In addition, a total of Kshs. 8,300,000 was disbursed for various projects which were not in the approved code list as a result of which it was not possible to confirm how the projects were identified and whether their implementation was in adherence to the CDF Act, 2013. Consequently, the transfers to other government units amounting to Kshs. 95,279,579 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

793. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the record showing receipts and disbursements to PMCs including actual expenditure returns had been availed to the auditors for review. Further, the Kshs. 8,300,000.00 spent that could not be traced to the Approved Schedules for FY 2013/2014, is captured in the Approved Schedules for FY 2012/2013, but the expenditures were done late due to project implementation challenges.

Committee Observations

794. The Committee observed that-

- (i) Records showing all receipts, disbursements and actual expenditures monthly in respect of all the projects and sub-projects were not made available for audit verification in time.
- (ii) The supporting documents had since been provided and reviewed by the auditor.
- (iii) The projects which were not in the approved code list in FY 2013/14 had been approved in FY 2012/13.

Committee Recommendations

795. The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable,

complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015

4.4.1.3 Other Grants and Transfers

796. The statement of receipts and payments for the year ended 30 June 2014 reflected an amount of Kshs. 46,250,700 as other grants and transfers, which included Kshs. 19,127,000 in respect of scholarship and other education benefits. However, supporting schedules and bursary documents for students in secondary and tertiary institutions amounting to Kshs. 19,003,500 were not availed for audit verification. Consequently, the accuracy and propriety of other grants and transfers amounting to Kshs. 19,003,500 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

797. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the supporting schedules and bursary documents for students in secondary and tertiary institutions amounting to Kshs. 19,003,500.00 had been availed to the auditors for review.

Committee Observations

798. The Committee observed that-

- (i) Supporting schedules and bursary documents for students in secondary and tertiary institutions amounting to Kshs. 19,003,500 were not availed for audit verification.
- (ii) The supporting documents had since been provided and reviewed by the auditor.

Committee Recommendations

799. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

4.4.1.4 Bank Balances

800. Included in the statement of financial assets and liabilities, as at 30 June 2014 was the cash and bank balance of Kshs. 12,804,408. The bank reconciliation statement availed for audit verification indicated that as at 30 June 2014 unpresented cheques amounted to Kshs. 12,268,725 were outstanding for periods dating back to November 2013 and had not been reversed.

801. In addition, the bank reconciliation statement reflected payments in the bank statement not recorded in the cashbook amounting to Kshs. 3,519,920 out of which Kshs. 3,500,000 related to a payment dated June 2012 for which the payee was not disclosed. It is not clear why these long outstanding reconciling items had not been cleared from the

books. As a result, the accuracy and validity of the cash and bank balance of Kshs. 12,804,408 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

802. Mr. Joseph Kumbatha, the Fund Account Manager submitted that a majority of the unrepresented cheques were cleared in the subsequent months. The stale cheques were reversed and replaced as shown in the cashbook extracts. The expenditure of Kshs 3,500,000 related to payments which were posted in the cashbook as surrendered imprests.

Committee Observations

803. The Committee observed that-

- (i) Unrepresented and stale cheques amounting to Kshs. 12,268,725 had not been reversed to the cashbook as at 30th June 2014;
- (ii) Payment amounting to Kshs. 3,500,000 had not been posted in the cashbook; and
- (iii) The stale and unrepresented cheques were later reversed and replaced and omitted payments recorded in the cashbook.

Committee Recommendation

804. The Committee recommends that-

- 1) The Accounting Officer ensures that the Fund Account Manager keeps up-to-date, accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFMA Act, No. 18 of 2012 and PFM (NG) Regulation 101(4); and
- 2) Within three months of the adoption of this report, the Accounting Officer ensures the Fund Account Manager reconciles the amount of Kshs. 3,500,000 relating to a payment dated June, 2012. Further, the reconciled statement with supporting documents is submitted to the auditor for audit review.

4.4.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

4.4.2.1 Excess Expenditure

805. According to the information availed for audit, the Constituency Development Fund had a total budget of Kshs. 160,757,031 in the year under review. However, the summary statement of appropriation reflected a total final budget of Kshs. 215,776,079 resulting in an un-reconciled variance of Kshs. 55,019,048 it was not clear how the additional amount of Kshs. 55,019,048 was approved. Consequently, the propriety of excess expenditure of Kshs. 55,019,048 could not be ascertained for the year ended 30 June 2015.

Submission by the Fund Account Manager

806. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the difference of Kshs. 55,019,048 was as a result of the adjustments during the financial year where the amount related to the cashbook opening balances as well as funds that were due from the board for the previous financial year.

Committee Observations

807. The Committee observed the unexplained amount of Kshs. 55,019,048 was balances carried forward from the previous financial year.

Committee Recommendations

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

4.4.2.2 Acquisition of Assets

809. The Statement of Receipts and Payments for the year ended 30th June 2015, reflected an amount of Kshs. 3,079,326.00 as Acquisition of Assets, which included Kshs. 2,156,850.00 in respect of the purchase of the motor vehicle. However, no records were available to verify that the motor vehicle was registered in the name of the Kinango CDF Committee. In addition, a motor grader valued at Kshs. 19,640,000.00 was not in the custody of Kinango CDF Committee but was held and being used by the National Government. There was no documentation to indicate how this transfer was done and the terms and conditions of the transfer. Consequently, the ownership status of the assets acquired by the fund is valued at Kshs. 3,079,326.00 for the year under review and the grader valued at Kshs. 19,640,000.00 previously acquired could not be confirmed as at 30 June 2015.

Submission by the Fund Account Manager

810. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the log book was obtained from the board and a copy availed to the auditors for verification. The said motor grader remained a property of the CDF Committee but stationed at the Constituency Roads Engineer's Offices compound. The management of its operations had also been left with the technical line ministry and the Constituency Roads Engineer oversaw its daily schedule. No official communication had been made to this effect because the CDF Committee still held the authority to administer its operations.

Committee Observations

811. The Committee observed that the logbook was obtained from the board and a copy availed to the auditors for verification. The cost of operating and maintaining the grader is high.

Committee Recommendations

812. The Committee recommends that-

- 1) The NG-CDF Board reviews its circular dated 11th May 2010 on motor graders, tractors and other machinery acquired by the various Constituency CDF Committees to provide direction on the management of NGCDF assets including their disposal;
- 2) Within three months of the adoption of this report, the Accounting Officer and all the Fund Account Managers take stock of motor graders, tractors and other machineries that are lying idle in all the Constituencies and report to the National Assembly; and
- 3) Within three months of the adoption of this report, the Accounting Officer ensures the Fund Account Manager avails to the auditor, the details including the logbook for the motor vehicle worth Kshs. 2,156,850 purchased during the year.

4.4.2.3 Committee Expenses

813. The Statement of Receipts and Payments for the year ended 30th June 2015 reflected an amount of Kshs. 9,971,272.00 as committee expenses against a budget of Kshs. 6,400,000 resulting to an excess expenditure of Kshs. 3,571,272 contrary to the PFM Act, 2012 which requires prudent utilization of resources as per the budget. Consequently, the propriety and validity of Kshs. 3,571,272.00 spent on committee allowances for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

814. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the over-expenditure noted in the committee expenses and monitoring & evaluation expenses resulted from balances brought forward from previous financial years as included in the overall expenditure for the period where a total of Kshs. 175,586,821.15 was expended against the financial year 2014/2015 period budget of Kshs. 160,757,031.00 a tabulated analysis

of the actual expenditures detailing the budget balances brought forward (as evidenced by referenced AIEs) from previous financial years has been availed to the auditor for review. Also availed were copies of the work plan, training materials, training programs and monitoring and evaluation reports.

Committee Observations

815. The Committee observed that over-expenditure on committee expenses and monitoring & evaluation expenses resulted from balances brought forward from the previous financial year 2013/14 expended in the financial year 2014/15 hence the audit query is resolved.

Committee Recommendations

816. The Committee recommends that-

- 1) The Accounting Officer ensures all Fund Account Manager comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act No. 18 of 2012 on the timely submission of documents; and
- 2) The Accounting Officer ensures the Fund Account Manager complies with section 43 (11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.

4.4.2.4 Other Grants and Other Payments

817. The Statement of Receipts and Payments for the year ended 30th June 2015, reflected an amount of Kshs. 74,338,660.00 out of which Kshs. 180,000 was for bursary awarded to 12 people who were either employed or pursuing higher education. This contravened CDF regulations that limit the beneficiaries to orphans; self-sponsored students without guardians or parents and socially and economically disadvantaged persons. Consequently, the propriety of the Kshs. 180,000 for the year ended 30 June 2015 could not be confirmed as the process of awarding the bursaries contravened the CDF Act, 2013.

Submission by the Fund Account Manager

818. Mr. Joseph Kumbatha, the Fund Account Manager submitted that awarding of bursaries to unqualified applicants, i.e., applicants who are pursuing higher education or working was a regrettable error that escaped the scrutiny and vetting of applicants by the Bursary Subcommittee. The error was actually within acceptable margin as out of Kshs. 33,742,500.00 bursaries disbursed only Kshs. 180,000.00 was erroneously awarded to undeserving cases, which translates to approximately 0.50% of total bursary disbursement for the referred period. Nevertheless, the committee was working tirelessly to institute measures that would eliminate or reduce errors to the minimum.

Committee Observations

819. The Committee observed that the Fund awarded bursary to 12 people who were either employed or pursuing higher education. This contravened CDF regulation, which limits the beneficiaries to orphans; self-sponsored students without guardians or parents and socially and economically disadvantaged persons.

Committee Recommendations

820. The Committee recommends that:

- 1) The NG-CDF Board should develop an overarching policy framework to guide Constituency bursary committees in line with their specific needs; and
- 2) Each NG-CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.

4.4.2.5 Bank Balances

821. The Statement of Financial assets as at 30th June 2015 reflected cash and bank balances of Kshs. 12,548,979.00. The bank reconciliation statement availed for audit verification indicated that as at 30th, June 2015, unpresented cheques amounting Kshs. 6,439,997.00 were outstanding out of which Kshs. 60,268 were stale and had not been reversed to the cashbook. In addition, the bank reconciliation statement reflected receipts in the bank statement not recorded in the cashbook amounting to Kshs. 40,189,257 and payments in bank statement not in cashbook amounting to Kshs. 51,741. It was not clear why these long outstanding reconciliations items had not been subsequently cleared or adjusted in the cashbook as at 30th June 2015. As a result, the accuracy and validity of the cash and bank balances of Kshs. 12,548,979.00 as at 30th June 2015 could not be ascertained.

Submission by the Fund Account Manager

822. Mr. Joseph Kumbatha, the Fund Account Manager submitted that Kshs. 60,268.00 in stale cheques had since been reversed as per the cashbook extract availed to the auditors for review. The receipt of Kshs. 40,189,257.85 in the Reconciliation was a disbursement from the CDF Board received in the bank account on 26/06/2015 and had not yet been posted to the Cashbook. It had since been posted.
823. The payment is in the bank statement of Kshs. 51,741.00 not yet posted into the Cashbook was the figure for accumulative bank charges that were yet to be charged into the books. It had since been processed and cleared.

Committee Observations

824. The Committee observed that the stale and unpresented cheques were later reversed and omitted payments were later recorded in the cashbook.

Committee Recommendations

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

4.4.2.6 Project Implementation

826. According to the project expenditure status report availed during the audit, out of the 24 development projects funded by CDF, twenty (20) with a total disbursement of Kshs. 84,300,000 had not been implemented. The funds disbursed to these projects had not been spent as at 30 June 2015. It was not clear and the management had not explained why public funds remained idle in the Project Management Committee bank accounts. Failure to implement projects would likely impact negatively on the standards of living for the people of Kinango Constituency due to lack of infrastructure.

827. Four (4) projects with a total disbursement of Kshs. 21,650,000 had been started and were at various levels of completion. A total of Kshs. 14,597,790 in respect of these projects had been spent with a balance of Kshs. 7,052,210 unspent as at 30 June 2015. Slow implementation of development projects affects service delivery to the public and the intended purpose of the project may take longer to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

828. Mr. Joseph Kumbathia, the Fund Account Manager submitted that the projects were complete and in use.

Committee Observations

829. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and were in use and the audit query resolved.

Committee Recommendations

830. The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board for timely release to all the Constituencies.

4.4.2.7 Project Verification

831. Project site verification done during April 2016 revealed the following-

- (i) Kinango Secondary School: The Library was not in use and empty without furniture or reading materials.

(ii) Kinagoni Dispensary: The work was in Progress - In the advanced stages nearing completion.

(iii) Mwarovesa Secondary School: Construction of Science Lab - The Building was complete but there was no equipment and was not in use.

Submission by the Fund Account Manager

832. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the building of the library was complete and in use. Further, the Library was equipped with furniture.

Inspection visits by the Committee

833. The Committee undertook inspection visits from 24th to 28th May, 2021 to verify the information presented on the library project at Kinango Secondary School and Science Laboratory at Mwarovesa Secondary School.

Committee Observations

834. The Committee observed that-

- (i) The construction of the modern library in Kinango Boys Secondary School and Science Laboratory at Mwarovesa Secondary School had been completed in F/Y 2016/17;
- (ii) The facilities were in use as submitted by the Fund Account Manager; and
- (iii) There was a delay in the submission of documents on the completeness of the projects to the auditors for verification.

Committee Recommendations

835. The Committee recommends that the Cabinet Secretary for the National Treasury shall ensure timely disbursement of funds to the NG-CDF Board for timely release to all the Constituencies.

4.4.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

836. The Auditor General raised five audit Matters during the examination of the financial statements of the year ended 2015/2016.

4.4.3.1 Transfers to Other Government Units

837. The statement of receipts and payments for the year ended 30 June 2016 reflected an amount of Kshs. 99,177,958 in respect of transfers to other government units out of which Kshs. 10,000,000 was transferred to the Technical University of Mombasa towards the construction of Kinango Technical Training Institute. Although the management availed the bills of quantities and invoice for the erection and completion of the twin workshops, classrooms and office block, there was no defined unit or phase of the project which the NG-CDF was funding contrary to Section 49 of the NG-CDF Act, 2015 which requires that part-funding of a project shall go to a defined unit or phase. Under the circumstances, it was not possible to confirm the propriety of Kshs. 10,000,000 transferred to Technical University of Mombasa during the year ended 30 June 2016.

Submission by the Fund Account Manager

838. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the letter to the Technical University of Mombasa requesting copies of payment certificates as per the specified portion to be funded (as per the CDF Board approved budget) had since been dispatched, awaiting a response.

Committee Observations

839. The Committee observed that there was an agreement for NG-CDF to provide counterpart funding for construction for TTIs across all Constituencies.

Committee Recommendations

840. The Committee recommends that the Accounting Officer at all times guides all the Fund Account Managers comply with the provisions of PFM Act, 2012, and the NG-CDF Act 2015 when providing counterpart funding to the projects.

4.4.3.2 Other Grants and Transfers

841. The statement of receipts and payments for the year ended 30 June 2016 reflected an amount Kshs. 20,969,381 in respect of other grants and other transfers. Included in this amount under Note 6 to the financial statements as a security of Kshs. 8,150,000 out of which Kshs. 600,000 was allocated for the completion of AP Lines in Samburu. However, physical verification of the project indicated that the contractor had used softwood for four (4) main entrance doors instead of hardwood as specified in the bills of quantities. Further, the painting was being done using third-grade paint instead of first-

grade as required in the bills of quantities. Consequently, the propriety of Kshs. 600,000 spent on completion of the AP lines for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

842. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the anomalies occurred during the implementation of the project by the PMC due to implementation capacity challenges. Training and capacity building of PMC were carried out to improve their ability to implement projects effectively.

Committee Observations

843. The Committee observed that the project was implemented by the PMC which had capacity challenges. However, the public works officer should have supervised to ensure the quality of the project was not compromised.

Committee Recommendations

844. The Committee recommends that-

- 1) The Fund Account Manager ensures that projects are implemented as per the Bills of Quantities and ensure the relevant departments are involved in the implementation of projects as per the requirement of Section 36(1) of the NG-CDF Act, 2015; and
- 2) The NG-CDF Board ensures that it facilitates the training and capacity building of PMCs to improve their ability to implement projects effectively.

4.4.3.3 Bank Balances

845. The statement of financial assets as at 30 June 2016 reflected bank balances of Kshs. 84,233,740.89. The bank reconciliation statement availed for audit verification indicated that as of 30 June 2016 unpresented cheques amounting to Kshs. 3,350,331.50 were outstanding out of which of Kshs. 565,824 were stale cheques and had not been reversed in the cashbook. In addition, the bank reconciliation statement reflected payments in bank statements not recorded in cashbook amounting to Kshs. 158,365 and receipts in cashbook not yet recorded in the bank statement of Kshs. 30,000. The management had not justified not adjusting the cashbook accordingly. Consequently, the accuracy and completeness of the bank balances of Kshs. 84,233,740 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

846. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the delay in the execution of cancelling and reversing stale cheques was occasioned by the demand by the District Treasury to have all stale cheques returned to the cashier (physically) which the CDF Office tried to pursue in vain since most of the stale cheques had been misplaced by bursary beneficiaries. However, by the time the District Treasury agreed to

cancel and reverse the stale cheques through the directives of a letter from the CDF Office, there were mass transfers that hindered the process. Nevertheless, the new office holders at the District Treasury executed the recommendation to cancel and reverse the stale cheques.

Committee Observations

847. The Committee observed that the stale and unpresented cheques were later reversed and omitted payments later recorded in the cashbook.

Committee Recommendations

848. The Committee recommends that -

- 1) The Fund Account Manager ensures that that financial records and other records are up-to-date, accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 101(4); and
- 2) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques

4.4.3.4 Outstanding Imprest

849. The statement of financial assets as at 30 June 2016 reflected a balance of Kshs. 400,000 as outstanding imprest. These amounts were issued to the Fund Account Manager on various dates contrary to Section 93(5) of the PFM Regulation, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after return to duty station. Consequently, the regularity of Kshs. 400,000 outstanding as imprest as at 30 June 2016 could not be ascertained.

Submission by the Fund Account Manager

850. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the payment vouchers submitted for surrender and copies were availed to the auditor for verification.

Committee Observations

851. The Committee observed the imprest was surrendered and copies of surrender documents availed to the auditor for review and verification.

Committee Recommendations

852. The Committee recommends that the Accounting Office ensures that the Fund manager ensures adherence to Section 71 (2) of the PFM Act, 2012 Regulation 93 (5) and (6) of the PFM (National Government) on surrender of imprest.

4.4.3.5 Budgetary Control and Performance

853. During the year under review, Kinango NG-CDF's actual expenditure for the year ending 30 June 2016 amounted to Kshs. 141,703,141.00 against a budget of Kshs. 226,336,881 resulting in overall under expenditure of Kshs. 84,633,740 or 37%.

Submission by the Fund Account Manager

854. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the delay in absorption of funds had been attributed to the following causes: -

- (i) The lapse of the CDF Act, 2013 on the 19th February, 2016 and the implementation of the new NG-CDF Act, 2015 that took effect from 19th February, 2016.
- (ii) The transition of these legislations resulted in the change of CDF Committees to NG-CDF Committees that affected operations from 19th February, 2016 to May, 2016.
- (iii) The delay by the CDF Board Secretariat to disburse funds to the Constituency Bank accounts as half of the total allocation for the FY 2015/2016 budget was received on 29th June, 2016

Committee Observations

855. The Committee observed that underutilization and over expenditure of the funds were due to late disbursement of funds by the NG- CDF Board and the National Treasury, hence the audit query is resolved.

Committee Recommendations

856. The Committee recommends that the Cabinet Secretary for the National Treasury shall expedite the process disbursement of funds NG-CDF Board for timely release to all the constituencies.

4.4.3.6 Project Implementation

857. A review of project documentation revealed that disbursements during the 2015/2016 financial year was Kshs. 51,855,693.00 out of which projects, mainly for primary schools for the purchase of desks whose value was Kshs. 5,500,000, had not been started while projects with a value of Kshs. 46,355,693.00 were at between 20% and 90% completion.

Submission by the Fund Account Manager

858. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the Project Implementation Status Report (PIS) was normally updated quarterly and by the time of the audit (November 2016) the presented document had already been updated up to September 2016, thus reflecting a higher absorption margin as compared to the figures of the financial statements that were prepared up to June 2016. However, a different version

in a format requested by the auditor captured the information up to the date of the financial statements.

Committee Observations

859. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National hence the audit query is resolved.

Committee Recommendations

860. The Committee recommends that the Cabinet Secretary for the National Treasury shall expedite the process disbursement of funds NG-CDF Board for timely release to all the constituencies.

CHAPTER FIVE: TANA RIVER COUNTY

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

5.1 GARSEN CONSTITUENCY

861. Mr. Juma N. Budugur, the current Fund Account Manager appeared before the Committee on 29th November, 2020 to respond to the audit Matters raised in the report of the Auditor General for Garsen Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Mr. John Mwangi Chege, Former FUND ACCOUNT MANAGER

5.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

862. The Auditor General raised three audit Matters during the examination of the financial statements of the year 2013/2014.

5.1.1.1 Transfers to Other Government Entities

863. Included in the receipts and payments for the year ended 30 June 2014 was an amount of Kshs. 52,296,089.00 for transfer to other government entities which included amounts of Kshs. 30,470,094.80, Kshs. 14,325,994.60 and Kshs. 7,500,000.00 in respect of transfers to primary, secondary schools and health institutions respectively as reported in Note 5 to the Financial Statements. Although support schedules and payment vouchers were availed to support the expenditure, project files were incomplete in that they lacked records on how the projects were initiated, contractors identified, selected and awarded the projects arising from these transfers. It was therefore not possible to ascertain whether procurement processes were in line with the Public Procurement and Disposal Act, 2005.

Submission by the Fund Account Manager

864. Mr. Juma N. Budugur, the Fund Account Manager submitted that the disbursements were made to Project Management Committee accounts and funds expended by the PMCs after capacity building sessions to support those PMCs to undertake the procurement processes. Some of the grants were disbursed in the financial year 2012/2013. The projects were undertaken in the 2013/2014 financial year. Because of this aspect, the projects were completed and audited in the 2013/2014 financial year.

865. Although the procurement documents were not availed at the time of the audit, they had since been availed to the auditors for verification. The documents for the following projects category with their respective procurement documents were availed;

- i). Primary School- Kshs. 30,470,094.80
- ii). Secondary School-Kshs. 14,325,994.60
- iii). Health projects- Kshs 7,500,000

Committee Observations

866. The Committee observed that-

- (i) The Fund Account Manager did not provide the supporting documents on how the projects were initiated, contractors identified, selected and awarded; and
- (ii) The documents provided by the Fund Account Manager were not adequate to address the query, and some documents did not relate to the financial year under review hence the audit query remains unresolved.

Committee Recommendations

867. The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager submits to the auditor supporting documents on how the projects were initiated, contractors identified, selected and awarded PFM

5.1.1.2 Other Grants and Other Payments

868. Included in the statement of receipts and payments for the year ended 30 June 2014 was an amount of Kshs. 27,682,101.00 for other grants and other payments which included an amount of Kshs. 3,862,438.00 in respect of water projects, Kshs. 1,100,000.00 for road projects and Kshs. 600,000.00 for security projects as reported in note 6 to the financial statements. Although support schedules and payment vouchers were availed to support the expenditure, project files were incomplete in that they lacked information on how the projects were initiated, contractors identified, selected and awarded the works. Consequently, it had not been possible to ascertain if the payments on other grants and other payments totalling Kshs. 27,682,101.00 for the year ended 30 June 2014 were incurred for goods and services in line with the Public Procurement and Disposal Act, 2005.

Submission by the Fund Account Manager

869. Mr. Juma N. Budugur, the Fund Account Manager submitted that the disbursements were made to Project Management Committee accounts and funds expended by the PMC after capacity building sessions to support those (PMCs) undertaking the procurement processes. Although the procurement documents had not been availed at the time of the audit, they had since been availed to the auditors for verification.

Committee Observations

870. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of audit the supporting documents on how the projects were initiated, contractors identified, selected and awarded;
- (ii) The Fund Account Manager could not provide the relevant documents to account for the expenditure;
- (iii) The documents provided by the Fund Account Manager were not adequate to address the query, and some documents did not relate to the financial year in question; and
- (iv) The audit query is not resolved.

Committee Recommendations

871. The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager submits to the auditor supporting documents on initiation of the project, identification, selection and award of the contract.

5.1.1.3 Outstanding Imprest

872. Included in the statement of financial assets and liabilities for the year under review was an amount of outstanding imprest of Kshs. 1,636,010.00 as at 30 June 2014. However, the Fund did not maintain an imprest register and therefore it was not possible to confirm the imprest issued and surrendered during the period. Consequently, the accuracy and validity of the outstanding imprest balance of Kshs. 1,636,010.00 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

873. Mr. Juma N. Budugur, the Fund Account Manager submitted that the NGCDF did not maintain an imprest register at the time. However, an examination of the payment vouchers for the imprests surrendered shows the dates the imprest was issued, the imprest warrant number(s) and the holders of the various imprests in addition to the date the imprests were surrendered.

Committee Observations

874. The Committee observed that-

- (i) The Fund Account Manager did not maintain an imprest register and therefore it was not possible to confirm the imprests issued and surrendered during the period.
- (ii) The Fund Account Manager could not provide the relevant documents to account for the expenditure. The documents that the Fund Account Manager provided were not adequate to address the query, and some documents did not relate to the financial year in question.

Committee Recommendations

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

AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

876. The Auditor General raised five audit Matters during the examination of financial statements for the year 2014/2015.

5.1.1.1 Inaccuracies in the Financial Statements

877. The Financial Statements availed for audit review for the year ended 30 June 2015 contained the following anomalies;

- i) The name of the CDF was not indicated in the statement of management responsibilities on page 4 of the Financial Statements.
- ii) The statement of management's responsibilities on page 4 of the financial statements indicated the year of the review as ending on June 20xx instead of the year ended 30 June 2015.
- iii) The statement of management's responsibilities on page 4 of the financial statements was not signed.
- iv) Analysis of pending bills as at 30 June 2015 had been omitted from the financial statements
- v) Annex 1 indicates the year ended 30 June 2014 instead of the year ended 30 June 2015.
- vi) Note 10 to the statement of assets reflected cash and cash equivalent of Kshs. 29,507,394.25 while notes to the financial statements reflected note 10 as outstanding imprest of Kshs. 2,809,000.00. Further, note 11 to the financial statements reflected balances brought forward of Kshs. 68,308,919.25. Also note 12 to the statement of assets indicates that Kshs. 32,316,394.25 on net financial position while notes to the financial statements reflected Note 12 as other important disclosures with nil balances.
- vii) The statement of assets reflected fund balances brought forward of Kshs. 66,672,909.25. However, the comparative year 2013/2014 fund balances carried forward was indicated as Kshs. 68,308,919.25 resulting in an unexplained or un-reconciled variance of Kshs. 1,636,010.00
- viii) The statement of receipts and payments reflected transfer from Other Government Entities comparative balance of Kshs. 148,106,149.00 while note 1 to the financial statements reflected AIEs brought forward of Kshs. 76,357,818.40 resulting in an unexplained or un-reconciled variance of Kshs. 71,748,341.10.

878. Consequently, the validity, accuracy and completeness of these financial statements for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

879. Mr. Juma N. Budugur, the Fund Account Manager submitted that the anomalies had since been corrected and verified by the auditors

Committee Observations

880. The Committee observed that;

- (i) The financial statements showed various inaccuracies and errors. The noted errors were corrected. However, an audit query would remain because the financial statements could not be amended.
- (ii) The errors, omissions and inconsistencies are attributable to a lack of adequate capacity. The accounting records of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

881. The Committee Recommends that-

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

5.1.1.2 Summary Statement of Appropriation

882. The summary statement of appropriation availed for audit review contained an adjustment of Kshs. 45,819,511.50. However, the detailed analysis of Kshs. 45,819,511.50 included as adjustments in the summary statement of appropriation, recurrent and development combined for the year ended 30 June 2015 was not provided for audit verification. In the circumstances, the validity and accuracy of the summary statement contained in this financial statement for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

883. Mr. Juma N. Budugur, the Fund Account Manager submitted that the detailed analysis of Kshs. 45,819,511.50 included as adjustments in the summary statement of appropriation, recurrent and development combined had been provided for audit review.

Committee Observations

884. The Committee observed that analysis of Kshs. 45,819,511.50 had been provided for audit verification and the audit query resolved.

Committee Recommendations

885. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

5.1.1.3 Cash and Cash Equivalents

886. The statement of financial assets reflected cash and cash equivalent balance of Kshs. 32,316,394.25 as at 30 June 2015. Included in this figure was a bank balance of Kshs. 29,507,394.25. Examination of bank reconciliation statements availed for audit revealed that stale cheques totaling Kshs. 359,180.00 had remained outstanding since 2013 and had not been reversed in the cashbook. Further, there were payments in the bank statements not posted in the cashbook totaling Kshs. 343,498.00 which were bank charges from years 2007 to 2015. No explanation was given for not accounting for the bank charges in these financial statements. Consequently, it had not been possible to confirm the accuracy and completeness of the bank balances figure of Kshs. 29,507,394.25 as at 30 June 2015.

Submission by the Fund Account Manager

887. Mr. Juma N. Budugur, the Fund Account Manager submitted that the Cashbook had since been corrected and updated and stale cheques reversed. Bank charges had also been accounted for in the cashbook.

Committee Observations

888. The Committee observed that:

- i. The stale cheques were later reversed and replaced. Further, the omitted payments were later recorded in the cashbook; and
- ii. Bank charges had also been accounted for in the cashbook.

Committee Recommendations

889. The Committee recommends that:

- 1) The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and
- 2) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

5.1.1.4 Outstanding Imprest

890. Included in the cash and cash equivalent balance of Kshs. 32,316,394.25 was an outstanding imprest balance of Kshs. 2,809,000.00 and whose imprest register, date of issue and warrant numbers were not availed for audit verification. Consequently, the propriety, accuracy and completeness of the outstanding imprest balance of Kshs. 2,809,000.00 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

891. Mr. Juma N. Budugur, the Fund Account Manager submitted that the NG-CDF did not maintain an imprest register at the time. However, an examination of the payment vouchers for the imprests surrendered showed that some payments for activities were made through claims by the persons responsible. In other cases, the warrants of imprest were not attached to the payment voucher.

Committee Observations

892. The Committee observed that the documents provided by the Fund Account Manager were not adequate to address the query, and some documents did not relate to the financial year in question, hence the audit query is not resolved.

Committee Recommendations

893. The Committee recommends that-

- 1) Within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides supporting documents including, a warrant of imprest to the Auditors for review and reporting in the subsequent audit cycle.
- 2) The Accounting Officer ensures that All Fund Account Managers adhere to Section 71 (2) of the PFM Act, 2012 and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015; and
- 3) The Accounting Officer ensures that Fund Account Manager keeps financial and other records that are up-to-date, accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act No. 18 of 2012 and PFM (NG) Regulation 101(4).

5.1.1.5 Unsupported Expenditure

894. The statement of receipts and payments for the year ended 30 June 2015 reflected total payments of Kshs. 136,981,353.84 out of which the following expenses totaling Kshs. 5,725,222.00 had no documentary supporting evidence availed for audit review:

- i. Printing, advertising and information supplies and services - Kshs. 200,000.00
- ii. Routine maintenance - vehicles and other transport equipment - Kshs. 781,960.00
- iii. Fuel, Oil and lubricants - Kshs. 580,667.00
- iv. Other operating expenses - Kshs. 235,095.00
- v. Committee expenses - Kshs. 2,227,500.00

vi. Transfer and Other grants (roads) - Kshs. 1,700,000.00

895. Consequently, the propriety of Kshs. 5,725,222.00 reported as expenses for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

896. Mr. Juma N. Budugur, the Fund Account Manager submitted that the documentary supporting evidence supporting the following payments were later availed to the auditor for review.

- (i) Payment vouchers for Kshs 200,000
- (ii) Payment vouchers for Kshs 781,960.00(Routine maintenance - vehicles and other Transport equipment)
- (iii) Payment vouchers for 580,667.00
- (iv) Payment vouchers for Kshs. 235,095.00
- (v) Payment vouchers for Kshs. 2,227,500.00 (Committee expenses)
- (vi) Payment vouchers for Kshs 1,700,000 (Jua Kali B. Road)

Committee Observations

897. The Committee observed that-

- (i) The Fund Account Manager had not provided the supporting documents on the expenditure of Kshs. 5,725,222.00. However, the Fund Account Manager later provided the documents to the auditors for review.
- (ii) The Fund Account Manager only accounted for expenses relating to routine maintenance of vehicles and other transport equipment amounting to Kshs. 781,960.00 and Transfer and Other grants (roads) amounting to Kshs. 1,700,000.00.

Committee Recommendations

898. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents to the Auditor-General.

5.1.1.6 Other Grants and Transfers

899. Included in other grants and transfers was an amount of Kshs. 38,448,758.60 and as disclosed in note 7 to the financial statements for the year ended 30th June 2015 were emergency projects expenses totalling Kshs. 3,453,502.00. Included in this was a payment of Kshs. 2,600,000.00 was spent on emergency roofing and kitchen construction of Kitere Primary School. Documents availed for audit review indicated that on 23rd October, 2014, the Head Teacher of Kitere Primary School wrote to the PMC requesting emergency funding of Kshs. 262,440.00 for construction of a kitchen and buying of iron sheets for a blown-off classroom roof.

900. On 23rd February, an amount of Kshs. 2,600,000.00 was released for this project vide payment voucher no. 60304. Bills of quantities and quotations were not availed for audit verification to confirm the basis of the increase of Kshs. 2,337,560.00 from the initial request of Kshs. 262,440.00. Consequently, the propriety, accuracy and completeness of emergency projects expenditure of Kshs. 2,600,000.00 for the year ended 30th June 2015 could not be ascertained.

Submission by the Fund Account Manager

901. Mr. Juma N. Budugur, the Fund Account Manager submitted that the head teacher had requested repairs of an existing semi-permanent kitchen in addition to the reroofing of the blown off classroom roof. The NGCDFC on the other hand resolved to put up a permanent and durable structure. The cost estimated for the permanent structure came up to Kshs 2,940,600. The CDF committee gave a grant of Kshs 2,600,000. This caused an increase in the cost estimates.

Committee Observations

902. The Committee observed that bills of quantities and quotations were not availed for audit verification to confirm the basis of the increase of Kshs. 2,337,560.00 from the initial request of Kshs. 262,440.00. The Fund Account Manager had not provided the supporting documents

Committee Recommendations

903. Within three months upon adoption of this report, the Accounting Officer to ensure that the Fund Account Manager provides supporting documents including, Bills of quantities and quotations to the Auditors for review and reporting in the subsequent audit cycle.

5.1.1.7 Budgetary Controls and Performance

904. During the year under review, the Fund had a final budget of Kshs. 161,430,167.50, resulting to an under-absorption of 24,448,813.66 or 15% as summarized below

Expenditure Item	Final Budget	Actual Expenditure	Under Absorption	Over Absorption	% Under/ Over Absorption
Compensation of employee	1350000	1,260,865	89,135.00		7%
Use of goods & services	5,466,349	2,210,948	3,255,491		60%
Committee Allowances	3,468,419	5,998,400		2,530,081	(73%)

Transfer to other government units	113,281,031	89,009,770	24,274,243		21%
Other grant and transfer	37,744,196	38,448,759		704,583	(2%)
Social Security Benefit	20,000	55,612	64,388		54%
Total	161,430,167	136,981,354	27,683,257	3,234,644	15%

905. From the above analysis, it is clear that there was an excess expenditure on committee expenditure of 73% and other grants and transfers 2%, while under absorption on use of goods and services 60% transfer to other governments units 21% and social security benefits. The excess expenditure of funds portrays non-adherence to budget ceilings and a lack of supervision and control by the National Government Constituency Development Fund Committee (NGCDFC). The management did not avail for audit review the approval of this over expenditure of Kshs 3,234,644.

906. The underutilization of funds is an indication that not all planned projects and programs were implemented by the NGCDFC as planned in the year. This is likely to have had a negative effect on the delivery of goods and services to the people of Garsen constituency.

Committee Observations

907. The Committee observed that-

- (i) The under expenditure of the funds was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board;
- (ii) The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within the few days; and
- (iii) The over-expenditure was occasioned by roll-over funds for 2013/14 received and expended in 2014/15.

Committee Recommendations

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

5.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

909. The Auditor General raised seven audit Matters during the examination of the financial statements for the year 2015/2016.

5.1.2.1 Cash and Cash Equivalents

910. The statement of assets as at 30th June 2016 reflected a bank balance of Kshs. 14,082,525.00. However, the bank reconciliation statement as at 30th June 2016 reflected stale cheques totalling Kshs. 2,056,006.00, which had not been reversed in the cashbook. In addition, the bank reconciliation statement included bank charges amounting to Kshs. 289,372.90 dating back to November 2013 and which had not been recorded in the cashbook and therefore had been omitted in the financial statements. Further, subsequent bank statements were not availed for audit to confirm when cheques amounting to Kshs. 2,056,006 still outstanding as at 30th June 2016 were subsequently cleared.

911. A review of Constituency Development Fund Committee meeting minutes revealed that 44 bank accounts were opened for Project Management Committees (PMC) for projects already completed and had an accumulative balance of unspent funds amounting to Kshs. 747,208.00. Section 7(1) of the NG-CDF Act, 2015 states that all savings shall be returned to the Fund and in accordance with Section 6 (4) and (5) of the NG-CDF Act, 2015, unspent funds may be re-allocated. This amount was still held at the PMC bank accounts as at 30th June 2016 and therefore not included in the bank balances of Kshs. 14,082,525.00 as at 30th June 2016. Consequently, the accuracy and completeness of the bank balance of Kshs. 14,082,525.00 could not be confirmed.

Submission by the Fund Account Manager

912. Mr. Juma N. Budugur, the Fund Account Manager submitted that the stale cheques had since been reversed and the cashbook updated. Bank charges had also been accounted for in the cashbook as reported by the auditor.

913. The fund balances in the Project management Committee accounts were disclosed in the financial statements as "Other important disclosures" though the amounts reported could not be recalled back into the main Constituency account as these balances comprised the retentions withheld by the projects during payments but to be paid to the contractors upon the lapse of 6 months as stipulated by law.

Committee Observations

914. The Committee observed that-

- (i) The stale cheques were reversed and replaced;

- (ii) The amounts contained in the various Project Management Committees (PMC) accounts were retention for various contractors. These accounts could only be closed and subsequent balances transferred to the main account once respective merchants were paid their retention monies;
- (iii) The corrections were done outside the audit period and therefore could not correct the figures as per the financial statements.

Committee Recommendations

915. The Committee recommends that:

- 1) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques; and
- 2) The accounting officer ensures that Fund Account Managers do not continue to hold retention money in the project account beyond the stipulated liability period. Any money in the project's account should be transferred to the main constituency accounts immediately after the completion of a project.

5.1.2.2 Outstanding Imprest

916. The statement of assets as at 30th June 2016 reflected outstanding imprests of Kshs. 2,943,131.00. However, a detailed schedule in support of this amount was not availed for audit review. Further, the imprest warrant book was also not availed for audit review. Consequently, the propriety and accuracy of the imprest balance of Kshs. 2,943,131.00 could not be confirmed.

Submission by the Fund Account Manager

917. Mr. Juma N. Budugur, the Fund Account Manager submitted that the outstanding imprests had since been surrendered.

Committee Observations

918. The Committee observed that at the time of the audit, the supporting schedule and imprest warrant book had not been provided for audit. The documents have since been provided for audit verification.

Recommendations

919. The Committee recommends that-

- 1) The Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015; and
- 2) The Accounting Officer ensures that the Fund Account Manager adheres to the provisions of Section 71 (2) of the PFM Act No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.

5.1.2.3 Cash Balance

920. The statement of assets reflected a nil cash balance as at 30th June 2016. However, the board of survey certificate was not availed for audit review. Consequently, the accuracy, validity and completeness of nil cash balance could not be ascertained.

Submission by the Fund Account Manager

921. Mr. Juma N. Budugur, the Fund Account Manager submitted that although the statement of assets reflected a nil cash balance as at 30 June 2016, there was an outstanding imprest of Kshs 2, 943,131 at the same time.

Committee Observations

922. The Committee observed that the survey reports were submitted to the auditor for review and verification.

Committee Recommendations

923. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager strictly complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and PFM Act, No. 18 of 2012.

5.1.2.4 Statutory Deductions

924. The statement of receipts and payments for the year ended 30th June 2016 reflected compensation of employees' balances of Kshs. 968,242.00. A review of personnel records availed for audit revealed that statutory deductions of Kshs. 161,810.00 were not remitted to the tax authorities. Consequently, the Fund was in breach of the Law and possible penalties for non-compliance had not been included in these financial statements.

Submission by the Fund Account Manager

925. Mr. Juma N. Budugur, the Fund Account Manager submitted that during that period under review, the station had challenges in obtaining KRA pin registration. However, the situation was rectified and all statutory deductions were paid on time as required by law.

Committee Observations

926. The Committee observed that the deductions could not be effected without a PIN certificate.

Committee Recommendations

927. The Committee recommends that;
- 1) The Accounting officer ensures that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted

- and remitted on time to avoid possible fines and penalties accruing due to non-compliance; and
- 2) The Accounting Officer in liaison with the KRA put in place sensitization programmes on taxes for the Fund Account Managers and the PMCs to enhance compliance.

5.1.2.5 Bursaries

928. The statement of receipts and payments and as disclosed in Note 7 to the financial statement reflected other grants and payments of Kshs. 12,669,650.00 and payments to tertiary institutions of Kshs. 3,125,993.00 all totalling Kshs. 15,795,643.00. However, a review of bursary sub-committee minutes revealed that there was no documented criterion on how needy students were identified for sponsorship. Consequently, the propriety and validity of the bursary expenditure amounting to Kshs. 15,795,643.00 could not be confirmed.

Submission by the Fund Account Manager

929. Mr. Juma N. Budugur, the Fund Account Manager submitted that the CDF had a bursary sub-committee that would develop the criteria to be used in the award of bursaries. This criterion was then adopted with or without amendments by the full CDF committee. This formed the basis for an award of bursaries to needy students in all learning institutions.

Committee Observations

930. The Committee observed that at the time of the audit, the Fund had not provided the criteria used in identifying the needy students for sponsorship. This has since been provided to the auditors for review.

Committee Recommendations

931. The NG-CDF Board should develop an overarching policy framework to guide constituency bursary committees on criteria for bursary awards in-line with the needs of each constituency. Further, Each NG-CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.

5.1.2.6 Budgetary Controls and Performance

932. During the year under review, the Fund had a final budget of Kshs. 135,418,149 but received Kshs. 118,805,328 or 88% from the National Government Constituencies Development Fund Board. The Fund had actual expenditure amounting to Kshs. 134,096,066 or 99% of the budget. The Fund Overspent on Use of Goods and Services – Kshs. 4,958,152. Transfer to Other Government Units – Kshs. 5,365,580 and Acquisition of Assets – Kshs. 2,629,420 totalling to Kshs. 12,953,152 or 10% Over-expenditure of the budgeted amount. The approval for the Over Expenditure was not

availed for audit review. In addition, the Fund Under-spent on Compensation of Employees – Kshs. 1,011,758, Other Grants and Transfers – Kshs. 13,263,477 totalling to Kshs. 14,275,235 or 11% under Expenditure of the budgeted amount.

933. There was a need therefore for the Fund to ensure all projects and activities budgeted for were implemented in time to ensure that the citizens of the constituency enjoyed services and programs of the Fund for their development and welfare.

Submission by the Fund Account Manager

934. Mr. Juma N. Budugur, the Fund Account Manager stated that the over-expenditure on Use of Goods and Services and Acquisition of assets resulted from balances brought forward from the previous financial years which had not been recorded in the statement of appropriation as adjustments. The Under-expenditure captured on other grants and Transfers and Compensation of Employees was because of delays in the opening of bank accounts by Project Management Committees (PMCs). This in turn led to the delayed transfer of grants to the PMC accounts.

935. On the issue of compensation for employees, the under expenditure resulted from provisions for gratuity which was maturing in August 2016.

Committee Observations

936. The Committee observed that-
- (i) The under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury;
 - (ii) The over-expenditure was due to rollover funds from previous years which was utilized in the financial year; and
 - (iii) The error could not correct the signed financial statements.

Committee Recommendations

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

5.1.2.7 Project Implementation Status

938. The Project Status Report availed for audit review indicated that 46 projects were budgeted for in the FY 2015/2016. However, 28 projects with a total allocation of Kshs. 45,600,000 had not been started as at 30th June 2016. Among the reasons given for the slow or non-Implementation of the projects was that funds from the NG-CDF Board were not received in good time and that project management committees were not having the capacity to conduct procurement procedures as required.

Submission by the Fund Account Manager

939. Mr. Juma N. Budugur, the Fund Account Manager submitted that the slow implementation of projects was because of delayed receipts of funds from the NG-CDF Board and bureaucratic tendering procedures.

Committee Observations

940. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and lack of capacity by project management committees to conduct procurement procedures as required.

Committee Recommendations

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

5.1.2.8 Project Verification

942. During the year under review, 16 projects with a total disbursement of Kshs. 53,765,110 were sampled and visited for verification. Findings revealed that 8 projects had been completed and in use while the rest were still ongoing. The CDFC should ensure that all projects are completed in time and are well supervised so that the citizens of Garsen can improve their livelihood through these projects.

Submission by the Fund Account Manager

943. Mr. Juma N. Budugur, the Fund Account Manager submitted that the slow pace in implementation of projects was due to bad weather that makes feeder roads impassable and insecurity that often disrupts the peace and normal life in the society.

Committee Observations

944. The Committee observed that slow implementations of projects were occasioned by insecurity and bad weather.

Committee Recommendations

945. The Committee recommends that the Accounting officer ensures that the Fund account manager and PMCs consult with relevant security agencies during project implementation. Further, the annual project planning and implementation should take into consideration the weather patterns to avoid disruption of implementation.

5.2 GALOLE CONSTITUENCY

946. Mr. Hussein Abdullahi, the current Fund Account Manager (2014 to date) appeared before the Committee on 30th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Galole Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i. Mr. James Chebii, Ag. Manager Field Financial Services
- ii. Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii. Mr. Ronald Jembe, Former Fund Account Manager (2009 to 2014)

5.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

947. The Auditor General raised one audit query during the examination of the financial statements for Galole Constituency in the year 2013/2014.

5.2.1.1 Bank Balance

948. Excluded from the bank balance of Kshs. 17,713,654 as at 30th June 2014 were un-presented cheques since 2010 and the management had not explained why the same had not been written back to cashbook. Further excluded from the balance of Kshs. 17,713,654.90 were payments amounting to Kshs. 2,106,104.05 is reflected in the bank statements but not in the cashbook. Some of the payments date back to 2007.

Submission by the Fund Account Manager

949. Mr. Hussein Abdullahi, the Fund Account Manager submitted that the un-presented cheques were stale cheques, which had not been validated. The cheques amounting to Kshs. 917,643.65 were later validated and treated as payable and therefore would not be indicated on future bank reconciliation hence the accuracy of cash and cash equivalent figures as 30th June 2018.

Committee Observations

950. The Committee observed that the bank balance supporting the statement of assets was not correct since un-presented cheques had not been written back to the cashbook at the time of audit.

Committee Recommendations

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

5.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

952. The Auditor General flagged out five audit Matters during the examination of financial statements of the year 2014/2015. The basis of the audit opinion was a qualified because of the significance of the matters discussed in the basis of the qualified opinion paragraph.

5.2.2.1 Bank Balance

953. Records availed for audit review indicated that the Galole Constituency Development Fund had payments in the bank statements that had not been posted in the cashbook amounting to Kshs. 2,117,633.15. These payments were done between the year 2007 and June 2015. The payments were supposed to have been posted in the cashbook as soon as they were recognized to have occurred. These payments had remained outstanding for a long time. Therefore, the cash and cash equivalents figure of Kshs. 26,916,328.20 could not be confirmed.

Submission by the Fund Account Manager

954. Mr. Hussein Abullahi, the Fund Account Manager submitted that the un-presented cheques were stale cheques that had not been validated at the time of the audit but had since been validated.

Committee Observations

955. The Committee observed that-

- (i) The Fund did not maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund.
- (ii) The Fund had payments in the bank statements but not posted in the cashbook amounting to Kshs. 2,117,633.15. These payments were done between the year 2007 and June 2015 and had not been validated at the time of the audit but were later validated.

Committee Recommendations

956. The Committee recommends that-

The Committee recommends that:

- 1) The Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and
- 2) The Accounting Officer ensures that Fund Account Managers ensures to comply with the provisions of PFM Regulation 2015, section 90(1) on the preparation of bank reconciliation statement.

5.2.2.2 Findings

957. Note 1 to the financial statement reflected transfers from other Government entities amounting to Kshs. 103,259,615. However, Authority to Incur Expenditure (AIE) No. 796092 of Kshs. 25,779,903 was omitted in the table. Also, records made available from the CDF Board indicate a total disbursement to Galole constituency Development Fund (CDF) amounting to Kshs 110,761,151.75 for the year ended 30 June 2015. No explanation was provided for the difference of Kshs. 7,501,536.75.

Submission by the Fund Account Manager

958. Mr. Hussein Abullahi, the Fund Account Manager submitted that the records both in the Constituency and the CDF Board, show the total disbursement for Galole Constituency as cash of Kshs. 103,259,615 for the year ended 30 June 2015.

Committee Observations

959. The Committee observed that disbursement to the Fund was Kshs. 103,259,615 and therefore no variation.

Committee Recommendation

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

5.2.2.3 Budget control and performance

961. During the year under review, the Fund had a budget of Kshs. 103,119,615 for the financial year 2014/15. The Fund made transfers and payments amounting to Kshs. 97,978,430 or 95% of budgeted funds. There was an overall underutilization of Kshs. 5,141,185 which is 5% of the total budget.

962. There was an over absorption of Kshs. 4,317,244 which the management did not explain how it was funded. Further, the Fund had an absorption of Kshs. 9,782,429, which is an indication that the CDFC management as planned in the year implemented not all planned projects and programs. This is likely to have had a negative effect on the delivery of goods and services to the people of Galole Constituency.

Submission by the Fund Account Manager

963. Mr. Hussein Abullahi, the Fund Account Manager submitted that the overall utilization of Kshs. 5,141,185 was part of Kshs. 5,281,184.85, which was the opening balance during the 2014/15 financial year. The under absorption was because of late disbursement from the Board.

Committee Observations

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

Committee Recommendations

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

5.2.2.4 Project implementation

966. The management had not explained why a school van had not been procured even though funds were set aside for the purpose. Public funds lying idle in the project managements committee bank account denied the school timely delivery and enjoyment of service and may have had cost implications as the funds continued to lie idle in the bank and lose value due to inflationary pressures.

Submission by the Fund Account Manager

967. Mr. Hussein Abullahi, the Fund Account Manager submitted that the amount allocated for the purchase of the school van was not enough and the committee resolved to reallocate the money to other ongoing projects, which was approved by the board.

Committee Observations

968. The Committee observed that the allocation to the School Van was reallocated with the approval of the Board to other ongoing projects because the allocation was not enough.

Committee Recommendations

969. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers and CDFCs set aside adequate funding for approved projects in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.

5.2.2.5 Pending bills

970. According to Annex 1 to the financial statements, analysis of pending accounts payables, Galole constituency development fund during the financial year, 2014/2015 had accumulated pending bills of Kshs. 26,916,328.20 (2013/2014 Kshs. 17,713,654). Compared to the previous year, the pending bills had increased by Kshs. 5,281,184.85 or 34%. Had the pending bills been paid, the fund surplus of Kshs. 5,281,184.85 for the year under review would have resulted to a deficit of Kshs. 21,635,143.35. This was an indication that the Fund may have been committing more funds than the allocated budget. Non-payments of bills had delayed completion of projects and

activities of the funds and may have hampered efficient delivery of services to the Constituents of Galole.

Submission by the Fund Account Manager

971. Mr. Hussein Abullahi, the Fund Account Manager submitted that the amount was erroneously placed in the financial statement. The amount stated was the closing balance for that financial year 2014/15.

Committee Observations

- (i) The Committee observed that the amount captured as pending bills were erroneous as the amount was for balances carried forward from the FY 2014/15. The Fund Account Manager had not reconciled the figures in the financial statements.

Committee Recommendations

972. The Committee recommends that the accounting Officer ensures that the Fund Account Manager takes the appropriate measures to resolve the audit issue as required by Section 68(2) (I) PFM Act, No. 18 of 2012 and reporting by the Auditor General in the subsequent audit cycle.

5.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

973. The Auditor General raised seven audit Matters during the examination of the financial statements for the year ended 2015/2016.

5.2.3.1 Bank Balance

974. The statement of financial assets as at 30th June 2016 reflected a bank balance of Kshs. 43,480,985.05. However, the bank reconciliation statement as at 30th June 2016 and bank confirmation certificates were not availed for audit review.

Submission by the Fund Account Manager

975. Mr. Hussein Abullahi, the Fund Account Manager submitted that the audit observation was noted and during the year the bank reconciliations were not prepared. The fund subsequently prepared the bank reconciliation statements and availed the bank confirmation certificates to support the bank balances.

Committee Observations

976. The Committee observed that the Fund Account Manager subsequently prepared the bank reconciliation statements but did not provide supporting documents for audit verification.

Committee Recommendations

977. The Committee recommends that:

- 1) The Accounting Officer ensures that the Fund Account Manager complies with the provisions of PFM Regulation 2015, Regulation 90(1) on the preparation of bank reconciliation statement; and
- 2) The Accounting Officer ensures that Fund Account Manager keeps up-to-date, accurate, reliable, and complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided under Section 81(3) of the PFM Act, No. 18 of 2012 and) Regulation 101(4) of the PFM (National Government) Regulations 2015.

5.2.3.2 Cash Balance

978. The statement of financial assets as at 30th June 2016 reflected a nil Cash balance. However, Board of survey certificates on Cash was not provided to support the cash in hand.

Submission by the Fund Account Manager

979. Mr. Hussein Abullahi, the Fund Account Manager submitted that the audit observation was noted and availed the reports of the board of survey to support the cash in hand.

Committee Observations

980. The Committee observed that; the Fund Account Manager had not, at the time of audit provided, the Board of survey reports to support the cash balance. The survey report certificates were however later submitted to the auditor for review.

Committee Recommendations

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

5.2.3.3 Transfers to other Government entities

982. Note 4 to the financial statements reflected transfer to other government entities of Kshs. 61,777,769.17 for the year ended 30 June 2016. However, schedules supporting the amount had variances aggregating to Kshs. 5,060,000. In addition, the fund management reallocated funds amounting to Kshs. 900,000 meant for tree planting to construct a security house without Board approval. Further, amounts totalling Kshs. 2,103,582 in respect of three projects were spent but the projects were not among the ones listed in the project code list for the year. In the circumstances the regularity and completeness of transfer to other government entities amount of Kshs. 61,777,769.17 could not be confirmed.

Submission by the Fund Account Manager

983. Mr. Hussein Abullahi, the Fund Account Manager submitted that there was no variance as stated in the report to support the transfers but bank statements for the transactions, schedules supporting the amount and the financial statements had been availed. Further, the Fund Account Manager submitted that the security house was necessary because of the imminent threats by terror groups and the expense had been funded from the administration and not the environment budget as stated. The approved projects were as follows: -

- i). Environmental project- Kshs. 494,000. This was approved as per the code list of FY 2014/15. This balance was not spent during that financial year it was carried forward to the next financial year 2015/2016.
- ii). Agriculture- Kshs. 109,582. This was an approved project as per the code list of FY 2013/2014. The amount from the mango collection center was unspent and was not utilized during that financial year resulting in it being carried forward in the next financial year.
- iii). Guriri Primary School-Administration block Kshs. 1,500,000. This project was approved for re-allocation of funds.

Committee Observations

984. The Committee observed that the environmental project and mango collection center were approved as per the code list of FY 2014/15 and the Board approved the reallocation to Guriri Primary School.

Committee Recommendations

985. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers do not undertake any reallocation of funds without the Board's approval in compliance with NG-CDF Act, 2015.

5.2.3.4 Other Grants and Transfers

986. The statement of receipts and payments for the year ended 30 June 2016 under note 5 reflected other grants and transfers of Kshs. 18, 454, 479.70. Included was expenditure on emergency projects totalling Kshs. 3,784,230. Examination of records revealed that the expenditure was in respect of renovation of three primary schools namely Dayate, Wayu, and Kiesi primary, which did not qualify as emergency projects as defined under Section 8(3) of the National Government Constituency Development Fund Act 2015. Consequently, the regularity of emergency project expenditure totalling Kshs. 3,784,230 for the year ended 30 June 2016 could not be ascertained.

Submission by the Fund Account Manager

987. Mr. Hussein Abullahi, the Fund Account Manager submitted that the Projects funded through emergency were discussed by the constituency Development Fund Committee for approval, and had availed the minutes of the meeting. The schools were in deplorable conditions and there was the need to renovate them to encourage the learners to feel safe and attend school.

Committee Observations

988. The Committee observed that:

- (i) The Fund Account Manager reallocated emergency funds without board approval of the NG-CDF Board; and
- (ii) The money was used to renovate three primary schools namely Dayate, Wayu, and Kiesi primary which did not qualify as emergency projects.

Committee Recommendations

989. The Committee recommends that:

- 1) The Accounting Officer should ensure that the Fund Account Managers do not undertake any reallocation of funds without the Board's approval in compliance with NG-CDF Act, 2015;
- 2) The accounting officer ensures that the Fund Account Managers use the emergency fund in line with the provision of the NG-CDF Act 2015; and

- 3) Within three months of the adoption of this report, the NG-CDF Board should re-issue guidelines on the use of emergency funds to all the fund account managers to guide the CDFCs.

5.2.3.5 Budgetary controls and performance

990. During the year under review, the Fund was allocated Kshs. 108,740,065 and had an opening balance of Kshs. 25,712,935 as per the audited financial statements for 2014/2015. The total available balance was Kshs. 134,453,000 against an expenditure of Kshs. 90,972,015.25 resulting in an under absorption of Kshs. 43,480,985 or 32%.

Submission by the Fund Account Manager

991. Mr. Hussein Abullahi, the Fund Account Manager submitted that CDF Fund did not implement the budget as envisaged under the PFM Act and the Constitution. The under absorption of funds was due to the late disbursement of funds from the NG-CDFB. However, the projects had since been implemented to completion. He further submitted that the Fund was not operating from 19th February 2016 to 18th May 2016 and availed as evidence a circular reference NG-CDFB/CIRCULAR/VOK 11-113, Ref: CDFB-CEO/GENERAL/13/005 and judgment delivered on 20th February 2015 Nairobi petition 71 of 2013.

Committee Observations

992. The Committee observed that underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury

Committee Recommendations

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

5.2.3.6 Projects Implementation

994. During the year under review, ninety-two (92) projects were allocated and funded Kshs. 92,540,892, out of which Kshs. 20,350,000 that was disbursed to ten (10) projects was not utilized for the designated projects.

Submission by the Fund Account Manager

995. Mr. Husscin Abullahi, the Fund Account Manager submitted that the under-utilization of funds was caused by slow absorption of funds at the project level and delays in releasing funds to PMC's. Consequently, some of the projects received AIE funds in respect of the previous financial year 2014/2015.

996. Further, the ten (10) projects that received disbursements totalling to Kshs. 20,350,000 had not been implemented by the end of the year due to: Late disbursement

of funds from NG-CDF Board; either due to late requisition or other logistical challenges that the Fund had no control over; and there was the change of policy where certain functions like the Dams and Early Childhood Development (ECD) were to be undertaken by the County Government. The Fund was awaiting re-allocation of funds from the ten (10) projects or direction from the CDF Board which delayed the utilization of the funds.

Committee Observations

997. The Committee observed that delays in the implementation of the projects were due to late disbursement of funds by the NG- CDF Board and the National Treasury. The projects were complete and in use.

Committee Recommendations

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

5.2.3.7 Project Verification

999. During May 2017 twenty-three (23) projects costing Kshs. 28,300,000.00 were inspected and the following observation was made: that twenty (20) projects were complete; two projects were still undergoing while one for Ndura secondary school full use of provided facility had not been achieved.

Submission by the Fund Account Manager

1000. Mr. Hussein Abullahi, the Fund Account Manager submitted that it was upon the CDFC to ensure that all projects are completed in time and facilities were fully utilized for the benefit of residents.

1001. With regard to the commander's office and construction of the administration block at Koticha primary school, these were not complete during verification because funds allocated were not adequate to complete thus additional funding was required in the subsequent financial year. The two projects were later completed and were in use.

1002. He also submitted that Ndura Secondary was delivered in full and an invoice and acknowledgment letter from the principal was availed as evidence. The Fund also did a follow-up to confirm the status of the beds that were not available during the audit verification.

Committee Observations

1003. The Committee observed that delays in the implementation of the projects were due to late disbursement of funds by the NG- CDF Board and the National Treasury. The projects were complete.

Committee Recommendations
1004. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

5.3 BURA CONSTITUENCY

1005. Mr. Ronald Jembe, the current Fund Account Manager since 2018 appeared before the Committee on 30th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Bura Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Ms. Beatrice Otieno, Accountant NGCDF Board
- iv) Mr. Peter Katani, Former Fund Account Manager (June 2014 to 2017)

5.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/3014

1006. The Auditor General raised four audit Matters during the examination of financial statements for Bura Constituency in the year 2013/2014.

Transfers to Other Government Entities

1007. Included in the statement of receipts and payments for the year ended 30th June 2014 were amounts of Kshs. 21,717,904, Kshs. 14,497,125 and Kshs. 11,459,800 in respect of transfers to Primary Schools, Secondary Schools and Health institutions respectively as reported in Note 6 to the financial statements. Although support schedules and payment vouchers were availed to support the expenditure, project files were incomplete since they lacked documents including the management committee's minutes on initiation and execution, completion certificates and procurement plan. Consequently, it was not possible to ascertain whether the Public Procurement and Disposal Act, 2005 was complied during the procurement process.

Submission by the Fund Account Manager

1008. Mr. Ronald Jembe, the Fund Account Manager informed the meeting that the project files had been incomplete because the projects were still being implemented but proper and adequate documentation had since been availed for verification including copies of PMC's Minutes, Tender Evaluation records, and a Certificate of completion.

1009. He also submitted that NG-CDF in Bura had since put in place an effective filing system which included re-organizing the old filing system, indexing and labelling afresh of files and further assigning a member of staff to be responsible.

Committee Observations

1010. The Committee observed that at the time of the audit, minutes on initiation and execution, completion certificates and procurement plan had not been availed for audit review. The documents had since been provided to the auditor for verification.

Committee Recommendations

1011. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

Other Grants and Payments.

1012. Included in the statement of receipts and payments for the year ended 30th June 2014 was Kshs. 72,350,030 for other grants and payments, Kshs. 48,863,708 in respect to Water projects and Kshs. 4,981,322 for Security projects as reported in Note 7 to the financial statements. Although support schedules and payment vouchers were availed to support the expenditure, project files were incomplete in that they lacked details including the Project Management Committee's minutes on initiation and execution of the project, procurement plan and completion certificates. Consequently, it was not possible to ascertain whether the Public Procurement and Disposal Act, 2005 was duly followed on the expenditure for the projects.

Submission by the Fund Account Manager

1013. Mr. Ronald Jembe, the Fund Account Manager submitted that the project files were incomplete because the projects were still being implemented at the time of the audit but proper and adequate documentation had since been availed for review including Copies of PMC's Minutes, Tender Evaluation records, Certificate of completion.

Committee Observations

1014. The Committee observed that;
- (i) At the time of the audit, minutes on initiation and execution, completion certificates and procurement plan had not been availed for audit review; and
 - (ii) The documents had since been provided to the auditor for verification.

Committee Recommendations

1015. The Committee recommends that the Accounting Officer ensures that all Fund Account Manager avail supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015.

Cash and Cash Equivalents

1016. Statements of financial assets and liabilities reflected a balance of Kshs. 16,396,521 as at 30th June 2014. However, a review of the bank reconciliation for June 2014 revealed that stale cheques amounting to Kshs. 3,731,660 had not been written back to the cashbook. Further, funds were deposited directly into the fund bank account on various dates from 11th August 2004 to 6th December 2010 amounting to Kshs. 806,000 had not been included in the cash and bank balance of Kshs. 16,396,521. In addition, bank charges amounting to Kshs. 172,453.35 had been excluded from these

financial statements. Consequently, the completeness, accuracy and validity of the bank balance of Kshs. 16,396,521 as at June 2014 could not be confirmed.

Submission by the Fund Account Manager

1017. Mr. Ronald Jembe, the Fund Account Manager submitted that the stale cheques amounting to Kshs. 3,731,660 were reversed and recorded in the cashbook and the NG-CDF resolution to reverse (Minutes) & Bank Reconciliation Statements were availed for audit review. Further, deposits amounting to Kshs. 104,000 and Kshs. 700,000 had since been captured in the Cashbook in the 2016/2017 FY period. Additionally, the Bank Charges amounting to Kshs. 172,453.35 had since been captured in the cashbook.

Committee Observations

1018. The Committee observed that the stale and unrepresented cheques were reversed and replaced and omitted deposits recorded in the cash book.

Committee Recommendations

1019. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

5.3.1.4 Outstanding Imprest

1020. Note 10 of the financial statements reflected outstanding imprests of Kshs. 937,832. However, the fund had not maintained an imprest register and therefore it had not been possible to confirm imprest issued and surrendered during the period under review. Consequently, the accuracy and completeness of the outstanding imprest of Kshs. 937,832 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1021. Mr. Ronald Jembe, the Fund Account Manager submitted that the outstanding Imprest at that time amounted to Kshs. 937,832. The outstanding imprests in question were subsequently surrendered in the following financial year (2014-2015). In addition to putting in place an Imprest register, NG-CDF Bura had since instituted stronger internal controls to ensure necessary records and other control measures were in place.

Committee Observations

1022. The Committee observed that-

- (i) The Fund Account Manager did not to maintain an imprest register in violation of the PFM Act 2012; and

(ii) The surrender of imprest was done in the following financial year against the provisions of Section 71 (2) of the PFM Act, 2012.

Committee Recommendations

1023. The Committee recommends that the accounting Officer ensures that the Fund Account Manager adheres to the provisions of Section 71 (2) of the PFM Act, No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015,

5.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1024. The Auditor General flagged out seven audit Matters during the examination of the financial statements for the year 2014/2015.

Inaccuracies in the Financial Statements

1025. The financial statements presented for audit review contained the following anomalies: -

- i) Note 11 to the financial statements indicated a balance brought forward of Kshs. 16,396,521, while the calculated balance brought forward was Kshs. 17,334,353 resulting in an unexplained variance of Kshs. 937,832;
- ii) Notes 10, 11 and 12 referred to in the statement of assets did not match the actual notes in the financial statements. Note 10 to the statement of assets reflected a bank balance of Kshs. 3,219,404.30 while notes to the financial statements reflected Note 10 as outstanding imprests of Kshs. 403,752;
- iii) Note 11 of the statement of assets indicated outstanding imprests of Kshs. 403,752, while notes to the financial statements reflected Note 11 as bank accounts and imprest of Kshs. 16,396,521.10.
- iv) Note 12 to the statement of assets reflected a fund balance brought forward of Kshs. 17,334,351.10 while the notes to the financial statements reflected Note 12 as other important disclosures with no additional information.
- v) Summary of fixed assets register in Annex 1 on page 16 of the financial statements did not contain a total amount, header of the entity was missing and also referred to the year ended 30 June 2014 instead of 30 June 2015.
- vi) Statement of receipts and payments reflected the use of goods and services amount of Kshs. 3,515,409 whereas the corresponding note 4 to the financial statements reflected an amount of Kshs. 2,577,577 resulting in an unexplained or reconciled variance of Kshs. 937,832.

1026. As a result of the above inaccuracies, the accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1027. Mr. Ronald Jembe, the Fund Account Manager submitted that the outstanding imprest of Kshs. 403,752/= was surrendered in the following financial year. The difference in figures in the statement and footnotes to the financial statement amounting to Kshs. 937,832 was an erroneous posting. The variance had since been corrected and accounted accordingly.

Committee Observations

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

1028. The Committee observed that the errors were because of mispostings of figures in the financial statements. The errors were corrected and supporting documents were later submitted for audit verification.

Committee Recommendations

1029. The Committee recommends that the Accounting Officer ensure that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

5.3.2.2 Summary Statement of Appropriation

1030. The statement of receipts and payments for the year ended at 30th June, 2015 reflected total receipts of Kshs. 101,606,896.60 whereas the summary Statement of Appropriation reflected actual total receipts of Kshs. 118,003,417.70 resulting in an unexplained variance of Kshs. 16,396,521.10. Consequently, the accuracy and completeness of the receipts for the year ended 30th June, 2015 could not be confirmed.

Submission by the Fund Account Manager

1031. Mr. Ronald Jembe, the Fund Account Manager submitted that the error was noted and necessary adjustments had been done.

Committee Observations

1032. The Committee observed that the variation of Kshs. 16,396,521 had since been corrected and supporting documents submitted to the auditor for review and verification.

Committee Recommendations

1033. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board as provided by Section 81(3) of the Public Finance Management Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

5.3.2.3. Transfers to Secondary Schools

1034. Included in the transfers to other government units under Note 6 to the financial statements was a transfer to secondary schools amounting to Kshs. 29,393,222. However, documents availed for audit revealed that Kshs. 12,000,000 was spent for the purchase of a school bus for Madogo secondary school and which had not been budgeted for. Further, included in the amount of Kshs. 29,393,222 were payments of

Kshs. 850,000 for classrooms construction at Mororo secondary school and Kshs. 950,000 at Huruma secondary school and whose completion certificates were not availed for audit verification. Consequently, the propriety and validity of the payments amounting to Kshs. 13,800,000 for the year ended 30 June 2015 for purchase of school bus and construction of classrooms could not be confirmed.

Submission by the Fund Account Manager

1035. Mr. Ronald Jembe, the Fund Account Manager submitted that the purchase of the bus was budgeted for in the 2013/2014 Financial Year but disbursement of the funds was delayed hence the purchase of the bus in the subsequent Financial Year of 2014/2015. Further, the Mororo and Huruma secondary schools' classrooms were completed in the Financial Year 2014/2015 and the completion certificate, payment vouchers and Pictorials were availed for verification.

Committee Observations

1036. The Committee observed that:

- (i) At the time of the audit, the Fund Account Manager had not provided completion certificates for classrooms construction at Mororo secondary school and Huruma secondary school for audit verification; and
- (ii) The documents had since been submitted to the auditor for review and verification.

Committee Recommendations

1037. The Committee recommends that the Accounting officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

5.3.2.4 Transfers to Health Institutions

a. Unapproved Projects

1038. Included in the transfers to other government units under Note 6 to the financial statements was Kshs. 2,821,877 are transfers to health institutions. Included in this was Kshs. 745,763 for construction of a dispensary residential block and Kshs. 621,746.30 for construction of twin latrines at Wolesesorea Dispensary.

1039. However, documents availed for audit indicated that the two projects were not among the approved projects by the Board. In addition, records availed for audit also indicated that although the contract was awarded to Arawello Construction Company Ltd, the payments were made to Sangole Construction Ltd, and who had not been awarded the contract. The management did not explain this anomaly.

1049. As a result, the propriety and validity of the expenditure of Kshs. 1,367,509.30 for the dispensaries for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

1050. Mr. Ronald Jembe, the Fund Account Manager submitted that the Walesorea Dispensary was included in the budget for 2013/2014 FY. However, NG-CDF Board delayed in disbursing the funds till 2014/2015 when the project was done.

1051. He further submitted that there were three other projects which were being undertaken in Walesorea dispensary namely; Fencing, Pit Latrine and Residential block. Contrary to what was raised in the query, NG-CDF Bura submitted that out of the three projects, two namely Pit latrine and a staff house were awarded to Sangole Construction Company while one project for erecting a fence was awarded to Arawello construction. However, while the documents availed to the Auditors may have contained errors in naming M/S Arawello as the bonafide winner, the actual winner was M/S Sangole Construction who had won and eventually been paid for works done. Documents showing that due process was followed in awarding the contract were availed for verification.

Committee Observations

1052. The Committee observed that-

- i) The projects had been budgeted and approved in the FY 2013/14 but because of late disbursements it was implemented in 2014/15;
- ii) The contract had been awarded to Sangole Construction Ltd and not Arawello Construction Company Ltd as raised; and
- iii) The supporting documents were availed for audit verification.

Committee Recommendations

1053. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

b. Unauthorized Withdrawals

1054. Included in the transfers to other Government units in note 6 to the financial statements were payments totalling Kshs. 2,821,877.30 which were paid without the evidence of the Project Management Committee's (PMC's) minutes. The cheque confirmation schedules were not signed by the Fund's Account Manager. Consequently, the propriety and validity of payment of Kshs. 2,821,877.30 for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1055. Mr. Ronald Jembe, the Fund Account Manager submitted that this was a regrettable oversight and, in an effort, to address the issue NG-CDF Bura had instituted the following measures: - Inducted all-new PMCs on PFM before assumption of their roles; ensured PMCs maintained proper records; intensified monitoring and evaluation of field projects; and ensured all schedules were signed.

Committee Observations

1056. The Committee observed that the Ksh. 2,821,877.30 had been paid out without the evidence of the Project Management Committee's (PMC's) minutes and cheque confirmation schedules had not been signed by the Fund's Account Manager hence the audit issue is unresolved.

Committee Recommendations

1057. The Committee recommends that;

- 1) The NG-CDF Board , should within three months upon adoption of this report, investigates the unauthorized expenditure and report to the relevant authorities for prosecution if found culpable; and
- 2) The Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

c. Unsupported Contracts

1058. Included in the transfers to other Government units in the statements of receipts and payments and as disclosed in note 6 to the financial statements were various contracts amounting to Kshs. 8,615,380. 50 whose tender minutes had not been availed for audit verification. Consequently, the propriety and validity of the expenditure of Kshs. 8,615,380.50 for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

1059. Mr. Ronald Jembe, the Fund Account Manager acknowledged the oversight and submitted that the Evaluation report had since been availed for verification.

Committee Observations

1060. The Committee observed that at the time of the audit, the Fund did not provide tender minutes in support of expenditure amounting to Kshs. 8,615,380. However, the documents were subsequently submitted to the auditor for audit review.

Committee Recommendations

1061. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015 and PFM, Act.

5.3.2.5 Other Grants and Transfers

1062. Included in the statement of receipts and payments for the year ended 30th June 2015 were other grants and transfers amounting to Kshs. 57,813,546.30. Included in this amount was Kshs. 7,572,261.80 for security projects out of which an amount of Kshs. 4,332,757 was spent on the construction of Bura Police station.

1063. However, the management did not avail for audit verification of the PMC's resolution in respect of the implementation of the project as required under section 17(2) of the CDF Act 2013. Further, no pre-qualification documents, tender minutes, contract agreements were availed for audit review to show how the process of identifying, evaluating and awarding the contract was done. In addition, no project file was availed for audit verification to confirm whether the project design and construction met the specifications.

1064. Physical inspection of the project revealed that although the project was in use, there were major cracks on the walls and the floor of the building, an indication of poor workmanship. Consequently, the propriety and value for money of the expenditure of Kshs. 4,332,757 for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1065. Mr. Ronald Jembe, the Fund Account Manager submitted that copies of PMC's minutes for the Bura Police Station project, tender minutes, contract agreement, evaluation and awarding of the contracts had been availed for verification after the audit period.

Committee Observations

1066. The Committee observed that;

- (i) The Fund Account Manager had not provided the supporting documents for audit verification, including the PMC's resolution in respect of the implementation of the project,
- (ii) The Fund Account Manager had not provided supporting documents on how the projects were initiated, contractors identified, selected and awarded.

Committee Recommendations

1067. The Committee recommends that:

- 1) The Accounting Officer ensures that all Fund Account Managers only make payments for works based on the completion certificate issued by the works officer.
- 2) Fund Account Managers ensure that all projects shall be implemented as per the specifications under the BQs and the funds are retained for the defect liability period.
- 3) The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(c) Public Audit Act, 2015.

5.3.2.6 Cash and Cash Equivalents

1068. The statement of financial assets as at 30th June 2015 reflected a bank balance of Kshs. 3,219,404.3. However, the bank reconciliation statement availed for audit were only for three months, December 2014, March 2015 and June 2015 indicating that they were done quarterly contrary to the PFM Regulation 2015, regulation 90(1) which requires bank reconciliation to

be prepared on monthly basis. Further, a scrutiny of the bank reconciliation statement as at 30th June 2015, indicated that stale cheques amounting to Kshs. 1,930,800 were included and had not been written back to the cashbook. In addition, receipts in the bank that were not recorded in the cashbook totaled to Kshs. 821,000.

1069. It was not clear and the management had not explained the reason for not recording the receipts and reversing the stale cheques. Consequently, the accuracy and completeness of the bank balance of Kshs. 3,219,404.30 as at 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1070. Mr. Ronald Jembe, the Fund Account Manager submitted that the bank reconciliations relating to the period under review were being done quarterly and a review of the same had confirmed all the transactions were well captured. To address the issue, preparation of Bank Reconciliations had since been done on a monthly basis. All the stale cheques had since been reversed and re-issued to the needy students. The receipts in the bank had also been received in the cashbook. The CDPC Minutes dated 13th July, 2017 resolving to reverse the stale cheques and relevant Bank Reconciliations were availed for audit review.

Committee Observations

1071. The Committee observed that the Fund Account Manager prepared bank reconciliations on quarterly rather than on monthly basis as prescribed by law.

Committee Recommendations

1072. The Committee recommends that:

- 1) The Accounting Officer ensures that all Fund Account Managers comply with the provisions of PFM Regulation 2015, regulation 90(1) on the preparation of bank reconciliation statements; and
- 2) The Accounting Officer to ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board as provided by Section 81(3) of the Public Finance Management Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

5.3.2.7 Use of Goods and Services

1073. The statement of receipts and payment reflected use of goods and services amounting to Kshs. 3,515,409 for the year ended 30th June 2015. However, supporting schedules availed for audit reflected an amount of Kshs. 2,577,577 thus resulting to an unexplained variance of Kshs. 937,832/=. Further, included in the use of goods and services was fuel and lubricants of Kshs. 230,000.00 of which the records of ordering and receiving and the details of the vehicles were not availed for audit review. In addition, Kshs. 1,003,750 was spent for other transport equipment for which no records were availed for audit review. Consequently, the

propriety and completeness of use of goods and services of Kshs. 3,515,409 for the year ended 30th June, 2015 could not be ascertained.

Submission by the Fund Account Manager

1074. Mr. Ronald Jembe, the Fund Account Manager submitted that the copies of LPO, Merchant Invoice & Fuel Consumption Register had since been availed for verification.

Committee Observations

1075. The Committee observed that the Fund Account Manager had not provided documentary evidence in support of the expenditure amounting to Kshs. 937,832. The documents were later availed to the auditors for review.

Committee Recommendations

1076. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during audit as required under section 9(1)(e) Public Audit Act, 2015.

5.3.2.8 Budgetary control and Performance

1077. During the year under review, the Fund, according to CDF Board secretariat's Circular on Approved Budget Ceiling for 2014/2015 FY was allocated Kshs. 110,615,476. However, there was a balance brought forward of Kshs. 62,695,679.70 from the FY 2013/2014 resulting in a final budget amounting to Kshs. 173,311,155.70.

1078. The Fund had an actual expenditure of Kshs. 115,318,093.50 resulting in an overall under absorption of Kshs. 57,993,061.50 or 33%. The above statistics revealed that there was an under-absorption of Kshs. 59,524,193.7/= on eight items and over absorption of Kshs. 1,531,132/= on two items. The over absorption of funds portrayed non-adherence to a budget ceiling and lack of supervision and control from the CDF committee. Funds not utilized of Kshs. 59,524,193.7/= was an indication of services and approved programs not implemented, hence the budget not fully meeting the intended objectives of improving service delivery to the residents of Bura Constituency or there was a need to refocus on the budget-making process with a view to paying attention to priority areas.

Submission by the Fund Account Manager

1079. Mr. Ronald Jembe, the Fund Account Manager submitted that there was an under-absorption on eight (8) projects and an over-expenditure on two (2) in the year under review. On under-absorption, this was largely due to late disbursement of funds leading to late commencing of projects; activities/projects for two FYs being undertaken within one financial year; climatic conditions; flash floods which rendered road infrastructure impassable and insecurity associated with tribal clashes, hence low absorption. On Over-absorption, this was a result of effect caused by balances brought forward from FY 2013/14.

Committee Observations

1080. The Committee observed that underutilization was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board. The funds were received towards the end of the financial year and therefore the projects could not utilize all the funds within a few days.

Committee Recommendations

1081. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

5.3.2.9 Project Implementation

1082. The project's status report availed for audit review indicated that Kshs. 89,962,692 was allocated and disbursed to 29 projects, out of which 8 projects were complete and in use and 15 projects were near completion. 1 project had not started and 5 others were still on implementation. No reason was given for not starting the Hirimani- West dam and for non-completion of some of the projects. The non-completion of some of the projects may have impacted negatively on the provision of goods and services to the residents of Bura Constituency.

Submission by the Fund Account Manager

1089. Mr. Ronald Jembe, the Fund Account Manager submitted that the project's status report availed for audit review indicated that Kshs. 89,962,692 was allocated and disbursed to 29 projects, out of which 8 projects were complete and in use and 15 projects were nearing completion. 1 project had not started and 5 others were still on implementation. The listed projects that were undertaken in the year under review included-

- i. Bura TTI: Five Classrooms
- ii. Boji Primary: Fencing* Toilet
- iii. Elrar Primary: Two Classrooms
- iv. Bawama Primary: Office, Classroom
- v. Bara Primary: Staff Room
- vi. Balenegha Primary: Fencing/Staffroom
- vii. Tulla Primary: Two Classrooms
- viii. Ziwani Primary: Two Classrooms
- ix. Roka Primary: Two Classroom/Pit Latrine
- x. Titilla Primary: Two Classroom/Pit Latrine
- xi. Abakik Primary: Two Classrooms
- xii. Roti Primary: Fencing of the School*(Koti)
- xiii. Boji Primary: Pit Latrine
- xiv. Bura DEO's: Office
- xv. Huruma Sec. Sch: Two Classrooms
- xvi. Mororo Sec Sch: Two Classrooms

- xvii. Hirimani Sec. 5 Classrooms/2 IABS
- xviii. Boka Police Post: Police Post /Two Offices
- xix. Bura Police Station: Police Post/Two Offices
- xx. Wolesorea Dispensary: Two Rooms & Waiting Bay
- xxi. Kaniki Dam: Construction of Dam
- xxii. Farburo Dam: Construction of a dam
- xxiii. Gale Dam: Construction of a dam
- xxiv. Hirimani West Dam: Construction of a Dam
- xxv. Burji Sec Sch: Two Classrooms & Lab (No such project in Bura) *
- xxvi. Miti Boma Dam: Dam Construction
- xxvii. Bura CDF: Office Chairs
- xxviii. Bura Environmental Activities: Clearing of Bushes, Trenches and Tree Planting
- xxix. Bangale Pry. Sch: Pit Latrine

1090. The Fund Account Manager also submitted that the Contractors for the 15 projects had been on-site at the time of the audit review and work had been ongoing; the Hirimani dam was late to start due to a contractor's handicap in the mobilization of resources hence late commencement; the Projects in question had since been completed and were in use; all projects were later completed and put into use; and certificates of Practical Completion had been availed for review.

Committee Observations

1091. The Committee observed that the slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1092. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

5.3.2.10. Project Verification

1093. The following observations were made regarding four projects costing Kshs. 25,816,935 verified during the audit for the year ended 30th June 2015. From the above, 2 projects had defects and Bills of Quantities for 1 project had not been adhered to costing Kshs. 22,316,935. The anomalies observed were likely caused by poor workmanship and the use of inferior quality materials which meant that the constituency of Bura may not have obtained value for money on the three projects.

Submission by the Fund Account Manager

1094. Mr. Ronald Jembe, the Fund Account Manager submitted that out of the four (4) projects listed and queried only two namely- Bura DEO's office and Farburo Dam related to

NG-CDF Bura. It is however worth noting that Bura NC-GDF did not have a project in the name of Farburo Shallow Well.

Committee Observations

1095. The Committee observed that-

- i) Only two queried projects, Bura DEO's office and Farburo Dam related to Bura NG-CDF; and
- ii) The Fund Account Manager had not provided the necessary documentation to explain the anomalies with the projects related to Bura NG- CDF as noted by the auditors.

Committee Recommendations

1096. The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides documentation of the projects related to Bura NG- CDF to the Auditors for review and reporting in the subsequent audit cycle.

5.3.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1096. The Auditor General flagged out four audit Matters during the examination of financial statements for the year 2015/16.

5.3.3.1 Acquisition of Assets

1097. The statement of receipts and payments for the year ended 30th June 2016 reflected the Acquisition of Assets figure of Kshs. 8,011,000. However, Annex 4 reflected a total assets cost of Kshs. 21,946,550 which was an increase of Kshs. 16,694,940 from the previous years' balance of Kshs. 5,251,610. This had resulted in an unexplained variance of Kshs. 8,683,940. In the circumstance, the accuracy and completeness of the acquisition of Assets figure of Kshs. 8,011,000 could not be confirmed.

Submission by the Fund Account Manager

1098. Mr. Ronald Jembe, the Fund Account Manager submitted that the statement of Receipts and Payments for the Year ended 30th June, 2016 reflected the acquisition of Assets figure of Kshs. 8,011,000 which had been corrected as follows:

- i) Land, buildings and Structures were valued at Kshs. 3,770,550 and Kshs. 5,125,000 respectively;
- ii) An increment in Value after the acquisition of a second Vehicle valued at Kshs. 7,000,000;
- iii) Increase in the acquisition of Office Equipment, Furniture & Fittings Valued at Kshs. 708,390; and acquisition of ICT equipment, software and other ICT Assets amounting to Kshs. 91,000.

1099. Therefore, the historical cost for the FY 2015/2016 for all the Fixed Assets was Kshs. 21,946,550. The other Assets were acquired in previous Financial Years.

Committee Observations

1100. The Committee observed that;

- i. The Fund Account Manager had used a wrong historical cost figure in the financial statements. The historical cost for the FY 2015/2016 for all the Fixed Assets was Kshs. 21,946,550;
- ii. The use of wrong historical cost for the fixed assets is attributable to lack of adequate capacity; and
- iii. Accounting records of the fund at the Constituencies maintained at the Sub-County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County

Committee Recommendations

1101. The Committee recommends that:

- 1) The Accounting Officer shall within three months upon adoption of this report, ensure that the Fund Account Manager provides a comprehensive report of Fixed assets to the Auditors for review; and
- 2) The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

5.3.3.2 Cash and Cash Equivalent

a) Bank Balance

1102. The statement of assets as at 30th June, 2016 reflected bank balances amounting to Kshs. 30,599,051.95. However, an examination of the Bank Reconciliation statements for June, 2016 revealed stale cheques amounting to Kshs. 3,506,525. No explanation was provided by the management on why the cheques were not reversed. Further, included in the Bank Reconciliation statement were payments in the Bank that had not yet been recorded in the Cashbook of Kshs. 823,000 which had been long outstanding. Management had not explained their failure to record these transactions in the cashbook. In addition, bank charges of Kshs. 176,109.45 were reflected in the bank reconciliation statement instead of being expensed and were therefore excluded in these financial statements. Consequently, the accuracy and completeness of Bank Balance of Kshs. 30,599,051.95 as at 30th June, 2016 could not be ascertained.

Submission by the Fund Account Manager

1103. Mr. Ronald Jembe, the Fund Account Manager submitted that during the NG-CDFC meeting held on 31st May, 2017 the Committee passed a resolution to have the stale Cheques amounting to Kshs. 3,506,525 written back to Cashbook. During the same meeting the committee also resolved to have the receipts in Bank Statement not yet recorded in Cashbook amounting to Kshs. 823,000 as per the Bank Reconciliation statement for the month of June, 2016 be written back in the Cashbook and appropriated accordingly. The Cheques had since been reversed back to the Cashbook and re-issued to the needy students. Copies of the minutes of the NGCDFC meeting and copies of the Bank Reconciliation statements were availed for review.

Committee Observations

1104. The Committee observed that the Fund Account Manager had stale cheques which had not been reversed to the cashbook, unrecorded payments and receipts that had been outstanding for long.

Committee Recommendations

1105. The Committee recommends that:

- 1) The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and
- 2) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques

b) Cash and Cash Balance

1106. The statement of Assets as at 30th June, 2016 reflected a nil cash balance. However, the board of survey certificate on cash was not availed for audit review. As a result, the accuracy of the nil cash balance as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1107. Mr. Ronald Jembe, the Fund Account Manager confirmed that the statement of Assets as at 30th June, 2016 reflected a Nil Cash Balance.

Committee Observations

1108. The Committee observed that the Fund did not prepare a Board of Survey certificate on cash was not prepared at the end of the financial year in contravention to PSABS standards.

Committee Recommendations

1109. The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

5.3.3.3 Budgetary control and Performance

1110. During the year under review, the fund's final approved budget amounted to Kshs. 175,741,774.20. However actual expenditure amounted to Kshs. 85,716,929.35 or 49% of total budgeted funds resulting in under-absorption of Kshs. 90,024,844.85 or 51% of the budget. The under-expenditure of Kshs. 90,024,845 or 49% of the budget and failure to disburse funds to projects indicates that the budget had not been implemented in accordance with the provisions of Article 220(1) of the Constitution of Kenya which requires budgets of the National Government to contain estimates of Revenue and Expenditure, differentiate between Recurrent and Development Votes and propose financing for any budget deficit for the period to which they apply.

1111. Further, Sec 35(1) of PFM Act, 2012 requires that the Budget process for the National Government to comprise among other things integrated long-term and Mid-term plan and determination of financial and economic policies and priorities to the National level over the medium-term and define means for implementing the budget. As such, delivery of goods and services to residents of Bura Constituency may have been curtailed by the Under-absorption of Funds.

Submission by the Fund Account Manager

1112. Mr. Ronald Jembe, the Fund Account Manager confirmed that the approved budget for the period under review amounted to Kshs. 175,741,774.20. Further, there was under-absorption of Kshs. 90,024,844.85 which was 51% of the approved budget. The under-absorption was a result of delay associated with the transition from the old CDF Act to the current NG- CDF Act 2015 and delay in the Gazettement of CDF Committee members which hampered the discharge of their mandate. NG-CDF Bura Constituency is committed to service delivery other factors are held constant.

Committee Observations

1113. The Committee observed that underutilization of the funds was due to issues related to the transition from the CDF Act 2013 to the NG- CDF Act 2015 and late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1114. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

5.3.3.4 The Project Status Report

1115. The project status report availed for audit review indicated that a total of Kshs. 86,193,750.80 was allocated to forty-six (46) projects while disbursements to these projects amounted to Kshs. 66,467,647 resulting in an absorption rate of 77%. Out of the 46 projects, thirteen (13) were found not to have been completed during the year under review and one project worth Kshs. 4,500,000 had not started. The under-expenditure was an indication that the budget had not been fully implemented as envisaged. This resulted in slow execution and failure to complete projects to the detriment of service provision to the residents of Bura Constituency.

Submission by the Fund Account Manager

1116. Mr. Ronald Jembe, the Fund Account Manager confirmed that the project status report availed for audit review indicated that a total of Kshs. 86,193,750.80 had been allocated to forty-six (46) projects while disbursements to these projects amounted to Kshs. 66,467,647

resulting in an absorption rate of 77%. Out of the 46 projects, thirteen (13) were found not to have been completed during the year under review and one project worth Kshs. 4,500,000 had not started. All the fourteen (14) projects that were executed to completion, were now in use and available for verification. Pictorials and documentary evidence had been availed for verification.

Committee Observations

1117. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and were in use.

Committee Recommendations

1118. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

5.3.3.5 Project Inspection

1119. Eight projects with a budget of Kshs. 32,441,380 were inspected in March, 2017. Failure to complete projects in time was an indication of a lack of proper planning and implementation of projects by the Constituency Development Fund Committee.

Submission by the Fund Account Manager

Mr. Ronald Jembe, the Fund Account Manager acknowledged that eight (8) projects were reviewed during the Audit period and status was noted as follows:

- i) On eight (8) incomplete projects only two (2) had not attained a 100% completion status. The two (2) projects namely; Construction of two (2) classrooms at Godia Primary School and Digging works at Balenegha Reservoir had since been completed and were in use.
- ii) On where the signage had not been in place for two projects namely; construction of a classroom and toilet at Titila Primary School, and construction of another two (2) toilets in Wolesorea Primary School the signage had been put in place.
- iii) On construction of two classrooms in Wolestokocha Primary School, without a visible village nearby, the review had been done at a time when the nomadic community had moved out in search of pasture. The community had since moved back to the area and the classrooms were in use. Additionally, the project had attracted other investments in the area including the construction of a sub-chiefs office and a water pan.
- iv) On Staff not being posted in Wolesorea Dispensary- the Projects had since been handed over to the County Government of Tana River, where the deployment of Personnel in Health Functions is their constitutional mandate.

- v) On Water Pans not holding water-The Tana River County is an Arid & Semi-Arid Land (ASAL) were filling up of Water Pans /Assets solely depends on rainfall. Excavations of these water pans are normally done during dry spells.
- vi) However, delay in disbursements of Funds had been recurrent and at the same time inconsistent with requirements provided for in the PFM Act, 2012 which requires that funds be disbursed not later than the 15th of the start of every financial quarter. This delay affected the commencement of projects and eventual completion hence delay in finishing the projects.

Committee Observations

1120. The Committee observed that the slow implementation of projects had been occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and were in use.

Committee Recommendations

1121. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

CHAPTER SIX: LAMU COUNTY

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

6.1 LAMU EAST CONSTITUENCY

1122. Mr. Yusuf Mbuno, the CEO of NG-CDF Board appeared before the Committee on 28th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Lamu East Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i. Mr. Joseph Kumbatha-Fund Account Manager since 2019.
- ii. Mr. James Chebii, Ag. Manager Field Financial Services
- iii. Ms. Christine Mwangolo, Ag. Manager Field Operations
- iv. Mr. Stephen Charo, Former Fund Account Manager (Sept. 2016 to Oct. 2019)
- v. Mr. Ronald Jembe, Former, Fund Account Manager (2015 to 2016)

6.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1123. The Auditor General flagged out one audit query during the examination of financial statements of Lamu East Constituency in the year 2013/14.

6.1.1.1 Transfers to Other Government Units and Other Grants and Transfers

1124. The transfers to other government units' figure of Kshs. 23,510,000 and other grants and transfers figure of Kshs. 29,292,580 as shown in the financial statements were transferred to various projects during the period ended 30 June 2014. However, the various project bank statements and certificates of completion were not availed for audit review. Further, included in the other grants and transfers figure of Kshs. 29,292,580 and as disclosed in Note 8 to the Financial Statements is Kshs. 11,708,580 in respect of scholarships and other educational benefits, out of which Kshs. 928,520 was for textbooks.

1125. However, delivery notes and reports of the inspection and acceptance committee were not availed for audit verification. Consequently, the propriety of the transfers to other government units and other grants and transfers totaling Kshs. 52,802,580 could not be confirmed for the year ended 30 June 2014.

Submission by the Fund Account Manager

1126. Mr. Joseph Kumbatha, the Fund Account Manager submitted that documents were held by the Project Management Committees and due to insecurity challenges and the limited hours of the audit, they could not be obtained at the time of the audit. Delivery documents and Inspection and Acceptance Report of the procured books had since been located and availed for verification.

Committee Observations

1127. The Committee observed that the supporting documents were submitted to the auditor for verification after the audit period.

Committee Recommendations

1128. The Committee recommends that:
- 1) The Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents; and
 - 2) The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during the audit as required under section 9(1)(c) Public Audit Act, 2015.2

6.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1129. The Auditor General raised five audit Matters during the examination of the financial statements of the year ended 2014/2015.

6.1.2.1 Bank Balance

1130. The statements of assets reflected the bank balance of Kshs. 23,571,273 as at 30 June 2015. According to the bank reconciliation statement availed for audit as at 30 June 2015, cheques amounting to Kshs. 611,800 were stale and had not been reversed as at 30 June 2015. Consequently, the accuracy and completeness of bank balance of Kshs. 23,571,273 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1131. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the stale cheques had since been canceled and reversed in the Cashbook and a copy of the cashbook and bank reconciliation were availed for verification.

Committee Observations

1132. The Committee observed that the stale cheques were later reversed and replaced and documentation provided for audit verification.

Committee Recommendations

1133. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keep financial and other records that are accurate, reliable, and complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

6.1.2.2 Other Payments

1134. The statement of receipts and payments disclosed a balance of Kshs. 7,150,000 for the year ended 30 June 2015 in respect of other payments. According to Note 11 to the financial statements, the balance of Kshs. 7,150,000 included Kshs. 800,000 and Kshs. 500,000 for National Lands Commission and Mkokoni land adjudication respectively. However, the audit revealed that the total payment of Kshs. 1,300,000 was not related to any of the approved projects for the financial year 2014/2015.

1135. In addition, information availed for audit indicated that the Constituencies Development Fund Board declined to approve the expenditures. Further, included in other payments of Kshs. 7,150,000 was expenditure on a social hall of Kshs. 5,800,000 which was wrongly classified as it relates to other grants and transfers. Consequently, the propriety and regularity

of other payments balance of Kshs. 7,150,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1136. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the payments were voted from the Emergency vote because of the urgency caused by the tribal clashes that were ongoing and were threatening to get out of control. To safeguard life and restore peace, the leadership had to step in to arrest the situation. The unapproved monies were still being held by the NG-CDF Board and the PMC had proposed to apply for re-submission.

Committee Observations

1137. The Committee observed that-

- (i) The expenditure on the social hall of Kshs.5, 800,000 were wrongly classified as it relates to other grants and transfers; and
- (ii) The expenditure of Kshs. 1,300,000 categorized as emergency expenditure was utilized without the authority from the NG-CDF Board contrary to NG-CDF Act, 2015 on the use of emergency funds.

Committee Recommendations

1138. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers comply with provisions of Section 6 and Section 8 of the NG-CDF Act, 2015 on the reallocation of funds and the use of emergency funds.

6.1.2.3 Over Expenditure

1139. Documents availed for audit for the year under review indicated that the fund overspent by a total of Kshs. 13,035,220 on five (5) budget lines while three (3) budget lines were underspent by a total of Kshs. 1,024,522. It was not clear and the management did not explain how the over-expenditure was funded. Consequently, the propriety of the over-expenditure of Kshs. 13,035,220 for the year ended 30 June 2015 could not be ascertained.

Submission by the Fund Account Manager

1140. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the difference in the line budget expenditures arose from balances brought forward from previous financial years.

Committee Observations

1141. The Committee observed that underutilization and over expenditure of the funds were due to late disbursement of funds by the CDF Board and the National Treasury hence rollover of Funds from subsequent years due to late receipts.

Committee Recommendations

1142. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.1.2.4 Non – Compliance with Statutory Deductions

1143. According to Note 8 of the Financial Statements, a total of Kshs. 29,659,252 was disbursed for the implementation of various projects during the financial year under audit. However, there was no evidence of deduction and remittance of withholding tax on contractors' Labour fees and withholding of 16% VAT as required by Kenyan tax laws. The effect of the non-compliance had not been quantified and disclosed in these financial statements.

1144. Further, the statement of receipts and payments reflected a nil balance for the year ended 30 June 2015 in respect of social security benefits. However, according to the bank reconciliation statements as at 30 June 2015, deductions for National Hospital Insurance Fund (NHIF) and National Social Security Fund (NSSF) amounting to Kshs. 5,440 and Kshs. 13,884 respectively had not been remitted to the respective government agencies. The fines and penalties accruing from the non-compliance had not been quantified and disclosed in these financial statements. The fund was therefore in breach of the law.

Submission by the Fund Account Manager

1145. Mr. Joseph Kumbatha, the Fund Account Manager submitted that during the period under review, CDF Constituency offices had not been appointed as tax agents to withhold taxes for the government. Penalties and fines resulting from late submission of statutory deductions captured were negotiated with the relevant office and eventually dropped with a promise to improve in future transactions.

Committee Observations

1146. The Committee observed that;

- (i) The Fund Account Manager had not filed statutory deductions on time-NHIF & NSSF in contravention to the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No 9 of 1998; and
- (ii) The delay in remittances of statutory deductions (NHIF and NSSF) results in penalties and fines.

Committee Recommendations

1147. The Committee recommends that;

- 1) The Accounting Officer ensures that Fund Account Managers and PMCs comply with Tax laws and statutory deduction requirements. Further, Taxes/Deductions withheld by the Fund Account Managers should be remitted in time to avoid fines and penalties accruing due to non-compliance; and

- 2) The Accounting Officer ensures that the NG-CDF Board prioritizes disbursements for salaries to the constituencies to avoid incurring fines and penalties on statutory deductions.

6.1.2.5 Budget Control and Performance

1148. During the audit, it was noted that the Constituency Development Fund had a total budget of Kshs. 78,230,425. However, the summary statement of appropriation reflected a total budget of Kshs. 121,580,583.20 resulting in an un-reconciled or explained variance of Kshs. 43,350,158.20. It was not clear how the additional amount of Kshs. 43,350,158.20 was approved.

Submission by the Fund Account Manager

1149. Mr. Joseph Kumbath, the Fund Account Manager submitted that the additional amount of Kshs. 43,350,158.20 represented balances received in the period under review that was for the previous financial year as supported by AIEs and Bank statements.

Committee Observations

1150. The Committee observed an additional amount of Kshs. 43,350,158.20 represented balances received in the period under review that was for the previous financial year and the audit query is resolved.

Committee Recommendations

1151. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.1.2.6 Project Implementation

1152. According to the Project Implementation Status Report for the year ended 30 June 2015, out of the 18 development projects funded by CDF, 6 with a total disbursement of Kshs. 7,437,931 had not been implemented. The funds disbursed to these projects had not been spent as at 30 June 2015. It is not clear and the management had not explained why public funds remained idle in the project management committees' bank accounts.

1153. Further, out of Kshs. 45,038,031 disbursed to various development projects during the financial year, only Kshs. 30,640,863 (68% of the disbursements) had been spent as at 30 June 2015. Slow implementation of development projects affects goods and services delivery to the public and the intended purpose of the project may take longer to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC). Due to insecurity, the audit did not verify the implementation of projects and therefore could not confirm the physical existence of the projects.

Submission by the Fund Account Manager

1154. Mr. Joseph Kumbatha the Fund Account Manager submitted that areas where projects were supposed to be implemented faced security threats brought by the Al-Shabaab militia thus project implementation had to be suspended for a while. Eventually, projects were implemented to completion after security improved. The low absorption was caused by the late receipt of funds from the NG-CDF board which came towards the end of the financial year but had since been utilized. The area is prone to insecurity as it borders Somalia and the militia – Al-Shabaab had affected peace and service delivery to the area.

Committee Observations

1155. The Committee observed that slow implementation of projects was occasioned by security threats in the region and late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been implemented and in use.

Committee Recommendations

1156. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1157. The Auditor General raised four audit Matters during the examination of the financial statements in the year ended 2015/2016.

6.1.3.1 Bank Balances

1158. The statement of Assets reflected bank balances of Kshs. 18,192,303 as at 30 June 2016. However, an audit review of the bank reconciliation statements as at 30 June 2016 revealed that included in the un-presented cheques amounting to Kshs. 1,141,842.20 were stale cheques totaling Kshs. 25,188 which had not been reversed in the cashbook as at 30 June 2016. In addition, a review of bank reconciliation statements as at 30 2016 revealed that bank charges were excluded from these financial statements. Consequently, the bank balance of Kshs. 18,192,303 was overstated because of the unaccounted-for bank charges while the deficit of

the year was also understated by the same amount. Consequently, the accuracy and completeness of bank balance of Kshs. 18,192,303 could not be confirmed.

Submission by the Fund Account Manager

1159. Mr. Joseph Kumbatha, the Fund Account Manager stated that stale cheques had since been canceled and reversed into the cashbook as evidenced by the bank reconciliation and cashbook. Bank charges had since been taken into consideration and financial statements adjusted.

Committee Observations

1160. The Committee observed that the stale and un-presented cheques were later reversed and replaced and bank charges recorded in the cashbook.

Committee Recommendations

1161. The Committee recommends that:

- 1) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques; and
- 2) The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government), 2015

6.1.3.2 Transfers to Other Government Units

1162. The statement of receipts and payments for the year ended 30 June 2016 reflected transfer to other government units of Kshs. 39,745,000 as detailed in Note 4 to the financial statements. This included transfers to primary schools' balances of Kshs. 16,375,000. The transfers to primary school's balance of Kshs. 16,375,000 included a payment of Kshs. 6,200,000 in respect of the supply of teachers' furniture and a total of Kshs. 4,536,000 spent on water trucking. However, audit verification revealed that these suppliers were selected through a request for quotations above the maximum of Kshs. 500,000 as per section 105 of the Public Procurement and Asset Disposal Act, 2015 and the National Treasury Legal Notice No.106 of 2013 threshold matrix for class C entities. In the circumstances, the propriety and regularity of transfer to other government units of Kshs. 10,736,000 could not be ascertained.

Submission by the Fund Account Manager

1163. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the request for quotation was availed with the detailed price schedules by the engineer and contractors/suppliers were vouched from the Annual Pre-Qualified Tenders.

Committee Observations

1164. The Committee observed that the Fund Account Manager acted in breach of Section 105 of the Public Procurement and Asset Disposal Act, 2015 by selecting suppliers through a request for quotations above the maximum of Kshs. 500,000.

Committee Recommendations

1165. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with provisions of Public Procurement and Asset Disposal Act, 2015 and Regulations.

6.1.3.3 Other Grants and Transfers

1166. Note 5 to the financial statements reflected other grants and transfers of Kshs. 50,390,000 for the year ended 30 June 2016. Included in this balance were bursaries to secondary schools of Kshs. 10,436,000 and bursary to tertiary of Kshs. 7,855,000 to a total of Kshs. 18,291,000. However, audit verifications revealed that the bursary disbursements were not supported with bursary committee minutes in line with CDF Board Circular/VOL1/111 of 13 September, 2010 which requires the Constituency Development Fund Committee (CDFC) to establish a bursary sub-committee to vet, categorize and identify needy and bright students for the award of bursaries.

1167. It was therefore not clear if the beneficiaries were vetted and what criteria was used to award the bursaries. In the circumstances, the validity and regularity of bursaries to secondary schools and tertiary institutions totaling Kshs. 18,291,000 could not be confirmed.

Submission by the Fund Account Manager

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

1168. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the Minutes of Committee approving bursary disbursements had been misplaced but had since been located and availed for verification.

Committee Observations

1169. The Committee observed that-

- (i) At the time of the audit the Fund Account Manager had not provided bursary committee minutes to support bursary disbursements; and
- (ii) The supporting documents were however submitted to the auditor for review and verification.

Committee Recommendations

1170. The Committee recommends that:

- (i) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act 2012 on the timely submission of documents; and
- (ii) The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.

6.1.3.4 Budget Control and Performance

1175. Records availed for audit indicate that Lamu East Constituency had a final budget of Kshs. 118,205,119 but received a disbursement of Kshs. 94,633,846 is 80% of the budget for the year. In the year under review, the CDF incurred an actual expenditure of Kshs. 100,012,817 resulting to overall under absorption of Kshs. 18,192,302 or 15%.

The following observations were made from the above analysis:

- i). The Fund had total under-expenditure of Kshs. 23,151,502 represented by 20% of the budget. This implies that public funds lay idle at the expense of deserving areas. The underutilization of the funds impacted negatively on the delivery of goods and services to the citizens of Lamu East.
- ii). In addition, the NG-CDF underspent by 34% on transfers to other government units, which represents project funds not disbursed for implementation. This may have affected public service delivery to the residents of Lamu East constituency which is contrary to values and principles of public service as provided for under Article 232 (1) (c) of the Constitution which requires the responsive, prompt, effective, impartial and equitable provision of services.
- iii). It was further noted that Kshs. 4,959,200 or 11% was overspent on other grants and transfers without evidence of authority to reallocate funds. This is an indication of unauthorized reallocation of funds contrary to section 6 (2) of the NG-CDF Act, 2015 which states that "once funds are allocated for a particular project, they shall remain allocated for that project and may only be

re-allocated for any other purpose during the financial year with the approval of the Board”.

Submission by the Fund Account Manager

1176. Mr. Joseph Kumbatha, the Fund Account Manager submitted that implementation of projects was hampered by late receipts of funds from the NG-CDF Board, insecurity in some project areas, and the bureaucratic tendering processes. The over-expenditure resulted from balances brought forward from previous financial years as supported in the statement of appropriation.

Committee Observations

1177. The Committee observed that underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1178. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.1.3.5 Project Implementation

1179. According to the Implementation Status Report as at 30 June 2016, twenty-two (22) projects with a total budget of Kshs. 63,727,438 were not completed during the period under review. The management attributed non-implementation of the projects to among others, security challenges. Non-implementation of development projects affects the delivery of goods and services to the public and the intended purpose of the projects may take long to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the National Government Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

1180. The Fund Account Manager submitted that insecurity had been the major challenge in the area as the Constituency border's Somalia and area experiences sporadic attacks by the Al-Shabaab militia group that had greatly destabilized the area despite numerous efforts by the Kenyan government to secure the area.

Committee Observations

1181. The Committee observed that-

- (i) The slow implementation of projects was occasioned by security threats in the region and late disbursement of funds by the NG- CDF Board and the National Treasury;
- (ii) The projects had since been implemented and are in use.

Committee Recommendations

1182. The Committee recommends that the Accounting officer ensures that the Fund Account Manager consults and liaises with government agencies in charge of security for the successful implementation of projects in the insecure areas in the constituency.

6.1.3.6 Project Inspection

1183. Audit inspection in May 2017 of the projects implemented during the year under review revealed that projects were not branded as indicated by the management thus rendering it impossible to confirm whether the projects were undertaken by the County Government or any other government agency. In addition, poor workmanship had been exhibited on the fixing of windows and doors at Ndau Dispensary as the doors could not close properly. Further, there was no evidence that Lamu East NG-CDF had formally handed over the devolved projects including health facilities, water, roads and street lighting to the County Government of Lamu to ensure sustainable use and maintenance.

Submission by the Fund Account Manager

1184. Mr. Joseph Kumbatha, the Fund Account Manager submitted that the projects had since been completed and branded and the doors at Ndau Dispensary that had been poorly installed were eventually replaced. Communications between the NG-CDF Office Lamu East and the Lamu County Government to hand over projects for onward management had been presented to the auditors for verification.

Committee Observations

1185. The Committee observed that-
- (i) The Fund had since branded CDFC projects and rectified the defects on Ndau Dispensary; and
 - (ii) Communications between the NG-CDF Office Lamu East and the Lamu County Government to hand over projects for onward management had been presented to the auditors for verification.

Committee Recommendations

1186. The committee recommends that:
- 1) The Accounting officer ensures that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning; and
 - 2) The Auditor-General undertake physical verification of the projects and report in the next audit cycle.

6.2 LAMU WEST CONSTITUENCY

1187. Mr. Javan Lewela, the current Fund Account Manager since 2018 appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Lamu West Constituency and was accompanied by:

- i. Mr. James Chebii, Ag. Manager Field Financial Services
- ii. Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii. Mr. John Chege, Former Fund Account Manager (2014 to 2016)

6.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1188. The Auditor General raised five audit Matters during the examination of the financial statements of Lamu West for the year 2013/2014.

6.2.1.1 Transfer of Funds from Constituencies Development Fund Board:

1189. The statement of receipts and payments reflected transfers from the Constituencies Development Fund Board with a balance of Kshs. 86,621,696. However, information availed indicated that the Board disbursed Kshs. 42,215,030 to the Fund during the year under review resulting in an unexplained or reconciled variance of Kshs. 44,406,666. In the Circumstance, the accuracy and completeness of transfers from Constituencies Development Fund Board for a figure of Kshs. 86,621,969 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1190. Mr. John Chege, the Fund Account Manager submitted that the transfers did not reflect the accuracy and completeness of the transactions. However, the NG-CDFB transferred an additional Kshs. 44,406,665.50, and annexed all the receipts supported by a copy of Bank Statements and AIEs received during the period under review as tabulated below:

DATE	AIE	AMOUNT
12/02/2014	A709854	10,904,506.00
29/02/2014	A735796	33,502,159.50
TOTAL		44,406,665.50

Committee Observations

1191. The Committee observed that the Fund Account Manager later provided bank statements to the auditors for review to support the unexplained difference.

Committee Recommendations

1192. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

6.2.1.2 Use of Goods and Services:

1193. The statement of receipts and payments reflected the use of goods and services balance of Kshs. 3,552,139 which includes Kshs. 695,377 in respect of diesel for motor vehicles and Kshs. 205,766.65 in respect of petrol for speed boats. However, there was no evidence availed for audit review to show that the fuel was recorded in detailed orders and daily work tickets. Further, the use of goods and services expenditure included Kshs. 698,755 paid to a bookshop and secondary schools in Lamu West Constituency. However, the list of schools and evidence of receipt of the books and examination papers by the respective schools were not availed for audit verification. Consequently, the propriety of expenditure totaling Kshs. 1,599,898.65 for the year ended 30 June 2014 on the use of goods and services could not be confirmed.

Submission by the Fund Account Manager

1194. The Fund Account Manager submitted that work ticket for motor vehicle GKA 673R to justify its movement use of fuel was availed. This is in addition to detailed orders, as well as minutes of the committee approving various activities requiring movements of the vehicle and boat. The Fund Account Manager stated that the committee expenditure was within the approved budget in the code list for FY 2013/2014.

1195. He also stated that the records were not availed to show acknowledgment of books and examination papers issued to various schools and offered that NG-CDFC Lamu West Constituency would enhance its internal controls to ensure future incidences of handling stock were complied with and control measures to mitigate such transactions in future would be put in place.

Committee Observations

1196. The Committee observed that the Fund Account Manager did not have required documents to support expenditure under the audit query.

Committee Recommendations

1197. The Committee recommends that within three months upon adoption of this report, the Accounting Officer should ensure that Fund Account Manager submits the supporting documents on fuel, books and examination to the auditors and report in the subsequent audit cycle.

6.2.1.3 Committee Expenses

1198. Included in the committee expenses of Kshs. 2,962,706.65 was expenditure totaling Kshs. 1,074,000 on committee allowances. The meetings' attendance register was not

availed for audit review. In the circumstance, the propriety of payment of committee allowances totaling Kshs. 1,074,000 for the period ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1199. The Fund Account Manager submitted that the register to support committee meetings had not been submitted during the audit and that the same was later availed to the auditor.

Committee Observations

1200. The Committee observed that-

- (i) The Fund Account Manager had not provided the meetings' attendance register to support the committee expenditure at the time of audit which is contrary to the provisions of Section 68 of the PFM Act, 2012 on submission of documents to the Office of the Auditor-General; and
- (ii) The documents were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

1201. The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012 on the timely submission of documents.

6.2.1.4 Transfers to Other Government Units

1202. The Transfer to other Government units' balance of Kshs. 41,911,266 as reflected in the statement of receipts and payments, included Kshs. 4,007,660 spent on re-roofing of classrooms at Tewa Primary School and Lake Kenyatta Primary School, and disbursement of Kshs. 5,000,000 for construction of a laboratory at Sefu Secondary School where there was no evidence that the same was approved by the Constituencies Development Fund Board. Further, the project's file for the construction of a dining hall at Mkunumbi Secondary School was allocated Kshs. 6,000,000 and supporting documents for Kshs. 2,000,000 paid to a contractor for the renovation of Mpeketoni Hospital were also not availed for audit verification. In this circumstance, it was not possible to confirm the propriety of total expenditure on the above projects amounting to Kshs. 17,007,660 for the year ended 30 June, 2014.

Submission by the Fund Account Manager

1203. The Fund Account Manager acknowledged the anomalies realized with respect to transfer of funds to other Government units and missing documents for review during the process and provided an approved code list for:

- i). Sefu Secondary School (Approved FY 2012/13)- Kshs. 5,000,000;

- ii). Mkunumbi Secondary School (Approved FY 2012/13) - Kshs. 6,000,000. The Dining Hall project was completed and put in use;
- iii). Mpeketoni Sub- District Hospital: Cashbook indicating VN 29035 of Kshs. 2,000,000 and a Bank Statement Showing payment to Janka Enterprises. The project was completed successfully and put to use;
- iv). Tewa Primary School and Lake Kenyatta Primary School - A disbursement of Kshs. 2,997,660 to Tewa Secondary School and the Balance of Kshs. 1,010,100 to Lake Kenyatta Primary School through the emergency vote. The projects had since been completed and put in use.

Committee Observations

1204. The Committee observed that-

- (i) The Fund Account Manager had not provided supporting documents on expenditure on Tewa Primary School, Sefu Secondary School, Mkunumbi Secondary, and Mpeketoni Sub- District Hospital;
- (ii) Documents to support expenditure for Sefu Secondary School, Mkunumbi Secondary and Mpeketoni Sub- District Hospital were submitted after the audit period;
- (iii) No documents were availed to support expenditure for Tewa primary school; and

Committee Recommendations

1205. The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides documents to support expenditure for Tewa primary school to the Auditors for review and reporting in the subsequent audit cycle.

6.2.1.5 Cash and Cash Equivalents

1206. The Cash and Cash equivalent balance of Kshs. 9,618,375 included outstanding imprest of Kshs. 2,810,920. However, no imprest register and warrant were availed for audit verification. Further, the Fund's bank reconciliation statement as at 30 June 2014 reflected the certificate of bank balance of Kshs. 9,849,742.45 while the bank statement shows a balance of Kshs. 9,774,742.45 as at the same date, resulting to an unexplained and unreconciled variance of Kshs. 75,000.

Submission by the Fund Account Manager

1207. The Fund Account Manager acknowledged the anomaly reported during the review because the Surrender vouchers, Imprest Register and Warrant could not be traced. However, the cashbook indicated the amounts were surrendered in full in the subsequent financial year. The corrected bank Reconciliation statement and a bank statement show a reconciled figure of Kshs. 9,849,742.45 were availed for verification.

Committee Observations

1208. The Committee observed that;

- i. The Fund Account Manager failed to provide an imprest register and warrant books during the audit; and
- ii. The Fund Account Manager reconciled the unexplained difference and provided the corrected bank Reconciliation statement and a bank statement showing a reconciled figure of Kshs. 9,849,742.45.

Committee Recommendations

1209. The Committee recommends that-

- 1) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

6.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1210. The Auditor General raised five audit Matters during the examination of the financial statements of Lamu West for the year 2014/2015.

6.2.2.1 Bank Balance

1211. The statement of financial assets reflected a balance of Kshs. 7,043,311 as at 30 June 2015 in respect of bank balances. Included in the balance of Kshs. 7,043,311 at Note 12A to the financial statements is Kshs. 65,846.37 in respect to KCB Bank Account. Audit review of the KCB Bank Account reconciliation statement as at 30 June 2015 revealed that included in un-presented cheques amounting to Kshs. 3,201,106 were four (4) stale cheques totaling Kshs. 40,000 which had not been reversed in the cashbook. In addition, the bank reconciliation statement reflected direct bank payments of Kshs. 1,615,562 and receipts in the cashbook amounting to Kshs. 399,500 which were not in the bank statement. Consequently, the accuracy and completeness of the bank balance of Kshs. 7,043,311 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1212. The Fund Account Manager submitted that the existence of stale cheques for the bursary was because some were uncollected from the office and other unrepresented to the bank. These cheques were subsequently reversed in the cashbook. The direct payments were contract payments of cheques which were reversed and replaced in the cashbook and that materiality of the amount of Kshs. 40,000 could not affect the general opinion of the Auditor.

Committee Observations

1213. The Committee observed the stale and unrepresented cheques were later reversed and replaced and omitted payments and receipts were later recorded in the cashbook.

Committee Recommendations

1214. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

6.2.2.2 Committee Expenses

1215. The statement of receipts and payments reflected an amount of Kshs. 4,441,000 for the year ended 30 June 2015 in respect of committee expenses. However, payment vouchers amounting to Kshs. 1,470,000 in support of the committee expense were not availed for audit verifications. In the circumstances, the propriety, accuracy and

completeness of committee expenses amounting to Kshs. 4,441,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1216. The Fund Account Manager acknowledged the shortcoming experienced during the preparation and presentation of the financial statements under review and stated that the missing vouchers were under the custody of the Treasury and most of them were still not traceable.

Committee Observations

1217. The Committee observed that the Fund Account Manager had not provided, at the time of the audit, the meetings' attendance registers to support the committee expenditure.

Committee Recommendations

1218. The Committee recommends that:

- 1) The Accounting Officer ensures that Fund Account Manager complies with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during audit as required under section 9(1)(e) Public Audit Act, 2015.

6.2.2.3 Transfer to other Government Units

1219. Note. 7 to the financial statements reflected an amount of Kshs. 65,265,204.35 in respect to transfers to other government units for the year ended 30 June 2015. This included transfers to primary schools of Kshs. 6,134,006 and transfers to secondary school schools of Kshs. 53,648,449. However, payment vouchers amounting to Kshs. 17,134,006 to various schools were not availed for audit as detailed below:

Project	Amount (Kshs)
Witu Secondary School	4,000,000.00
Mpeketoni Secondary School	4,000,000.00
Hindi Secondary School	3,000,000.00
Matondoni Secondary School	3,000,000.00
Sinambio Primary School	2,000,000.00
Sinambio Primary School	1,134,006.00
Total	17,134,006.00

1220. The management indicated that vouchers were taken by the Ethics and Anti-Corruption Commission (EACC) during the investigation of the Fund. In addition, according to the supporting schedules availed for audit review, disbursement to Mkunumbi Secondary School was indicated as Kshs. 3,518,689 while payment voucher No.9 of 21/09/2014

reflected an amount of Kshs. 3,681,689 leading to the unexplained not reconciled variance of Kshs. 163,000.00. Consequently, the propriety, accuracy and completeness of transfers to other government units amounting to Kshs. 17,296,006 could not be confirmed.

Submission by the Fund Account Manager

1221. The Fund Account Manager submitted that some vouchers were missing during the presentation of financial statements under review. These vouchers were requested through a letter Ref: EACC.MLD.6/25/1 (2), dated 10th April, 2015. The variance of Kshs. 163,000 could not be explained.

Committee Observations

1222. The Committee observed that-

- (i) Payment vouchers amounting to Kshs. 17,134,006 to various schools were not availed for audit;
- (ii) Payment vouchers were taken by the Ethics and Anti- Corruption Commission (EACC); and
- (iii) The audit query is not resolved.

Committee Recommendations

1223. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provides a status report to the National Assembly within three months after the adoption of this report.

6.2.2.4 Other Grants and Transfers

a) Bursaries

1224. Included in other grants and transfers of Kshs. 27,790,501 for the year ended 30 June 2015 at Note 8 to the financial statements is the expenditure of Kshs. 10,800,120 on bursary to secondary schools. However, the minutes of the bursary committee on the vetting of applicants were not availed for audit verification. It was also not possible to determine the criteria and basis used for awarding the bursaries.

Submission by the Fund Account Manager

1225. The Fund Account Manager submitted that the bursary was a personal and emotive vote that was monitored by all the Lamu West constituents and availed the Bursary criteria and Bursary minutes.

Committee Observations

1226. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of the audit the bursary minutes and the criteria used in selecting the beneficiaries.
- (ii) The documents were however submitted to the auditor for audit review and verification.

Committee Recommendations

1227. The NG-CDF Board should develop an overarching policy framework to guide constituency bursary committees in line with the needs of the constituency. Each NG-CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.

b) Water

1228. Included in other grants and transfers of Kshs. 27,790,501 for the year ended 30 June 2015 at Note 8 to the financial statements is the expenditure of Kshs. 4,500,000 in respect to water projects. The expenditure of Kshs. 4,500,000 was a disbursement to M/s Myself Cluster SH Group for rehabilitation of Lake Kenyatta Water Dam. However, it was not clear how the group was identified and whether the project was proposed by the community.

1229. In addition, there was no contract agreement, project file with returns on how the disbursement was spent and how the project was implemented. In the circumstance, the propriety, accuracy, and regularity for the bursaries and water projects amounting to Kshs. 15,300,120 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1230. The Fund Account Manager acknowledged that the documents required by the auditors for review could not be traced from their archives.

Committee Observations

1231. The Committee observed that-

- (i) The Fund Account Manager did not provide at the time of the audit the documentary evidence on the water projects.
- (ii) The documents required by the auditors for review could not be traced.
- (iii) The audit query is not resolved.

Committee Recommendations

1232. The Committee recommends that-

- 1) Within three months upon adoption of this report, the EACC investigates the procurement and implementation of the contract, awarded to M/S Myself Cluster SH Group, for the rehabilitation of Lake Kenyatta Water Dam Project; and
- 2) The Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

6.2.2.5 Budgetary Performance Analysis

1233. According to the summary statement of appropriation, the CDF had a final budget of Kshs. 139,680,268.50 compared to the 2013/14 budget of Kshs. 120,125,855.50 representing

a 14% increase. However, according to CDF Board Secretariat's circular on the approved budget ceilings for the financial year 2014/2015, Lamu West CDF was allocated Kshs. 95,559,733. It's not clear how the budget adjustment of Kshs. 44,120,535.50 was approved. From the analysis, a total of Kshs. 31,065,246 (22% of the budget) was unutilized at the end of the financial year which the management had attributed to late disbursement of funds by the CDF Board. This implies that development projects earmarked for implementation were not undertaken which affects service delivery. Further, the Constituencies Development Fund Committee was overspent by Kshs. 1,538,562 on Committee expenses or 58% and the approval for this was not availed for audit review. This could imply irregular reallocation of funds from other votes.

Submission by the Fund Account Manager

1234. The Fund Account Manager submitted that the undisclosed balance of Kshs. 44,120,535.45 from the final budget of Kshs. 139,680,268.50 included a balance brought forward (Kshs. 9,618,36.45) and an undisbursed balance due from the Board (Kshs. 34,502,159.05). The underutilization noted during the review of 22% was because the financial statements were on a cash basis thus balances due from the Board reflected the underutilization of funds.

1235. He further submitted that over-expenditure noted in the financial statements for the period under review was because of the administration vote which included Compensation to Employees, use of goods and services and committee expenses. These were under one vote, Administration and Recurrent.

Committee Observations

1236. The Committee observed that-

- (i) The underutilization of funds as at the end of the financial year was occasioned by late disbursement of funds by the CDF Board; and
- (ii) Committee expenses were not overspent but included balance brought forward from previous years which had already been approved.

Committee Recommendations

1237. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.2.2.6 Project Implementation

1238. According to the project implementation status report, funds for the two projects with a total budget allocation of Kshs. 4,160,312 were reallocated as detailed. The management indicated that the same projects had been planned to be undertaken by the county government. This an indication of poor planning and coordination of development projects to be implemented in the constituency.

Submission by the Fund Account Manager

1239. The Fund Account Manager submitted that poor planning and allocation of resources was as a result of duplication of projects by the two sectors of Government. The projects were: -

- i. Mpeketoni Town Road Rehabilitation: Grading, graveling, digging trenches- Kshs. 2,160,312; and
- ii. Hindi Open Market: Bush clearing, fencing and levelling- Kshs. 2,000,000.

Committee Observations

1240. The Committee observed that the Fund Account Manager reallocated the funds allocated to the two projects because the same projects had been planned to be undertaken by the county government and the audit query is resolved.

Committee Recommendations

1241. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

6.2.2.7 Project Inspection

1242. The project inspection done in May 2016 on sampled projects revealed the following:

Project	Observations
Hindi Secondary School	<ul style="list-style-type: none">• There were cracks on the walls of the laboratory;• The internal tank had not been installed in the laboratory;• The laboratory had not been officially handed over though it was in use.
Matondoni Primary School	Windows were not fixed
Mkunguni Primary School	Skating work and painting had not been done; Construction materials were still lying around yet it was already occupied by pupils for learning which is hazardous to the pupils.
Shella Bright Girls Secondary School	Electrical works were incomplete; Locks were not fixed on doors.
Wiyoni Secondary School	Project was not yet complete; The fumes chamber was not yet complete and tiles were removed on the fittings/worktops.

1243. Although the management had indicated that some of the incomplete sections were eventually done, it casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC). Thus, it was not possible to confirm if the constituents obtained value for money on the above five (5) projects worth a total of Kshs. 16,500,000.

Submission by the Fund Account Manager

1244. The Fund Account Manager submitted that the inspections concerns were acknowledged and had been addressed by the Project Manager and corrective action taken through the six months' window period through retention of contractors.

Committee Observations

1245. The Committee observed that the projects are complete and in use. The defects were corrected within the defect's liability period.

Committee Recommendations

1256. The Committee recommends that:

- 1) The Accounting Officer ensures that the Fund Account Manager only makes payments for works done based on completion certificates issued by the works officer; and
- 2) The Fund Account Manager ensures that projects are implemented as per the specifications under the BQs and the funds are retained for defect liability period.

6.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1257. The Auditor General raised ten audit Matters during the examination of the financial statements of Lamu West for the year 2015/2016.

6.2.3.1 Inaccuracy in the Financial Statements

1258. Summary statement of appropriations: recurrent and development reflected total budget utilization difference of Kshs. 10,962,554 for the year ended 30 June 2016 which was however under-cast by Kshs. 33,341,182. In addition, according to annex 4 of the financial statements, assets increased by Kshs. 8,494,170 from a balance of Kshs. 9,875,000 as at 30 June 2015 to Kshs. 18,369,170 as at 30 June 2016. However, according to Note 8 to the financial statements, assets totaling Kshs. 10,494,170 were purchased during the year under review resulting in an unexplained or reconciled variance Kshs. 2,000,000. Under the circumstances, the accuracy of the financial statements presented for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1259. The Fund Account Manager submitted that the figure noted in the Summary statement of appropriation indicating an underutilization of the total budget of Kshs. 132,231,116.8 against Actual Budget of Kshs. 98,889,934 resulting in an unexplained variance of Kshs. 2,000,000.00 was a comparative difference in the asset register under land and buildings which was in 2014-2015 Financial Statements but not reflected in 2015-2016 financial statements under review. The error had since been corrected.

Committee Observations

1260. The Committee observed that the omissions and inconsistencies in the financial statement are attributable to lack of adequate capacity in preparation of financial statements at constituencies offices during

Committee Recommendations

1261. The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

6.2.3.2 Unsupported Expenditure

1262. The statement of receipts and payments for the year ended 30 June 2016 reflected various payments totaling Kshs. 10,335,549 but whose supporting documents were not availed for audit review. In the circumstance, the accuracy and completeness of

payments totaling Kshs. 10,399,549 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1263. The Fund Account Manager acknowledged that the documents tabulated by the Auditor could not be traced from the archives. However, in place of these supporting documents the management provided minutes discussing the procurement of the items mentioned.

Committee Observations

1264. The Committee observed that supporting schedules for expenditure payments totaling Kshs. 10,335,549 were not availed for audit review hence the audit query is not resolved.

Committee Recommendations

1265. The Committee recommends that –
- 1) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and
 - 2) The Accounting Officer ensures that the Fund Account Manager submits the supporting schedules for expenditure payments to the Auditor General for audit review and reporting in the next audit cycle.

6.2.3.3 Bank Balances

1266. The statement of assets reflected a balance of Kshs. 16,931,365 as at June 2016. However, an audit review of the bank reconciliation statement as at 30 June 2016 revealed that, included in the unpresented cheques of Kshs. 5,543,964 were stale cheques totaling Kshs. 420,719 which had not been reversed in the cashbook as at 30 June 2016. In addition, the bank reconciliation statement as at 30 June 2016 reflected bank charges amounting to Kshs. 13,529 as a reconciling figure. As a result, the bank charges were excluded from these financial statements although the management had provided evidence on why this was done after the year-end. Consequently, the accuracy and completeness of bank balance of Kshs. 16,931 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1267. The Fund Account Manager submitted that the existence of stale cheques for the bursary was because some were uncollected from the office or unpresented to the bank. These cheques were subsequently reversed in the cashbook. The financial statements are presented on a cash basis and thus the amount of Kshs. 420,719 could not affect the opinion of the auditor.

1268. In respect to bank charges, the Fund Account Manager acknowledged the incompleteness and inaccuracy noted in the financial statements during the review. However, as per the management's statement on the bank charges, the amounts were cleared in the subsequent financial period.

Committee Observations

1269. The Committee observed that the stale and unrepresented cheques were later reversed and replaced and bank charges recorded in the cashbook.

Committee recommendations

1270. The Committee recommends that:

- 1) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries; and
- 2) The NG-CDF Board considers allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

6.2.3.4 Cash Balances

1271. The statement of assets reflected a nil cash balance as at 30 June 2016. However, the Board of Survey certificate was not availed for audit verification. In this circumstance, the accuracy and completeness of nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1272. The Fund Account Manager submitted that it was true that the Board of Survey Certificate was not availed during the period under review. However, the same had been availed to support the closing cashbook balance.

Committee Observations

1273. The Committee observed that-

- (i) Fund Account Manager had not provided at the time of the audit the Board of survey reports to support the cash balance; and
- (ii) The survey reports were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

1274. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

6.2.3.5 Outstanding Imprest

1275. Note 11 to the financial statements reflected outstanding imprests of Kshs. 1,206,500 as at June 2016 due from three officers. However, audit verification of the imprests ledger of Kshs. 480,000 issued in December 2015 did not explain why the imprest had not been surrendered or recovered from the Officer's salary. This was contrary to Regulation 93 (5) of the Public Financial Management (National Government) Regulations 2015 which requires a holder of a temporary imprest to account or surrender imprest within seven days after returning to the duty station. In the circumstance, the regularity and recoverability of outstanding imprest of Kshs. 1,206,500 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1276. The Fund Account Manager submitted that the various outstanding imprests were eventually surrendered as per documents submitted to the Committee.

Committee Observations

1277. The Committee observed that the imprest was surrendered not within the time framework provided for under Section 71 (2) of the PFM Act, 2012 and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.

Committee Recommendations

1278. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager adheres to the provisions of Section 71 (2) of the PFM Act, 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.

6.2.3.6 Transfers to Other Government Units

1279. The statement of receipts and payments reflected a figure of Kshs. 34,195,298 for the year ended 30 June 2016 in respect to other government units as detailed in Note 6 to the financial statement. Included in the transfer to other government units of Kshs. 34,195,298 were eight (8) projects totaling Kshs. 29,959,257.95. However, the project files availed lacked the following key documents; project expenditure returns, projects, bank account statements, tender documents and tender minutes and bills of quantities. This was contrary to Section 38 of the NGCDF Act, 2015 which provides that the officer of the Board in every constituency shall compile and maintain a record showing all receipts, disbursements and actual expenditure monthly in respect of every project and sub-project. In the circumstance, the propriety, completeness and validity of transfer to other government units' balance of Kshs. 34,195,298 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1280. The Fund Account Manager submitted that at the time of the audit, most PMCs had not made their returns. Additionally, the PMC has since not submitted their returns to the NGCDF for reporting to the auditor. Our next action is to write to the school to make their returns and going forward we shall ensure we comply with the NGCDF Act 2015 by complying and acting within the provisions of the Act.

Committee Observations

1281. The Committee observed that the Fund Account Manager did not provide at the time of the audit the project expenditure returns, the project's bank account statements, tender documents and tender minutes and bills of quantities.

Committee Recommendations

1282. The Committee recommends that;

- 1) The Accounting Officer ensures that Fund Account Manager comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The Fund Account manager ensures that documents are availed to the Auditor-General for review in the next audit cycle.

6.2.3.7 Use of Goods and Services-Domestic Travels and Subsistence

1283. Included in use of goods and services balance of Kshs. 9,019,709 for the year ended 30 June 2016 were domestic travel and subsistence balance of Kshs. 1,010,000. However, audit verification of the supporting documents revealed no evidence of travel such as payment of fare and motor vehicle work tickets. This was contrary to regulation 104 of the PFM (National Government) Regulations, 2015 which provides that all receipts and payments vouchers of public money shall be properly supported by pre-numbered receipts and payment vouchers and shall be supported by appropriate authority and documentation.

Submission by the Fund Account Manager

1284. The Fund Account Manager submitted that there was a misstatement in the presentation of payment of Kshs. 1,010,000 for domestic travel and subsistence. That was in error as presented during the period under review. However, in the evidence attached the payment of Kshs. 1,010,000 was transfer to Lake Kenyatta Primary School for rehabilitation of the school roof.

Committee Observations

1285. The Committee observed that the Fund Account Manager did not provide documents to support the expenditure.

Committee Recommendations

1286. The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides evidence of travel to the Auditors for review and reporting in the subsequent audit cycle.

6.2.3.8 Other Committee Expenses

1287. Included in use of goods and services balance of Kshs. 9,019,709 for the year ended 30 June 2016 was other committee expenses of Kshs. 3,339,000. The amount included expenditure of Kshs. 1,985,000 incurred on benchmarking trip to Mombasa and Nairobi. However, audit verification revealed that the expenditure was not supported by work plans of the places to be visited and back-to-office reports on the lessons learnt were not availed for audit. In addition, expenditure of Kshs. 113,000 on transport was not supported as no evidence was provided on how the firm was identified and selected in line with Section 103 (1) of the Public Procurement and Assets Disposal Act 2015 which has set the maximum amount of Kshs. 30,000 for use of cash. Consequently, the propriety and regularity of use of goods and services balance of Kshs. 2,098,000 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1288. The Fund Account Manager submitted that the expenditure of Kshs. 1,985,000 was surrendered in good time for benchmarking trip to Mombasa and Nairobi. At the time of the audit, the work plan and trip report were available but not attached. These have since been attached to the auditor for review. Evaluation of service providers for the transport service provided was not possible as there was only one available and capable service provider at the time.

Committee Observations

1289. The Committee observed that the Fund Account Manager did not provide expenditure supporting documents hence the audit query is not resolved.

Committee Recommendations

1290. The Committee recommends that;

- 1) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act 2012 on the timely submission of documents; and
- 2) The Fund Account Manager ensures that documents are availed to the Auditor-General for review in the next audit cycle.

6.2.3.9 Other Grants and Transfers

A. Bursaries

1291. Included in other grants and transfers of Kshs. 30,563,500 for the year ended 30 June 2016 as detailed in Note 7 to the financial statement were bursaries to secondary schools of Kshs. 7,977,000 and bursaries to tertiary institutions of Kshs. 9,870,500 all totaling Kshs. 17,847,500. However, schedules provided for the review did not indicate the names of institutions and the amount paid to each institution.

Submission by the Fund Account Manager

1292. The Fund Account Manager submitted that schedules for the Bursaries paid to various beneficiaries in Secondary Schools and Tertiary Institutions were not availed during the audit review. Copies of vouchers, minutes and a list of beneficiaries had been availed for verification later.

Committee Observations

1293. The Committee observed that expenditure schedules provided for audit review did not indicate names of institutions and the amount paid to each institution. This had since been provided for audit verification and the audit query is resolved.

Committee Recommendations

1294. The committee recommends that the NG-CDF Board develops an overarching policy framework to guide constituencies in line with their needs. Each NG-CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.

B. Water

1295. Included in other grants and transfers of Kshs. 30,563,500 for the year ended 30 June 2016 as detailed in Note 7 to the financial statements is the expenditure of Kshs. 4,500,000 in respect of a water project. The expenditure was a disbursement to a contractor for rehabilitation of Lake Kenyatta Water Dam and raised cumulative CDF funding for accumulated disbursement by the CDF to the project of Kshs. 9,000,000. However, it was not clear how the contractor was identified and whether the project was proposed by the community. In addition, there was no contract agreement, project file with returns on how the disbursement was spent and how the project was implemented.

Submission by the Fund Account Manager

1296. The Fund Account Manager submitted that Project returns are done by the Project Management Committee and therefore at the time of the Audit, the PMC had not done their returns to the NGCDF Lamu West. However, these were later received and shared with the auditors for review and clearance. The following documents were shared:

(a) Payment voucher of Kshs. 4,500,000.00

- (b) Recommendation letter of the group by National Environmental Management Authority (NEMA).
- (c) Project contract of agreement with the group.
- (d) Proposal by the group for the implementation of the project
- (e) Committee minutes approving the voting and payment of the activity.

Committee Observations

1297. The Committee observed that supporting documents such as contract agreement, project file with returns on how the disbursement was spent and how the project was implemented were not availed for audit review and verification.

Committee Recommendations

1298. The Committee recommends that;

- 1) The Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during the audit as required under section 9(1)(c) Public Audit Act, 2015; and
- 2) The Fund Account Manager ensures that documents are availed to the Auditor-General for review in the next audit cycle.

C. Sports

1299. Included in other grants and transfers of Kshs. 30,563,500 for the year ended 30 June 2016 as detailed in Note 7 to the financial statement is the expenditure of Kshs. 1,000,000 in respect of sports. However, the projects file containing expenditure returns were not availed for audit verification in line with Section 10 of NGICDF Act 2015 which provides that funds disbursed to projects should be properly accounted for and proper books of accounts shall be kept and return made to the Constituency committee showing how the sums had been used.

Committee Observations

1300. The Committee observed that supporting documents on the sports project were not provided for audit review and the Fund Account Manager did not present any response to the audit query.

Committee Recommendations

1301. The Committee recommends that-

- 1) That the Fund Account manager ensures that documents are availed to the Auditor-General for review in the next audit cycle; and
- 2) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

D. Emergency Projects

1302. According to Note 7 to the financial statements, other grants and transfer balance of Kshs. 30,563,500 included Kshs. 6,716,000 for emergency projects. The emergency projects figure of Kshs. 6,716,000 included an expenditure of Kshs. 1,200,000 for construction of a two-door toilet at Moa Secondary School. However, audit verifications revealed that there was no evidence of an official request from the school for assistance. It was therefore not clear how the expenditure qualified as an emergency in line with Section 8 (3) of the NGCDF Act 2015 which states that an emergency shall be construed to mean an urgent, unforeseen need for expenditure which, in the opinion of the committee, could not be delayed until the following financial year without harming the public interest of the constituents. In addition, project expenditure returns were not availed for audit verifications.

1303. Further, audit verification revealed that the total of Kshs. 4,536,000 was spent on water trucking whose supplier was selected through a request for quotations although the contract sum was above the maximum of Kshs. 4 million specified under Section 105 of the Public Procurement and Assets Disposal Act, 2015. In the circumstance, the propriety, accuracy, and regularity of other grants and transfers of Kshs. 30,563,500 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1304. The Fund Account Manager submitted that water trucking of Kshs. 4,536,000 was necessitated by the following:

- (a) The transition period of devolution and there had been no clarity on devolved functions;
- (b) There was severe drought during the season due to lack of rains;
- (c) The security situation at the time had deteriorated due to militant attacks;
- (d) We have drawn lesson and such will not be repeated; and
- (e) We targeted local suppliers in the process of getting one familiar with the locality required on the request for quotation process.

Committee Observations

1305. The Committee observed that-

- (i) The Fund Account Manager spent Kshs. 1,200,000 from emergency funds for the construction of a two-door toilet at Moa Secondary School without seeking approval from the Board; and
- (ii) The Fund Account Manager used request for quotations although the contract sum was above the maximum of Kshs. 4 million specified under Section 105 of the Public Procurement and Assets Disposal Act, 2015.

Committee Recommendations

1306. The Committee recommends:

- 1) The Accounting Officer ensures Fund Accounts Manager complies with the provisions of Section 8 (3) of the NGCDF Act 2015 on the application of emergency funds; and
- 2) The Accounting Officer ensures that All Fund Account Manager complies with provisions of Public Procurement and Asset Disposal Act, 2015 and the Regulations thereunder.

6.2.3.10 Acquisition of Assets

1307. The statement of receipts and payments reflected the acquisition of assets balance of Kshs. 10,494,170 for the year ended 30 June 2016. Included in this balance is the purchase of vehicles balance expenditure of Kshs. 8,979,170. However, the project file containing the project bank statement and procurement documents was not availed for audit verification. As a result, it was not possible to confirm how the supplier was identified and the actual amount paid for the vehicles.

1308. In addition, the logbooks for the motor vehicle and motorcycle were acquired during the financial year at a cost of Kshs. 250,000 were not availed for audit verifications. In the circumstance, the propriety, accuracy, completeness and ownership of acquisition of assets balance of Kshs. 9,229,170 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1309. The Fund Account Manager submitted that at the time of the audit, most PMCs had not made their returns. Additionally, the PMC has since submitted their returns to the NGCDF for reporting to the auditor.

Committee Observations

1310. The Committee observed that the supporting documents on acquisition and ownership of the vehicle were not provided for audit review, However, this had since been provided for audit review and verification.

Committee Recommendations

1311. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

6.2.3.11 Budgetary Control and Performance

1312. Records availed indicated that Lamu West Constituency was allocated Kshs. 101,165,872 during the financial year 2015-2016 compared to the 2014/2015 allocation

of Kshs. 95,559,733 representing 6% rise. The summary statement of Kshs. 132,231,116.80 where Kshs. 108,198,469 being 89% of the total budget was allocated to projects as transfers to other government units totaling Kshs. 64,149,312 and other grants and transfers amounting to Kshs. 44,049,157. Further, Lamu West Constituency received an allocation of Kshs. 98,889,934 is 75% of the final budget for the financial year under review. The CDF overall had an actual expenditure of Kshs. 87,927,380 resulting in under absorption of Kshs. 44,303,736 or 34%.

1313. The following observations were made from the tabulation:

- i). The fund incurred under-expenditure totalling Kshs. 44,303,736 representing 34% of the budget. This implies that public funds lay idle at the expense of the provision of services. The underutilization of the funds impacted negatively the delivery of goods and services to the citizens of Lamu West.
- ii). In addition, actual expenditure on the use of goods and services and acquisition of assets equaled the budgeted amount. It was not explained clearly how this had happened. This is an indication of unauthorized re-allocation of funds contrary to Section 6 (2) of the NG-CDF Act, 2015 which states that "once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board".
- iii). The NG-CDF underspent by 47% and 31% on transfer to other government units and other grants and transfers respectively. This represents project funds that were not disbursed for the implementation of projects. Therefore, service delivery to the residents of Lamu West Constituency was adversely affected contrary to values and principles of public service provided for under Article 232 (1) (c) of the Constitution which prescribes responsive, prompt, effective, impartial and equitable provision of services.

Submission by the Fund Account Manager

1314. The Fund Account Manager submitted that failure to complete the projects was a result of late disbursement of funds by the NG-CDF Board.

Committee Observations

1315. The Committee observed that under-utilization and over expenditure of the funds were due to late disbursement of funds by the NG- CDF Board and the National Treasury hence rollover of Funds from subsequent years due to late receipts.

Committee Recommendations

1316. The Committee recommends that;

- 1) The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and

- 2) The NG-CDF Board ensures that the respective constituencies have the absorption capacity to implement projects.

6.2.3.12 Project Status

1317. According to the project implementation status report as at 30 June 2016, twenty-two (22) projects with a budget of Kshs. 33,873,000 were not implemented during the period under review. Although the management had attributed non-implementation to delayed funding from the NGCDF Secretariat, non-implementation of development projects affects the delivery of goods and services to the public and the intended purpose of the projects may not be realized. In addition, it also casts doubt on the effectiveness of project monitoring and evaluation carried out by the National Government Constituencies Development Fund Committee (CDFC).

Submission by the Fund Account Manager

1318. The Fund Account Manager acknowledged the poor implementation status of projects as noted during the review. However, the slow implementation of projects could be attributed to weather and insecurity conditions. Slow Implementation of the project had a further effect on the disbursement of funds from the Board thus the slow rate.

Committee Observations

874. The Committee observed that slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board, insecurity and bad weather. The projects were complete and in use.

Committee Recommendations

1319. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

6.2.3.13 Project Inspection

1320. Out of twelve (12) projects inspected in April 2017, six (6) projects with an aggregate cost of Kshs. 23,619,372 were found to have anomalies. The Bills of quantities (BQ) for these projects were not availed for audit review and it was therefore not possible to confirm the expected work to be done and whether value for money was obtained. It was not clearly explained why the BQs were not in the project files. In addition, three projects were not branded and it was, therefore, difficult to confirm whether the projects were undertaken by the NG-CDF, County Government, or any other government agency or donors. Further, poor workmanship had been exhibited in the construction of one classroom and completion of two others at Mkunguni Primary School and Kiongwe Secondary School respectively with cracks observed on the floors in both instances. Furthermore, there was no evidence that Lamu West NG-CDF officially handed over

the devolved projects including health facilities, water and roads to the County Government of Lamu for sustainable management, including maintenance.

Submission by the Fund Account Manager

1321. The Fund Account Manager submitted that the documents had been availed for audit review and that the projects had been branded as per the pictures presented to the Committee.

Committee Observations

1322. The Committee observed that-

- (i) At the time of the audit, Quotations, BQs and Engineer's completion certificates for the projects had not been availed for audit review but the same had been presented to the auditor for review and verification.
- (ii) The projects had been complete and branded; and
- (iii) The defects were corrected within the defect's liability period.

Committee Recommendations

1323. The Committee recommends that:

- 1) The Fund Account Manager ensures that payments for works done must be based on the completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds are retained for the defect liability period; and
- 2) The Accounting officer ensures that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning.

CHAPTER SEVEN: TAITA TAVETA COUNTY

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

7.1 WUNDANYI CONSTITUENCY

1324. Mr. Henry G. Wanjiku, the current Fund Account Manager since 2019 appeared before the Committee on 1st October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Wundanyi Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

1. Mr. James Chebii, Ag. Manager Field Financial Services
2. Ms. Christine Mwangolo, Ag. Manager Field Operations
3. Ms. Caroline Kiama, Former Fund Account Manager (Nov. 2013 to May 2019).

7.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1325. The Auditor General flagged out four audit Matters during the examination of the 2013/2014 financial statements of Wundanyi Constituency.

7.1.1.1 Inaccuracy in the Financial Statements

1326. The statement of financial assets and liabilities as at 30 June 2014 reflected a balance of Kshs. 941,003.48 in respect of financial assets against a balance of Kshs. 4,461,182.26 shown under funds and liabilities, resulting in unexplained unreconciled difference of Kshs. 3,520,178.78. In the circumstances, the accuracy of the financial statements could not be confirmed.

Submission by the Fund Account Manager

1327. Mr. Henry Wanjiku the Fund Account Manager submitted that the financial statements had an error and were restated in the following year 2014/2015 to reflect the correct financial position.

Committee Observations

The Committee observed that-

- (i) The Fund's financial statement had an error indicating non-adherence to the International Public Sector Accounting Standards (IPSAS) framework when preparing the financial statements; and

- (ii) The financial statements had since been corrected and supporting documents verified by the auditor.

Committee Recommendations

1328. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.1.1.2 Acquisition of Assets

1329. Included in the acquisition of assets figure of Kshs. 6,500,000 is an Appropriation-in-Aid totaling Kshs. 3,500,000 spent contrary to Section 42(7) of the Constituency Development Fund Act, 2013 that requires all receipts, savings and accruals to be credited to the constituency account and the total balances at the end of each financial year to be surrendered to the Board Fund Account. The Fund was, therefore in breach of the law by utilizing this appropriation.

1330. Further, the acquisition of assets figures of Kshs. 6,500,000 also includes Kshs. 3,000,000 re-allocated to construction of Constituency Development Fund office from emergency fund without the approval of the Constituency Development Fund Board. This was contrary to Circular Number 109 of 24th August 2010 which requires the CDFCs to re-allocate funds to other projects only after the closure of a financial year and provided that approval is obtained from the CDF Board. In the Circumstances, the propriety of re-allocation of Kshs. 3,000,000 to the construction of office building could not be confirmed for the year ended 30 June 2014.

Submission by the Fund Account Manager

1331. The Fund Account Manager submitted that in the financial year 2013/14 revenue collected was nil. The Kshs. 3,500,000 spent on the acquisition of asset was a budget allocation of the 2013/14 financial year for construction of CDF office. The approved code list of the budgetary allocation was submitted for perusal by the Auditors.

1332. He further submitted that under acquisition of assets, Kshs. 3,000,000 was used for the construction of the CDF Office from the emergency vote. The committee sort for ratification of the expenditure from the NG-CDF Board. The approval had been availed for audit review.

Committee Observations

1333. The Committee observed that-

- (i) The Kshs. 3,500,000 was not AIA but an allocation for the project in the year 2013/14; and
- (ii) The Kshs. 3,000,000 reallocated from emergency to fund the project was approved by the Board.

Committee recommendations

1334. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor General during the audit period as required under section 9(1)(e) Public Audit Act, 2015.

7.1.1.3 Number of Constituency Projects Approved

1335. During the year under review, Wundanyi Constituency Development Fund Committee approved fifty-nine (59) projects for implementation. However, the approval contravened the provisions of Section 23 of the Constituency Development Fund Act, 2013 which stipulates the number of projects to be included in the Constituency Projects Submission Form specified in the First Schedule shall be a minimum of five (5) and a maximum of twenty-five (25) for every Constituency in each financial year. No reason had been given for non-compliance with the Act.

Submission by the Fund Account Manager

1336. The Fund Account Manager submitted that in the financial year 2013/14 Wundanyi CDF submitted 13 projects as is evidenced in the project submission form specified in the First schedule while 59 were sub-sectorial projects. The first schedule submitted had been availed for audit review.

Committee Observations

1337. The Committee observed that 13 projects had been approved for implementation in 2013/14 and not 59 as captured by the auditor. The 59 were sub-sectorial projects. The issue was resolved as confirmed by the Auditor.

7.1.1.4 Cash and Cash Equivalents

1338. The statement of financial assets and liabilities reflected cash and cash equivalents balance of Kshs. 941,003.48 as at 30 June 2014. A review of the Fund's bank reconciliation statement as at 30 June 2014 revealed payments in Cashbook not yet recorded in the bank statement of Kshs. 3,477,635.22, out of which Kshs. 6,420 had been outstanding for more than two years. Further, the reconciliation reflected receipts in the bank statements not yet recorded in the Cashbook of Kshs. 17,700, receipts in Cashbook not yet recorded in bank statement of Kshs. 25,000 and payments in bank statements not yet recorded in Cashbook of Kshs. 338,145.10. It was not clear and the management had not explained why the reconciliation amounts had not been cleared or when the reconciliation figures would be cleared. In addition, payments in bank statements are not yet recorded in the Cashbook of Kshs. 338,145.10 including bank charges amounting to Kshs. 281,115.10 which had been excluded from these financial statements and as a result the surplus of Kshs. 4,461,182.26 for the year had been overstated with the same. As a result, the validity and accuracy of the cash and cash

equivalents balance of Kshs. 941,003.48 as at 30 June 2014 shown in the financial statements could not be confirmed.

Submission by the Fund Account Manager

1339. The Fund Account Manager acknowledged that Kshs. 6,420 was received back in the cashbook. The receipt in the Bank is not recorded in the cashbook of Kshs. 17,700 were cash deposits for the sale of tender documents which had since been posted to the Cashbook as shown in the reconciliation statement cashbook extract.

1340. He further submitted that receipts in the cashbook were not recorded in the bank statement of Kshs. 25,000 were stale bursary cheques that had been reversed and had been re-allocated by CDFC to other beneficiaries. Cashbook extracts had been availed for audit review. Payments in the bank are not recorded in the cashbook of Kshs. 338,145.10 were paid in the cashbook in the financial year 2014/15. Cashbook extract had been availed for audit review.

Committee Observations

1341. The Committee observed that-

- (i) The Fund Account Manager did not maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund.
- (ii) At the time of the audit, the Auditor-General had not reviewed payment receipts submitted to the Committee.

Committee Recommendations

1342. The Committee recommends that:

- 1) Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015;
- 2) The NG-CDF Board should consider employing Regional Accountants beginning FY 2022/23 within the maximum 5 percent administrative allocation to the Board. This is to enhance the capacity of the Fund Accounts Managers in managing the funds at the Constituency; and
- 3) Within three months upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager provides payments receipts to the Auditor General for audit review and reporting in the subsequent audit cycle.

7.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1343. The Auditor General raised four audit Matters during the examination of the 2014/2015 financial statements of Wundanyi Constituency.

7.1.2.1 Bank Balance

1344. The statement of assets as at 30 June 2015 reflected a bank balance of Kshs. 29,338,669. However, the Fund's bank reconciliation statement as at 30 June 2015 availed for audit review did not have the name of bank account, bank account number, name of bank and branch. Further, the reconciliation reflected un-presented cheques of Kshs. 3,221,050 whose dates of subsequent clearance by the banks were not indicated and payments in bank statement not in cashbook of Kshs. 342,292.75, out of which Kshs. 338,292.75 was in respect of bank charges and which had been excluded from these financial statements. In addition, the reconciliation reflected receipts in the bank statement not in the cashbook of Kshs. 92,700, out of which Kshs. 48,700 had been outstanding for over two years. The management had not explained why these items had not been cleared, reversed, or properly accounted for in the financial statements.

Submission by the Fund Account Manager

1345. The Fund Account Manager submitted that the un-presented cheques of Kshs. 3,221,050 includes Kshs. 1,500,000 to Mwasenja water Project, Kshs. 103,790 June 2015 Salary, Kshs. 74,240 to Bunde Rabzu, Kshs. 39,750 to Kenya Forest Services, Kshs. 100,000 to Tambaru Suppliers and Kshs. 30,000 to Iyale Angamiza Jangwa which was cleared in the bank 2015/16. Bank Statements availed for audit review. Stale cheques of Kshs. 103,790 were received back in the cashbook and awarded to new beneficiaries. Cashbook extract availed for audit review.

1346. He further submitted that payments in the bank not in the Cashbook of Kshs. 338,292.75 were bank charges which had been paid in the cashbook of 2015/16. Cashbook extract had been availed for audit review. Receipts in the bank not in the cashbook of Kshs. 92,700 were cash deposits from the sale of tender documents were received in the cashbook of 2015/16. Cashbook extract availed for audit review.

Committee Observations

1347. The Committee observed that-

- (i) The Fund Account Manager had stale cheques that had not been reversed to the cashbook, unrecorded bank charges that are contrary to International Public Sector Accounting Standards (IPSAS) framework on the preparation of financial statements;

- (ii) The Fund Account Manager had failed to maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund; and
- (iii) The cashbook and bank reconciliation statements had since been updated and the supporting documents had been provided to the auditor for audit verification.

Committee Recommendations

1348. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.1.2.2 Budget Controls and Performance

1349. During the year under review, the Fund had a budget of Kshs. 147,909,925 and spent Kshs. 93,860,200 or 63%, resulting in under expenditure of Kshs. 54,049,725 or 37% as shown below:

Expenditure.	Final Budget (Kshs)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Under Absorption (%)
Compensation of Employees	1,830,000	1,166,150	663,850	36
Use of Goods & services	5,200,000	4,600,278	599,722	12
Committee Expenses	5,798,008	5,756,999	41,009	1
Transfers to Other Government Units	62,891,173	30,891,846	31,999,327	51
Other Grants and Transfers	65,540,744	45,336,477	20,204,267	31
Social Security Benefits	50,000	9,800	40,200	80
Acquisition of Assets	4,000,000	4,000,000	0	0
Other Payments	2,600,000	2,098,650	501,350	19
Total	147,909,925	93,860,200	54,049,725	37

1350. Failure to adhere to approved budgetary provisions may curtail the implementation of critical activities and delivery of goods and services to residents of Wundanyi Constituency.

Submission by the Fund Account Manager

1351. The Fund Account Manager submitted that the under expenditure of Kshs. 54,049,725.15 is as a result of the following;

- i). Kshs. 24,175,040 was disbursed to the account at the closure of the financial year and the authority to incur expenditure (A.I.E) was received in July 2015.
- ii). Kshs. 3,790,000.00 was a reallocation made whose Authority to incur expenditure was received in July 2015.
- iii). Kshs. 24,175,040 these were funds allocated for projects in the financial year 2014/2015 but received in the financial year 2015/2016.
- iv). The remaining Kshs. 1,909,644.78 is a payment towards a strategic plan which was ongoing, recurrent gratuity for employees and committee allowances.

Committee Observations

The Committee observed that underutilization of the funds was due to late disbursement of funds by the CDF Board.

Committee Recommendations

1352. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.1.2.3 Project Implementation

1353. The projects status report availed for audit review indicated that a total of Kshs. 107,468,880 was disbursed to 58 projects, out of which Kshs.60,210,140 Or 56% had been spent as at 30 June 2015, resulting in unspent disbursements of Kshs. 47,258,740 or 44%. Analysis of the status report above also revealed that 2 projects with a budgetary allocation of Kshs. 5,000,000 did not receive any funds at all during the year under review while 15 projects had not taken off despite cumulative disbursements of Kshs. 22,653,840 as at 30 June 2015. Further, 4 of the projects cost Kshs. 14,508,879 were well past their expected completion dates as indicated in the table.

No.	Name of project	Details of the project	Start Date	Expected Completion Date	Period of delay as at the time of verification in May 2016(In months)	Cumulative disbursements (Since the start) as at 30 June 2015 (Kshs)	Cumulative Expenditure as at 30 June 2015 (Kshs)	% Complete
1	Solome Water project	Construction of a tank and pipe laying	16/10/2014	31/03/2015	13	2,500,000	1,999,230	60%
2	Kishushe Dispensary	Construction of a staff house	14/05/2015	12/11/2015	6	2,741,379	841,499	30%
3	Lushangonyi Comm Hall	Furniture (plastic chairs) and toilet construction	7/10/2014	24/06/15	11	2,462,000	1,885,885	85%

4	St. Agatha Ngoloki	Construction of a dormitory and kitchen	29/01/2014	22/04/2015	13	6,805,500	6,034,026	70%
TOTAL						14,508,879	10,760,640	

1354. The under expenditure and failure to implement projects within the planned time may impede or curtail service delivery to the residents of Wundanyi Constituency.

Submission by the Fund Account Manager

1355. Mr. Henry Wanjiku submitted that the management had reviewed the above projects and as much as construction was delayed, it was confirmed that the following projects were complete:

- Solome Water Project – Construction of tank and pipe was complete and certificate of completion had been availed for audit review.
- Kishushe Dispensary – Staff House complete and completion certificate availed for audit query.
- Lushangoni Community Hall plastic chairs had been purchased and the construction of the toilet was complete. The delivery note, receipt PMC acknowledgment minutes and photos had been availed for audit review.
- St. Agatha Ngoloki Secondary School – the dormitory was complete and in use. The completion certificate had been availed for audit review.

Inspection visits undertaken by the Committee

1356. The Committee undertook an inspection visit to on 14th to 18th May, 2021 to verify the information provided by the Fund Account Manager on the following projects-

- Kishushe Dispensary to verify the existence of the project and its impact to the community. The construction of a staff house in the dispensary compound was complete and in use.
- St. Agatha Ngoloki Secondary School – the dormitory and kitchen were complete and in use.

Committee Observations

1357. The Committee observed that-

- The projects were complete and in use and therefore value for money was realized.
- The slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1358. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.1.2.3 Projects Verification

1359. During the year under review, 6 projects with disbursements of Kshs. 14,300,000 were inspected in May 2016 and anomalies were noted as detailed below:

S/No	Project Name	Amount (Kshs.)	Observations
1.	Ndumbinyi Primary School- Construction of three classrooms	1,500,000	Project abandoned after excavation work. Construction works re-tendered with an expected completion date of 30.02.2016. At the time of the audit inspection, the contractor had not taken possession of the site.
2.	Maghimbinyi Primary School – Renovation of Six Classrooms	3,000,000	Floors had cracks although the classrooms were in use.
3.	Mbale Health Centre – Construction of a male ward	1,300,000	Construction work has not started.
4.	Mgange Complex Centre – Construction of a hall	3,500,000	During the site visit, it was noted that the contractor had not taken possession of the site. The contractor was to take possession of the site by 29.04.2016.
5.	Werugha Multipurpose Complex – Construction of a hall	1,000,000	Construction work at roofing level with floors and fittings remaining. The contractor had not taken possession of the site by the time of audit verification.
6.	CDF Headquarters (Including boundary wall)	4,000,000	Finishing works still ongoing although the project was expected to be completed by 28.12.2015.
	Total	14,300,000	

1360. These anomalies may be a result of poor workmanship and lack of requisite capacity to deliver on the contract, which may delay completion of the projects and non-delivery of services and goods to the intended beneficiaries of the Constituency.

Submission by the Fund Account Manager

1361. The Fund Account Manager submitted that:

- (i) Ndumbinyi Primary School- the time of the audit, the contractor was mobilizing materials at and that the construction of three classrooms is complete and in use. The completion certificate and photo of the classrooms had been availed for audit review.
- (ii) Maghimbinyi Primary School – The project was under a defect and liability period where the contractor was called back to do repairs. Availed for audit review completion certificate and a photo of the renovated classrooms.
- (iii) Mbale Health Centre – There were delays due to the enactment of the NG-CDF Act 2015 however, the construction of the male ward is complete and it is in use. Availed for review is the completion certificate
- (iv) Mgange Complex Centre – Commencement of works was subject to the community demolishing an old building that was on site. However, the demolition works were completed and immediately the construction works commenced. The hall is now completed and in use. Availed for audit review were PMC minutes on demolition, photo of the hall and certificate of completion.

- (v) Werugha Multipurpose Complex – The Contractor was mobilizing materials however the finishes works are complete and hall in use. Completion certificate and photo of the hall availed for audit review.
- (vi) CDF Offices- The delay was contributed by the terrain of the area that required technical advice before proceeding. However, the works are complete. The completion certificate and photo of the perimeter wall were availed for audit review.

Inspection visits undertaken by the Committee

1362. The Committee undertook an inspection visit from 14th to 18th May, 2021 to verify the information provided by the Fund Account Manager on the construction of a Male ward at Mbale Health Centre and CDF Offices.

Committee Observations

1363. The Committee observed that the projects had since been completed and were in use.

Committee Recommendation

1364. The Committee recommends that in line with Section 46(1) of the National Government Constituencies Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

7.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR FOR 2015/2016

1365. The Auditor General raised four audit Matters during the examination of the 2015/2016 financial statements of Wundanyi Constituency.

7.1.3.1 Bank Balance

1366. The statement of assets as at 30 June 2016 reflected a bank balance of Kshs. 54,275,148. However, the bank reconciliation statement as at 30 June 2016 availed for audit review reflected payments in cashbook not in bank statements of Kshs. 3,455,919.25, out of which Kshs. 21,000 related to the un-presented cheque of which the subsequent bank statement showing dates of clearance by the bank were not availed for audit review. Further, included in the payments in bank statements, not in cashbook were bank charges of Kshs. 5,004.25 and which ought to have been expensed in the statement of income and expenditure. Consequently, the accuracy and completeness of bank balance of Kshs. 54,275,148 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1367. The Fund Account Manager submitted that the payment in the cashbook not in bank statements comprised of Kshs. 500,000 paid to Mlamhenyi-Mwangea road was cleared in the bank in March 2017 and that of Kshs. 2,000,000 paid to Funju Secondary School was also cleared in the bank in March 2017.

1368. He further submitted that Kshs. 21,000 was bursary payments that had been received back in the cashbook and awarded to new beneficiaries. Cashbook extract had been availed. Kshs. 400,000 was cash for office use and Kshs. 421,285 paid to KCB was for Salaries. These were cleared in the bank in July 2016. Bank statements had been availed.

Committee Observations

1369. The Committee observed that-

- i. The Fund had stale cheques which had not been reversed to the cashbook, unrecorded bank charges which is contrary to International Public Sector Accounting Standards (IPSAS) framework on the preparation of financial statements;
- ii. The Fund did not maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund; and
- iii. The cashbook and bank reconciliation statements had since been updated and the supporting documents had been provided to the auditor for audit verification.

Committee Recommendations

1370. The Committee recommends that:

- 1) Accounting Officer to ensure that the Fund Account Manager keeps accurate, reliable, and complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and
- 2) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

7.1.3.2 Cash Balance

1371. The statement of assets as at 30th June 2016 reflected a nil cash balance. However, contrary to management assertion, the supporting Board of Survey Report as at the same date was not availed for audit review. Consequently, the accuracy and completeness of nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1372. The Fund Account Manager submitted that the board of survey had been provided to confirm the accuracy of the cash balance. Cashbook extract had been availed for audit review.

Committee Observations

1373. The Committee observed that the survey reports were later submitted to the auditor for review and audit verification.

Committee Recommendations

1374. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

7.1.3.3 Transfers to Other Government Units

1375. Note 6 to the financial statements for the year ended 30 June 2016 reflected transfers to secondary schools of Kshs. 17,640,000 out of which a total of Kshs. 2,000,000 was disbursed to Mdundonyi Secondary School for the construction of a laboratory. Records availed for audit review indicated that work was done through a labor contract at a contract sum of Kshs. 894,616 while construction materials were purchased at a Kshs. 2,784,840, all totaling Kshs. 3,679,456. However, during project verification in January 2017, the floor had cracks while the ceiling board was damaged by water leakage.

Consequently, the value for money for Kshs. 2,000,000 spent on the project for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1376. The Fund Account Manager acknowledged that during the time of the audit, the project was under defect and liability period however, the contractor was called back to rectify the defects. The letter to the contractor, photo of Laboratory and completion certificate had been availed for audit review.

Committee Observations

1377. The Committee observed that-

- (i) At the time of the audit, the laboratory floors had cracks while the ceiling board was damaged by water leakage.
- (ii) The project was under defect and liability period and the damages and defects were corrected;
- (iii) The supporting documents were provided to the auditor for audit review and verification.

Committee Recommendations

1378. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

7.1.3.4 Budgetary Controls and Performance

1379. During the year under review, the Fund had a budget of Kshs. 156,397,595 and spent Kshs. 99,118,906 or 63.4%, resulting in under expenditure of Kshs. 57,278,689 or 36.6% as shown below: -

Expenditure	Final Budget (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Und Absorption (%)
Compensation of Employees	5,488,189	1,357,740	2,130,449	61
Use of goods and services	11,150,887	7,683,580	3,467,307	31
Transfers to Other Government Units	73,837,931	53,837,931	20,000,000	27
Other grants and transfers	67,920,588	36,239,655	31,680,933	47
Total	156,397,595	99,118,906	57,278,689	37

1380. Management had attributed the under expenditure to the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February 2016 which

delayed the transitioning of the Committee members by five months. The under expenditure of Kshs. 57,278.689 however amounts to a non-compliance with the provisions of Section 220(1) of the Constitution of Kenya which requires budgets of the national government to contain estimates of revenue and expenditure, differentiating between recurrent and development and proposals for financing any budget deficit for the period to which they apply. Further, Section 35 (1) of the PFM Act, 2012 requires the budget process for the national Government to comprise among other things integrated long-term and medium-term planning and determining financial and economic policies and priorities at the national level over the medium term and implementing the budget. As such, delivery of goods and services to residents of Wundanyi Constituency may have been curtailed.

Submission by the Fund Account Manager

1381. Mr. Henry Wanjiku submitted that the under expenditure resulted from the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February 2016 which delayed the transitioning of the Committee members by five months.

Committee Observations

1382. The Committee observed underutilization of the funds was due to the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February 2016 which delayed the transitioning of the Committee members by five months.

7.1.3.5 Projects Implementation

1383. The project status report availed for audit review indicated that a total of Kshs. 72,967,142 was disbursed to 23 projects, out of which Kshs. 51,488,719 or 70.6% had been spent as at 30 June 2016, resulting in unspent disbursements of Kshs. 21,478,423 or 29.4%. Analysis of the project status report above revealed that four (4) projects had not taken off despite cumulative disbursements of Kshs. 5,800,000 as at 30 June 2016. Further, six (6) of the projects cost Kshs. 27,900,000 were well past their expected completion dates as shown below: -

No.	Name of Project	Details of the project	Start Date	Expected Completion Date	Period of delay as at the time of verification (in months)	Cumulative Disbursements (Kshs)	Expenditure in 2015/2016 (Kshs)	Cumulative Expenditure as at 30 June 2016 (Kshs)	% Complete
1.	Mbela High School	Construction of laboratory	06/05/2016	23/11/2016	3	2,300,000	Nil	Nil	0

No.	Name of Project	Details of the project	Start Date	Expected Completion Date	Period of delay as at the time of verification (in months)	Cumulative Disbursement (Kshs)	Expenditure in 2015/2016 (Kshs)	Cumulative Expenditure as at 30 June 2016 (Kshs)	% Complete
2.	Mghange Nyika Health Centre	Finishes ground floor, walling, roofing, doors, windows and finishes and fixtures of first floor.	29/04/2016	11/08/2016	6	3,600,000	2,968,934	2,968,934	70
3.	Mwakis himba Secondary School	Construction of Frame (Columns), walling, doors windows and finishes and fixtures of first floor of four classes and toilets	24/11/2015	23/11/2016	3	15,500,000	15,500,000	15,500,000	85
4.	Mwanda Primary school	Construction of two Classes	29/04/2016	22/07/2016	7	2,000,000	1,900,626	1,900,626	90
5.	Sungululu Modern Hall	Frame, walling, doors, windows and finishes	17/05/2016	28/07/2016	7	3,500,000	3,499,121	3,499,121	90
6.	Mwanyaro Primary School	Finishes of stairs, flooring, windows and doors.	05/05/2016	14/07/2016	7	1,000,000	193,453	193,453	95
	TOTAL					27,900,000	24,062,135		

1384. The management attributed the delay in projects implementation and the under expenditure to the enactment of the National Government Constituencies Development

Fund Act, 2015 on 19 February 2016 which delayed the appointment of new Committee members by five months.

1385. The under expenditure and failure to implement projects within the planned time is an indication that the budget was not implemented in accordance with the provisions of Section 220(1) of the Constitution of Kenya which requires budgets of the national government to contain estimates of revenue and expenditure, differentiating between recurrent and development and proposals for financing any budget deficit for the period to which they apply. This situation may have had a negative impact on service delivery to the residents of Wundanyi Constituency.

Submission by the Fund Account Manager

1386. Mr. Henry Wanjiku submitted that the management noted the delay in the completion of projects. The six projects had since been completed and were in use. Photos and completion Certificates were availed for audit review.

Committee Observations

1387. The Committee observed that delays in implementation of projects were occasioned by the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February 2016 which delayed the appointment of new Committee members by five months.

7.1.3.6 Projects Verification

1388. Eleven (11) projects were inspected in January 2017 and anomalies noted in five (5) of them are as detailed below:

a) Construction of Classrooms at Mlilo Primary School

1389. During the period under review, a total of Kshs. 1,500,000 was disbursed to Mlilo Primary School for the construction of two (2) classrooms at a contract price of Kshs. 2,424,644. During the inspection of the project, the contractor was not on-site and the windows and doors had not been fitted. Further, the project is omitted from the project's implementation status report as at 30 June 2016.

Submission by the Fund Account Manager

1390. The Fund Account Manager submitted that the classrooms were complete and in use. The completion certificate had been availed for audit review.

Committee Observations

1391. The Committee observed that during the audit review period, the project had not been completed. The project had since been completed and a completion certificate was provided for the auditor for audit review.

Committee Recommendations

1392. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account

Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

b) Stalled construction of a Male Ward at Mbale Health Center

1393. The project status report as at 30 June 2016 indicated that a total of Kshs. 1,300,000 was disbursed in the previous year for the construction of a male ward at Mbale Health Centre. However, since health is a devolved function, the management explained that no funds were allocated to the project in the year under review after the enactment of the National Government Constituencies Development Fund Act, 2015 on 19 February, 2016. During a visit to the project, some construction materials which included reinforcement bars were on site but no work had started, an indication that the project had stalled. In addition, the project is omitted from the project's implementation status report as at 30 June 2016 availed for audit review.

Submission by the Fund Account Manager

1394. The Fund Account Manager submitted that the Mbale Health Centre experienced delays due to the enactment of the NGCDF Act 2015 however, the construction of a male ward is complete and in use. Availed for review are the completion certificate and photo of the male ward.

Committee Observations

1395. The Committee observed that during the audit review period, the project had not been completed. The project had since been completed and a completion certificate was provided for the auditor for audit review.

Committee Recommendations

1396. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

c) Construction of Offices at Mwanda Health Centre

1397. During the year ended 30 June 2016, a total of Kshs. 2,000,000 was disbursed for the construction of offices at Mwanda Health Centre. However, as at the time of audit verification, the contractor was not on site. It was also observed that the hand wash basin had not been fitted while windows were fitted with wooden frames instead of steel frames specified in the Bill of Quantities. The management explained that the

anomaly was noted and the contractor paid for wooden frames. However, the type of window frames paid for is not specified in the Engineer's certificate availed for audit review. Further, the project is omitted from the project's implementation status report as at 30 June 2016 availed for audit review.

Submission by the Fund Account Manager

1398. The Fund Account Manager submitted that the Contractor's last accounts were made and he was only paid for work done. However, the project is complete and in use. Last payment Certificate issued, completion certificate and photo of the health care facility availed for audit review.

Committee Observations

1399. The Committee observed that during the audit review period, the project had not been completed. The project had since been completed and a completion certificate was provided for the auditor for audit review.

Committee Recommendations

1400. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

d) Mbaramghondi Water Project

1401. A total of Kshs. 500,000 was disbursed during the year under review for pipe laying and purchase of one water tank for Mbaramghondi Water Project. However, during a visit to the project, no work had started due to outstanding compensation for the water source which is located in an individual's land.

Submission by the Fund Account Manager

1402. The Fund Account Manager submitted that the project is complete and in use.

Committee Observations

1403. The Committee observed that during the audit review period, the project had not been completed. The project had since been completed and a completion certificate was provided for the auditor for audit review. The auditor to do physical verification of the project during the next audit period.

Committee Recommendations

1404. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account

Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

e) Construction of Sungululu Hall

1405. During the year under review, a total of Kshs. 2,500,000 was disbursed to Sungululu Hall project. A visit to the hall revealed that it was constructed on a slope with an unstable soil structure and may collapse due to soil erosion in the area. These anomalies may be a result of poor planning and lack of requisite capacity to deliver on the contracts, which may delay completion of the projects and non-delivery of services and goods to the intended beneficiaries of the Constituency.

Submission by the Fund Account Manager

1406. The Fund Account Manager submitted that a retention wall was built to secure the building. The Completion certificate was provided for audit review.

Committee Observations

1407. The Committee observed that-

- (i) The project had been established on a slope with unstable soil and that the anomaly was corrected by erecting a retention wall to secure the building;
- (ii) The completion certificate had been provided for the auditor for audit review.

Committee Recommendations

1408. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager and PMCs undertake feasibility studies and due diligence before undertaking projects to avoid wastage of resources.

f) Position of Clerk of Works

1409. Records availed for audit review indicated that Wundanyi Constituency Development Fund is yet to fill the position of Clerk of Works, contrary to Circular No. CDF BOARD/CIRCULARSNOL.1.1/166 dated 24 June 2013 lists this position as critical for effective management of the Fund at the constituency level. No satisfactory explanation had been given for non-compliance with the Circular.

Submission by the Fund Account Manager

1410. The Fund Account Manager confirmed that management adhered to regulations and the Clerk of Works was employed. The Appointment letter was availed for audit review.

Committee Observations

1411. The Committee observed that-

- (i) The Fund Account Manager had not employed a Clerk of Works contrary to Circular No. CDF BOARD/CIRCULARSNOL.1.1/166 dated 24 June 2013.
- (ii) The Fund Account Manager had since employed Clerks of Works and the supporting documents had been provided for the auditor for audit verification.

Committee Recommendations

1412. The Accounting officer of the NG-CDF Board should ensure Fund Account Managers and CDC comply with the Board guidelines on employment of CDF staff to strengthen project implementations at the Constituencies.

7.2 TAVETA CONSTITUENCY

1413. 1383. Mr. Daniel Mwaluko, the current Fund Account Manager since 2007 appeared before the Committee on 1st October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Taveta Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- (1) Mr. James Chebii, Ag. Manager Field Financial Services
- (2) Ms. Christine Mwangolo, Ag. Manager Field Operations

7.2.1. AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1414. The Auditor General raised four audit Matters during the examination of the financial statements of Taveta Constituency for the year 2013/2014.

Transfers to other Government Entities

a) Tertiary institutions

1415. Note 7 to the financial statements reflected a balance of Kshs. 49,190,184 in respect of transfers to tertiary institutions which includes Kshs. 41,500,000 paid to a contractor for the construction of Kenya Medical Training College, Taveta campus. However, bank statements availed for audit review indicated that as at 30 June 2014, the contractor had been paid a total of Kshs. 61,500,000 including Kshs. 20,000,000 paid in 2012/2013 against an amount of certified work as at that date of Kshs. 49,407,679, resulting in an overpayment of Kshs. 12,092,321.

1416. Consequently, the propriety of expenditure totaling Kshs. 41,500,000 in respect of transfers to tertiary institutions for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1417. The Fund Account Manager submitted that included in the transfer to tertiary institutions of Kshs. 49,180,184 was Kshs. 41,500,000 paid to a contractor for the construction of KMTC Taveta Campus. The Contractor had been paid a total of Kshs. 61,500,000. The completion certificates issued by the Lead Consultant Otto Mruttu & Partners for the period were provided for audit review.

Committee Observations

1418. The Committee observed that certificates of works completed were availed for audit review. The overpayment was due to advance payment of certificate no 1 which was subsequently recovered.

Committee Recommendations

1419. The Committee recommends that the Accounting Officer ensure that Fund Account Manager makes payments for works based on the completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds are retained for the defect liability period.

b) Transfers to primary schools

1420. Included under Note 7 figure of Kshs. 21,200,000 in respect of transfers to primary schools is Kshs. 3,000,000 disbursed for the construction of a dormitory at Mahoo primary school. However, the engineer's estimate of costs and report of the Acceptance and Inspection Committee for this project were not availed for audit review. Consequently, it was not possible to confirm the propriety of Kshs. 3,000,000 disbursed for construction of a dormitory at Mahoo Primary School for the year ended 30 June 2014.

Submission by the Fund Account Manager

1421. The Fund Account Manager submitted that the engineers estimate for the project, acceptance and inspection for the period under review had been availed to the auditor for review.

Committee Observations

1422. The Committee observed that-

- (i) The Fund had not provided at the time of the audit the engineers' estimate of costs and report of the Acceptance and Inspection Committee.
- (ii) The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1423. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

Other Grants and Payments

a) Water Projects

1424. Included under Note 8 to the financial statements is Kshs. 3,000,000 in respect of water projects disbursed through Cheque Number 3038 dated 14 April 2014 for completion of Challa Water Project. However, quotations and reports of the Inspection and Acceptance Committee were not availed for audit verification. As a result, the propriety

of this expenditure totaling Kshs. 3,000,000 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1425. Mr. Daniel Mwaluko confirmed that quotations for the bidders, inspection and acceptance committee minutes had been availed to the auditors for review.

Committee Observations

1426. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of the audit the quotations and report of the Acceptance and Inspection Committee.
- (ii) The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1427. The Committee recommends that the Accounting Officer ensure that Fund Account Managers comply with the provisions of Section 68 of the PFM Act 2012 on the timely submission of documents.

b) Emergency Projects

1428. Included under Note 8 to the financial statements is an emergency projects figure of Kshs. 3,806,217 which includes Kshs. 1,000,000 disbursed through cheque number 3227 dated 6 June 2014 and spent on construction of a classroom and toilets at Ulawani Primary School. However, the engineer's certificates and report of the Inspection of Acceptance Committee were not availed for audit verification. Consequently, the propriety of Kshs. 3,000,000 disbursed and spent on the project for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1429. The Fund Account Manager presented that the engineers' payment certificates and report of inspection and acceptance committee had been availed to the auditors for review.

Committee Observations

1430. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of the audit the engineers' certificates and report of the Acceptance and Inspection Committee; and
- (ii) However, the documents had been provided to the auditors for review and verification.

Committee Recommendations

1431. The Committee recommends that the Accounting Officer ensures that All Fund Account Managers avail supporting documents to the Auditor General during the audit process as required under section 9(1)(e) Public Audit Act, 2015.

7.2.1.1 Other Payments

1432. The statement of receipts and payments reflected other payments' balance of Kshs. 500,000 for construction of Kidong'u Social Hall whose contract sum is Kshs. 1,591,500. However, although the contract agreement indicated that construction work started on 14 March 2012, the contract did not indicate the completion date. In addition, Engineers cost estimates and tender evaluation reports were not availed for audit verification.
1433. Also, the title deed for the land on which the social hall stands was not availed for audit review. Further as at 30 June 2014, a total of Kshs. 1,505,000, 95% of the contract sum, had been paid to the contractor but during a visit to the project in September 2015, the contractor was still on-site fitting window glasses. No satisfactory explanation had been given for the signing of a contract with no definite completion date and for funding a project on land whose ownership appears uncertain.
1434. As a result, the propriety of Kshs. 500,000 shown in the statement of receipts and payments for the year ended 30 June 2014 and Kshs. 1,505,000 spent on the projects so far could not be confirmed.

Submission by the Fund Account Manager

1435. The Fund Account Manager submitted that included in other payments is a transfer of Kshs. 500,000 transferred for construction of Kidong'u social hall whose construction started on 14th of March 2012. Delays on completion were occasioned by funding in phases for two financial years (2012/2013 Kshs. 1,000,000 and 2013/2014 Kshs. 500,000). The project was implemented in public land and the ownership document, contract agreement had been availed to the auditors for review. In addition, 95% of the contract sum had been paid to the contractor in line with amount certified by the engineer and availed to the auditor for review.

Committee Observations

1436. The Committee observed that the Fund Account Manager had not provided at the time of audit the title deed for the land on which the social hall hence the audit query is not resolved.

Committee Recommendations

1437. The Committee recommends that within three months upon adoption of this report, the Accounting Officer ensures that the Fund Account Manager avails the title deed for the land in question to the Auditor-General for audit review and reporting in the subsequent audit cycle.

7.2.1.2 Cash and Cash Equivalents

1438. The statement of financial assets and liabilities as at 30 June 2014 reflected cash and cash equivalents balance of Kshs. 8,673,760.70, out of which Kshs. 8,585,160.70 relates to bank balance as per cashbook. However, the Fund's bank reconciliation statement as at 30 June 2014 reflected payments in cashbook not in bank statement totaling Kshs. 4,943,913.40, out of which Kshs. 327,398.60 were stale cheques issued between 9 May 2007 and 2 February 2012.

1439. Further, despite management's explanation that all the long outstanding items had been reversed in the cashbook, no documentary evidence was provided in support of the assertion. In addition, when all the reconciling items were cleared the dates, had not been indicated. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 8,673,760.70 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1440. The Fund Account Manager submitted that the cheques and all outstanding items were reversed on 16/1/2015. The cashbook extract had been availed to the auditor for review.

Committee Observations

1441. The Committee observed that cashbook and bank reconciliation statements were not updated.

Committee Recommendations

1442. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1443. The Auditor General raised seven audit Matters during the examination of financial statements of Taveta Constituency for the year 2014/2015.

7.2.2.1 Use of goods and services

1444. The use of goods and services figure of Kshs. 1,482,469 shown in the statement of receipts and payments for the year ended 30, June 2015 includes Kshs. 801,000 relating to routine maintenance – vehicle and other transport equipment, out of which Kshs. 751,000 was paid to a garage for repair of GK A911U, GK A186G and GK A911U. However, the defects were not indicated in the respective daily work tickets nor post-inspection report availed for audit verification. Consequently, the propriety of Kshs. 1,001,026 spent on routine maintenance - vehicles and other transport equipment and painting for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1445. Mr. Daniel Mwaluko submitted that the defects report and post-audit inspection report had since been availed to the auditor for review. In addition, in the expenditure of Kshs:120,000 for purchase of four tires for GKA911U and Kshs:250,026 for the painting of Taveta Sub- County commissioners' office, the stores' ledger and request for funding and NG-CDFC Minutes approving the funding had since been availed to the auditor for review respectively.

Committee Observations

1446. The Committee observed that-

- i) The Fund Account Manager had not provided defects report and post-audit inspection report at the time of audit for audit review; and
- ii) The defects report and post-audit inspection report had since been availed to the auditor for review; the painting of County Commissioner Office approval of funding as an emergency by the CDF committee was availed for audit review.

Committee Recommendations

1447. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

7.2.2.2 Transfers to other Government units.

1448. The statement of receipts and payments for the year ended 30 June, 2015 reflected an amount of Kshs. 59,320,690 in respect of transfers to other government units of which the following observations were made:

- a) **St. Patrick – Kimala Primary School.**

1449. Included in the transfers to other government units amount of Kshs. 59,320,690 is Kshs. 11,537,931 relating to transfers to Primary Schools of which Kshs. 500,000 was

transferred to St. Patrick – Kimala Primary School for Flooring, Electrification, Fixing Windows, Plastering and Painting of two classrooms at a contract sum of Kshs. 1,397,545. However, records availed for audit review indicate that the construction work that was expected to take three months was completed after two and half years. The delay occasioned extra works of Kshs. 302,496, which pushed the original contract sum of Kshs. 1,397,545 to the final sum of Kshs. 1,700,041.

Submission by the Fund Account Manager

1450. Mr. Daniel Mwaluko submitted that included in the transfers to other Government units was Kshs. 500,000 transferred to St. Patrick Kimala primary school. The variation was occasioned by extra works to the tune of Kshs. 302,496 due to funding challenges which were done in phases. The Engineers' site instruction and funding tranches had since been shared with the auditor for review.

Committee Observations

1451. The Committee observed that variation of the cost was approved by the PMC and that delay in the implementation of the project was due to delay in funding.

Committee Recommendations

1452. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

b) Kiwalwa Primary School.

1453. Transfers to Primary Schools of Kshs. 11,537,931 also include Kshs. 2,000,000 disbursed to Kiwalwa Primary School for walling and roofing of administration block and two classrooms whose contract sum was Kshs. 4,088,350. However, the tender was awarded through quotations, contrary to the threshold's matrix in the First Schedule of the Public Procurement and Disposal Regulations, 2006 which requires tenders above Kshs. 4,000,000 to be awarded through the national open tender method.

Submission by the Fund Account Manager

1454. The Fund Account Manager submitted that included in the transfers to other Government units is Kshs. 2,000,000 transferred to Kiwalwa Primary School for walling and roofing of administration block and two classrooms. The project was initially funded under ESP Programme. The project was evaluated before the onset of the NG-CDF funding which was done in two tranches at a cost of Kshs. 2,000,000 in each of the two financial years. The completion of the project was tendered through locally pre-qualified contractors. The evaluation report, photographs, code list had been availed to the auditor for review.

Committee Observations

1455. The Committee observed that the project tender was awarded through quotations, contrary to the provisions of the Public Procurement and Disposal Regulations, 2006, hence the audit query is not resolved.

Committee Recommendations

1456. The Committee recommends that within three months upon adoption of this report, the NG-CDF Board investigates the award of the contracts and takes action against the Fund Account Manager and any other officers involved in the procurement process.

c) Mata Primary School

1457. In addition, transfers to Primary Schools figure of Kshs. 11,537,931 includes Kshs. 2,000,000 transferred to Mata Primary School for completion of walling and roofing of administration and two classrooms at a contract sum of Kshs. 4,037,500. Available records indicate that the project was started by the National Government under the Economic Stimulus Program (ESP). However, evidence of valuation to ascertain the level of completion before the fund took over the project was not availed for audit verification.

1458. Further, although the contract sum of the project was Kshs. 4,037,500, the tender was awarded through quotations, contrary to the threshold's matrix in the First Schedule of the Public Procurement and Disposal Regulations, 2006 which requires contracts of above Kshs. 4,000,000 to be awarded through the national open tender method.

Submission by the Fund Account Manager

1459. The Fund Account Manager submitted that included in the transfers to other Government units is Kshs. 2,000,000 transferred to Mata primary school for walling and roofing of administration block and two classrooms. The project was initially funded under ESP Programme. The project was evaluated before the onset of the NG-CDF funding which was done in two tranches at a cost of Kshs. 2,000,000 in each of the two financial years. The completion of the project was tendered through restricted tendering using locally pre-qualified contractors. The evaluation report, code list and photographs had been availed to the auditor for review.

Committee Observations

1460. The Committee observed that the project was initially funded under ESP Programme. The project was evaluated before the onset of the CDF funding which was done in two tranches at a cost of Kshs. 2,000,000 in each of the two financial years.

Committee Recommendations

1461. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with provisions of Public Procurement and Asset Disposal Act, 2015 and its Regulations.

d) Chala Primary School.

1462. Transfers to Primary Schools totaling Kshs. 11,537,931 also includes Kshs. 1,000,000 transferred to Chala Primary School for Flooring, fitting windows and doors, Plastering and Painting of a Girls Dormitory and two classrooms. However, certificates of completion and report of the inspection and acceptance committee for this work were not availed for audit verification. Consequently, the propriety and value for money for Kshs. 5,500,000 transferred to the four (4) primary schools for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1463. The Fund Account Manager indicated that included in the transfers to other Government units is Kshs. 1,000,000 transferred to chala primary school for completion of two classrooms and Girl's dormitory. The completion certificate and report of the inspection and acceptance committee had since been availed to the auditors for review.

Committee Observations

1464. The Committee observed that-

- (i) The Fund Account Manager did not provide certificates of completion and a report of the inspection and acceptance committee for audit verification. However, the documents were later provided to the auditors for review and verification.

Committee Recommendations

1465. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during the audit period as required under section 9(1)(c) Public Audit Act, 2015.

e) Kenya Medical Training College Campus – Taveta Campus

1466. Included in the transfers to other government units of Kshs. 59,320,690 is an amount of Kshs. 33,800,000 in respect of transfers to tertiary institutions, out of which Kshs. 23,800,000 was for the construction of Kenya Medical Training College Campus -- Taveta Campus.

1467. However, bank statements availed for audit review indicated that as at 30 June 2015, the contractor had been paid a total of Kshs. 64,160,086 against the amount of certified work as at the date of Kshs. 49,407,679 resulting in an overpayment of Kshs. 14,752,407. Consequently, the propriety and value for money for Kshs. 23,800,000 spent in respect of the transfer to tertiary institutions for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1468. Mr. Daniel Mwaluko submitted that included in the transfers to tertiary institutions is Kshs. 23,800,000 transferred to the KMTC Taveta campus project. The contractor had been paid a total of Kshs. 64,160,086 against the amount of work certified at that date of Kshs. 49,407,679 through certificates issued by the Lead Consultant M/S Otto Mruttu & Partners as follows:

Description	Amount Certified by Architect Kshs	Certificate date	Amount paid by CDF Kshs	Date of payment	Outstanding Balance Kshs
Certificate No. 01	34,589,248	21/01/2013	20,000,000	23/01/2013	14,589,248
Certificate No. 02	17,370,219	11/03/2013	18,000,000	15/11/2013	13,959,467
Certificate No. 03	17,230,063	22/04/2013	20,000,000	23/01/2014	11,189,529
Certificate No. 04	6,160,086	18/7/2013	11,189,529	2/12/2014	11,189,529
Certificate No. 05	35,078,454.20	23/11/2015	9,378,454.20 11,000,000	8/12/2015 23/12/2015	11,189,529
TOTAL	110,428,070.20		89,567,983.20		

1469. Mr. Daniel Mwaluko further submitted that clause 23.7 of the contract agreement between Taveta Constituency Development Fund and Danaff Kenya LTD specified how any advance payment shall be treated.

Committee Observations

1470. The Committee observed that as at 30 June 2015 the contractor had been paid Kshs. 69,189,529 against amount certified at Kshs. 75,349,616.

Committee Recommendations

1471. The Committee recommends that the Accounting Officer should ensure that Fund Account Managers only pay for works done based on the completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds are retained for the defect liability period.

7.2.2.3 Other grants and transfers

a) Water Projects.

1472. The statements of receipts and payment for the year ended 30th June 2015 reflected other grants and transfers balance of Kshs. 15,170,000 out of which Kshs. 4,000,000 is

in respect of Chala Water Project. However, the contract was awarded to a construction company whose evidence of registration with the National Construction Authority as piping contractors was not availed for audit verification. Consequently, the propriety and value for money for Kshs. 4,000,000 disbursed for the water project for the year ended 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1473. The Fund Account Manager submitted that included in the other grants and transfers to water projects is Kshs. 4,000,000 transferred to Chala water project. The contractor's registration certificate with National Construction Authority for piping works had since been availed to the auditor for review.

Committee Observations

1474. The Committee observed that-

- i) The Fund Account Manager did not provide the contractor's registration certificate with National Construction Authority for audit verification; and
- ii) The documents were later provided to the auditors for review.

Committee Recommendations

1475. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents.

b) Emergency Funds

1476. Included in the other grants and transfers amount of Kshs. 15,170,000 was an emergency expenditure of Kshs. 4,570,000 for the year ended 30th June 2015. However, included in this amount was Kshs. 250,026.40 spent on the painting of Taveta Sub-County Commissioner's Office and Kshs. 740,000 spent on bursaries for which the authority of the Board as per Section 10(2) of the CDF Board Act, 2013 were not availed for audit review. Further, according to Section 12(3) of the CDF Board Act, 2013, emergency refers to an urgent, unforeseen need for expenditure for which it was in the opinion of the committee that it could not be delayed until the next financial year without harming the public interest of the constituents. Painting of the office and paying bursaries were not emergencies within the context of this law.

1477. Consequently, the expenditure of Kshs. 990,026.40 treated as an emergency for the year ended 30th June 2015 was not supported and did not comply with the law.

Submission by the Fund Account Manager

1478. The Fund Account Manager presented that included in the other grants and transfers is Kshs. 250,026.40 spent on painting Taveta Sub-County Commissioners office. The funds were made for the painting of sub-county commissioner's office in readiness for official opening by His Excellency the President of the Republic of Kenya. Further,

Kshs. 740,000 was spent on bursaries for needy students, the maximum threshold for bursary as per CDF Act 2013 was not surpassed.

Committee Observations

1479. The Committee observed that-

- i) The Fund used Kshs. 250,026.40 emergency funds on the painting of Taveta Sub County Commissioner's Office and Kshs. 740,000 spent on bursaries for which the authority of the Board as per Section 10(2) of the CDF Board Act, 2013 were not availed for audit review;
- ii) The activities did not qualify to be emergency according to Section 12(3) of the CDF Board Act, 2013; and
- (i) The audit query is not resolved.

Committee Recommendations

1480. The Committee recommends that within three months upon adoption of this report, the Accounting Officer takes appropriate administrative action against the Fund Account Manager who reallocated the emergency funds without the Board's approval in contravention of Section 10(2) and 12(3) of the Constituencies Development Fund Act, 2013.

7.2.2.4 Cash and Cash Equivalents

1481. The statement of financial assets as at 30th June 2015 reflected cash and cash equivalents balance of Kshs. 2,645,408 out of which Kshs. 2,556,808 relates to bank balance as per cashbook. However, the fund's bank reconciliation statement as at 30th June 2015 reflected payments in cashbook not in bank statement totaling Kshs. 702,061.40 whose dates of clearance by the bank were not indicated.

1482. Further, the reconciliation reflected payments in the bank statement not in the cashbook of Kshs. 2,135 and receipts in the bank statement of Kshs. 25,121,499.20. However, the reason for the non-recording of these items had not been provided. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 2,645,408 as at 30th June 2015 could not be confirmed.

Submission by the Fund Account Manager

1483. Mr. Daniel Mwaluko submitted that included in the statement of financial assets as at 30th June 2015 is Kshs. 702,061.40 for unpresented cheques which were later cleared on 16/01/2015 and Kshs. 2,135 for bank charges that were later cleared on 26/2/2015 Kshs. 25,121,499.20 was received on 2/7/2015 and not recorded in the cashbook because the sub-county accountant of the national treasury required AIEs which were received after the closure of the financial year on 20/7/2015 cashbook extracts and AIES had since been availed to the auditor for review.

Committee Observations

1484. The Committee observed that the Fund Account Manager did not reconcile and update cash book and bank statements

Committee Recommendations

1485. The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.2.2.5 Outstanding Imprest

1486. Included in the cash and cash equivalents balance of Kshs. 2,645,408 shown in the statement of financial assets as at 30th June 2015 is an overdue imprest of Kshs. 88,600 were issued to an officer on 09th May 2007. This is contrary to Section 71 (2) of the PFM Act, 2012. In the circumstances, the recoverability of the un-surrendered imprest of Kshs. 88,600 remains uncertain.

Submission by the Fund Account Manager

1487. Mr. Daniel Mwaluko submitted that included in the cash and cash equivalents is Kshs. 88,600. issued to Francis Kimotho personal No. 89102732 of Ministry of Water and Irrigation for conducting the geological survey for Taveta Constituency on 9th May, 2007. The management wrote to the Chief Executive officer, Water Resources Management Authority on 20th July, 2011, the Head of Accounting Unit, Ministry of Water and Irrigation on 2nd of June, 2010, the Permanent Secretary, Ministry of Water and Irrigation on 15th August, 2008 and 11th June, 2009, and the Chief Executive Officer, Constituencies Development Fund Board on 4th September, 2012. The correspondence had been presented to the auditor for review

Committee Observations

1488. The Committee observed that the Fund Account Manager had not managed to trace the holder of the long outstanding imprest.

Committee Recommendations

1489. The Committee recommends that-

- 1) The Accounting Officer liaises with the Fund Account Manager to ensure the surrender and or recovery of imprest held by Mr. Francis Kimotho the Officer from the Ministry of Water & Sanitation, Irrigation and report to the Auditor general for reporting in the next audit cycle;
- 2) Failure to recover the imprest from the Officer, the Accounting Officer recovers the full imprest from the Fund Account Manager within three months after the adoption of this report, and;

- 3) The Accounting Officer ensures that Fund Account managers adhere to the provisions of Section 71 (2) of the PFM Act, 2012 and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.

7.2.2.6 Budgetary Control and Performance

1490. During the year under review, the Fund had a budget of Kshs. 109,070,558 and spent Kshs. 81,392,850 or 75%, resulting in an under expenditure of Kshs. 28,560,399 or 26% on seven items and over-expenditure of Kshs. 882,691 or 1% on committee expenses as shown below;

Item	Budget (Kshs.)	Expenditure (Kshs.)	Under Absorption (Kshs.)	Over expenditure (Kshs.)	%
Compensation of Employees	1,909,160	1,362,000	547,160	-	29
Use of Goods and Services	1,715,967	1,482,469	233,498	-	14
Committee Expenses	3,115,400	3,998,091	-	882,691	28
Transfer to other Government Units	73,037,531	59,320,690	13,716,841	-	19
1491. Other Grants and Transfers	28,537,220	15,170,000	13,367,220	-	47
Social Security Benefits	105,280	9,600	95,680	-	91
Acquisition of Assets	150,000	50,000	100,000	-	67
Other Payments	500,000	-	500,000	-	100
Total	109,070,558	81,392,850	28,560,399	882,691	

1492. The underutilization of funds may have impacted negatively on the delivery of goods and services to the citizens of Taveta Constituency or a reflection of misallocation of funds, hence there is a need to re-think the budget process to focus on priority areas.

Submission by the Fund Account Manager

1493. Mr. Daniel Mwaluko submitted that included the budget performance report is under expenditure of Kshs. 28,560,399.00 representing 25% which resulted from Kshs. 25,121,499.20 which had been received by the end of the financial year but the AIES where still pending from the CDF board.

Committee Observations

1494. The Committee observed that under expenditure was due Kshs. 25,121,499.20 which had been received by the end of the financial year but the AIES where still pending from the CDF.

Committee Recommendations

1495. The Committee recommends that the NG-CDF Board ensures that AIEs are approved in time to avoid under expenditure.

7.2.2.7 Projects Implementation

1496. The projects status report availed for audit review indicated that Kshs. 277,678,115 was allocated and disbursed to 34 projects, out of which Kshs. 271,078,932 or 98% was

spent as at 30th June 2015, resulting in an under expenditure of Kshs 6,599,183 or 2% as shown in the following table:

No	Name of Project	Details of the Project	Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements as at 30 th June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30 th June 2015 (Kshs)	Unspent Balance	%
1	Bursary Secondary Schools	Payment of bursary to needy students	11,000,000	4,000,000	11,000,000	4,000,000	11,000,000	-	100
2	Bursary Tertiary Institutions	Payment of Bursary to needy students	8,000,000	2,000,000	8,000,000	2,000,000	8,000,000	-	100
3	Mahoo Primary School	Completion of Girls Dormitory (fixing doors and windows and plastering)	5,400,000	1,000,000	5,400,000	0	5,108,135	999,135	67.04
4	Chala Primary School Project	Completion of Girls Dormitory (fixing doors and windows and plastering, painting, flooring)	2,300,000	500,000	2,300,000	500,000	2,300,000	-	89
5	Chala Primary School Project	Completion of two classrooms (roofing, fixing doors and windows, plastering and painting)	1,200,000	500,000	1,200,000	500,000	723,090	476,910	71.6
6	Lamu Primary School Project	Construction of two new Classrooms	1,000,000	1,000,000	1,000,000	0	996,000	4,000	99
7	Kidong'o Primary School	Completion of two classrooms (Plastering, flooring, painting, fixing doors and windows and electrification)	1,800,000	500,000	1,800,000	0	1,600,000	200,000	91.7
8	Kiwawa Primary School Project	Completion of administration block and two classrooms (Completion of walling and roofing)	2,000,000	2,000,000	2,000,000	2,000,000	1,989,000	11	99
9	Mata Primary School Project	Completion of administration block and two classrooms (Completion of walling and roofing)	2,000,000	2,000,000	2,000,000	2,000,000	1,998,540	1,460	99
10	Madarasani Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,700,000	500,000	1,700,000	1,100,000	1,344,399	355,601	79
11	Chokaa Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing	1,800,000	500,000	1,800,000	0	1,650,221	149,779	92

No	Name of Project	Details of the Project	Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements as at 30 th June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30 th June 2015 (Kshs)	Unspent Balance	%
		windows and electrification)							
12	Lessesin Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification) to ease congestion for a conducive learning environment	1,800,000	500,000	1,800,000	500,000	1,797,000	149,779	99
13	Riata Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,800,000	500,000	1,800,000	1,100,000	1,700,000	100,000	100
14	Ziwani Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,800,000	500,000	1,800,000	0	1,599,000	201,000	
15	Eldoro Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,500,000	500,000	1,500,000	500,000	1,500,000		
16	Nyukini Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,800,000	500,000	1,100,000	0	600,000	500,000	
17	St. Patrick Kimala Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	1,800,000	500,000	1,800,000	600,000	1,700,000	100,000	
18	Ulwani Primary School Project	Construction Of two new Classrooms	2,200,000	1,200,000	2,200,000	1,200,000	2,200,000		100
19	Kitoghoto Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	2,000,000	1,000,000	2,000,000	1,000,000	1,842,970	157,030	92

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

No	Name of Project	Details of the Project	Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements as at 30 th June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30 th June 2015 (Kshs)	Unspent Balance	%
20	Sir-Romson Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	2,000,000	1,000,000	2,000,000	0	1,978,124	21,876	98
21	Orkunga Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	2,000,000	1,000,000	2,000,000	1,000,000	1,860,100	139,900	93
22	Majengo Primary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	2,000,000	1,000,000	2,000,000	1,000,000	1,730,972	269,028	86.5
23	Nakuta Primary School Project	Rehabilitation of two classrooms (Plastering, Flooring, Painting, Fixing windows and electrification)	1,837,931	837,931	1,837,931	1,000,000	1,834,760	3,171	99.8
24	Lamu Primary School Project	Completion of a new dormitory (Plastering, Fixing of doors and windows and Painting)	6,500,000	2,500,000	6,500,000	4,000,000	6,495,900	4,100	99.3
25	Kitobo Secondary School Project	Completion of a new dormitory (Plastering, Fixing of doors and windows and Painting)	6,500,000	2,500,000	6,500,000	4,000,000	6,496,686	3,314	99.9
26	Mara Secondary School Project	Completion of a new dormitory (Plastering, Fixing of doors and windows and Painting)	6,500,000	2,500,000	6,500,000	4,000,000	6,497,686	2,314	99.6
27	Ngutini Secondary School Project	Completion of two classrooms (Plastering, flooring, painting, fixing windows and electrification)	3,000,000	800,000	3,000,000	800,000	2,994,520	5,480	99.81
28	Ngutini Secondary School Project	Construction of two pit latrines	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	100
29	Njoro Secondary School Project	Construction of four pit latrines for boys, Construction of four pit latrines with showers for girls and two pit latrines for staffs, Purchase of hundred metallic chairs and a hundred lockers	2,000,000	2,000,000	2,000,000	0	1,997,240	2,760	99.86
30	KMTC -- Taveta	Construction of KMTC	157,190.1	34,000,000	157,190.184	23,800,000	154,649.5	2,540.59	98.38

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

No	Name of Project	Details of the Project	Approved Proposal (Kshs)	Disbursements in 2014/2015 (Kshs)	Cumulative Disbursements as at 30 th June 2015 (Kshs)	Expenditure in 2014/2015 (Kshs)	Cumulative Expenditure as at 30 th June 2015 (Kshs)	Unspent Balance	%
	Campus Project	Campus (Administration Block)	84				89	5	
31	Taveta Technical Training Institute	Construction of College	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000		100
32	Chala Water Project	Pipe Laying	7,000,000	4,000,000	7,000,000	4,000,000	6,847,000	153,000	97.81
33	Taveta Police Divisional Headquarters Project	Completion of Taveta Police Divisional Headquarters (Phase II) Plastering, Fixing doors and windows part of ground floor)	16,900,000	4,900,000	16,900,000	0	16,000,000	900	99.98
34	Mazingira Project	Purchase of tree seedlings for planting at Chala water project, Kimala irrigation scheme, Taveta Youth Polytechnic and Chala Water Project Intake.	2,850,000	600,000	2,850,000	600,000	2,848,000	2,000	99.9
	Total		278,378,115	88,537,931	277,678,115	72,400,000	271,078,932	6,599,183	

1497. Further, from the table above, it is noted that only 4 out of 34 projects were complete as at 30th June 2015, leaving 30 projects at various stages of completion, an indication that envisaged goods and services could not have been rendered to the residents of the Constituency. In addition, the report did not indicate the completion status of the 4 projects, casting doubts about their implementation by the Fund management.

Submission by the Fund Account Manager

1498. The Fund Account Manager submitted that included in the project implementation report on other matter was, under expenditure of Kshs. 6,599,183.00. Out of 34 projects, 4 were complete and the completion certificates had been availed to the auditor for review. The other 30 projects were still ongoing.

Committee Observations

1499. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1500. The Committee recommends that:

- 1) The Accounting officer should ensure that Projects approved by the NG-CDF Board are implemented within the specified period; and
- 2) The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate

release to the constituencies.

7.2.2.8 Projects Verification

1501. During the year under review, 24 projects with disbursements of Kshs. 63,035,688.50 as shown below were verified. Out of 24 projects inspected, 7 had the following anomalies;

S/NO	Project Name	Amount (Kshs)	Date of Visit	Project status at the time of inspection
1	Riata Primary School	500,000	20/4/16	The two classrooms are complete, and in use.
2	Eldoro Primary School	500,000	20/4/16	Wiring not yet done
3	Kenya Medical Training College	23,800,000	21/4/16	Fittings not yet done; New slab done.
4	Taveta Technical Training College	10,000,000	21/4/16	Project almost complete; Painting and fixing of lighting appliances in progress.
5	Chala /Njukini Adjudication Projects	1,000,000	21/4/16	Demarcation of land by Lands, Adjudication and Settlements Officers in progress to give residents of Taveta title deeds.
6	Taveta Jon Kali Sheds	230,000	21/4/16	Repairs of a collapsing toilet done and in use.
7	Msengoni Pre-school	300,000	20/4/16	Classroom completed and in use.
8	Mahou Primary School	1,000,000	21/4/16	Girls' dormitory complete and in use.
9	Chala Primary School	1,000,000	20/4/16	Completion of a dormitory and a classroom. Dormitory complete but the classrooms incomplete with roofing already done except doors, windows, plastering and painting.
10	Uluwani Primary School	1,700,000	20/4/16	Two classrooms and a toilet complete and in use.
11	Njukini Health Centre	2,241,379.50	20/4/16	2 Prefabricated houses and 2-bedroom staff houses complete and occupied.
12	Njoro Secondary School	2,000,000	21/4/16	Toilets and lockers, constructed and in use.
13	Mahaadukini Primary	1,081,550	20/4/16	A Classroom roofing and 4-pit latrine complete and in use.
14	Kiwaiwa Primary School	2,000,000	20/4/16	Construction is ongoing but flooring, doors and windows not done yet.
15	Mata Primary School Project	2,000,000	19/4/16	Construction works ongoing. Work at roofing level
16	Orkunga Primary School	1,000,000	19/4/16	Complete and in use.
17	Chala Primary School - 2 Classrooms	1,000,000	19/4/16	Classrooms windows and doors including plastering not yet done.
18	Kitobo Secondary School Project - Dormitory	2,500,000	20/4/16	Files not fixed in the bathroom and toilets. Plumbing works not complete.
19	Mata Secondary School Project - Completion of a new dormitory.	2,500,000	19/4/16	Completed in July 2015 but not in use to date.
20	Lumi Secondary School project	2,500,000	19/4/16	Complete but unoccupied
21	Ngutini Secondary School	3,000,000	20/4/16	The project is complete and occupied
22	Ndilibai Sangu Water Project	200,000	20/4/16	Items delivered seen
23	Rekeke Health Centre Project	2,241,379.50	20/4/16	One unit complete, second one ongoing i.e., fixing of doors, windows, window panes and painting.
24	Njukini Health Centre	2,241,379.50	20/4/16	The two units complete and occupied by staff.
	Total	63,035,688.50		

1502. The anomalies observed were likely caused by poor workmanship and the use of inferior quality materials which means value for money may not have been obtained from the projects. There is also the risk of delay in completion of these projects which may negatively affect the delivery of goods and services to the residents of the Constituency.

1503. My opinion is not qualified in respect of these matters.

S/n o.	Project Name	Amount (Kshs)	Date of Visit	Observation
1	Eldoro Primary School	500,000	20/4/16	Wiring not yet done; Cracks seen on the floor
2	Kenya Medical Training College	34,000,000	21/4/16	Stalled before fittings and plastering
3	Taveta Jua Kali Sheds	230,000	21/4/16	Repairs of a collapsing toilet done
4	Orkungu Primary School	1,000,000	19/4/16	Project not labelled, Cracks seen on the floors and walls.
5	Mata Secondary School Project – Completion of a new dormitory	2,500,000	19/4/16	Cracks seen at the entrance and in some cubicles of the dormitory. Completed in July 2015 but not in use to date.
6	Lumi Secondary School Project	2,500,000	19/4/16	Completed in September 2015 but still unoccupied at the time of audit in April 2016. Sockets and bulbs not fixed. Toilet doors not fitted.
7	Kitobo Secondary School Project - dormitory	2,500,000	20/4/16	Tiles not fixed in the bathroom and toilets.
	Total	40,730,000		

Submission by the Fund Account Manager

1504. Mr. Daniel Mwaluko submitted that included in the project verification for other matters were 24 projects out of which 7 had anomalies.

- i) Eldoro primary school – completion certificate and the making of defects had been availed to the auditor for review.
- ii) KMTC Taveta Campus project- The contractor had returned to the site after more funds had been secured.
- iii) Orkung'u primary school-the project had been labeled and photograph availed to the auditor for review.
- iv) Mata secondary school –the project was complete and in use, the certificate of making good defects had been availed to the auditor for review.
- v) Lumi secondary school- the project was complete and in use. Tiles were fixed in the washrooms; photographs were shared with the auditor for review.
- vi) Kitobo secondary school- the project was complete and in use. Tiles were fixed in the washrooms; the photograph was shared with the auditor for review.
- vii) Taveta Jua Kali sheds – the project was complete and in use, repairs for collapsing toilet already done and the certificate shared with the auditor for review.

Committee inspection visit

1505. The Committee visited KMTC Taveta Campus to verify the status of the ongoing activities at the institution and found out that the workmanship was satisfactory and was a true reflection of the funds projected to the project. In addition, the committee found out that the project was co-funded by other institutions.

Committee Observations

1506. The Committee observed that the projects with anomalies were corrected within the defect liability period and that those indicated as abandoned had been completed in the subsequent years.

Committee Recommendations

1507. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

7.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1508. The Auditor General raised nine audit Matters during the examination of the financial statements of Taveta Constituency for the year 2015/2016.

7.2.3.1 Presentation of the financial statements

1509. The financial statement for the year ended 30 June 2016 availed for audit review contained the following presentation anomalies. Annex 3 to the financial statement did not provide a breakdown of pending bills as required by the financial reporting template issued by the International Public Sector Accounting Board. Annexes 2 and 3 indicate financial years as 2014 and 2015 instead of 2015 and 2016. Consequently, the financial statement to not comply with the presentation requirements of the PSASB.

Submission by the Fund Account Manager

1510. Mr. Daniel Mwaluko indicated that included in the presentation of the financial statement for the year ended 30th June, 2016 were presentation anomalies in annexes 2 and 3. The amended financial statement for the period ended 30th June, 2016 had been presented to the auditor for review.

Committee Observations

1511. The Committee observed that Fund Account Manager did not prepare financial statements according to IPSAS requirements. However, the amended financial statement for the period ended 30th June, 2016 had been presented to the auditor for review.

Committee Recommendations

1512. The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.2.3.2 Bank Balance

1513. The statement of financial assets as at 30 June reflected a bank balance of Kshs. 5,231,557. A review of the fund's bank reconciliation statement as at 30 June 2016 revealed payments in the cashbook not in the bank statement of Kshs. 2,667,340.30 out of which Kshs. 69,920 related to stale cheque and bank charges of Kshs. 13,190 not included in the cashbook. The management had not explained the reason for the non-reversal of the stale cheque and failure to account for the bank charges. Further, the subsequent bank statement shows clearance of unrepresented cheques totaling Kshs. 2,597,420.30 was not availed for audit verification. Consequently, the accuracy and

completeness of the bank balance of Kshs. 5,231,557 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1514. Mr. Daniel Mwaluko submitted that the stale cheques were replaced on 22/10/2015, the bank charges were cleared on 14/1/2016 whereas the unpresented cheques were cleared. The cashbook extracts had since been presented to the auditor for review.

Committee Observations

1515. The Committee observed that-

- (i) Unpresented and stale cheques had not been reversed to the cashbook as at 30th June 2016. Bank charges had been excluded from financial statements; and
- (ii) The Fund Account Manager provided documentation to the auditor for verifications on the corrections made in the cashbook.

Committee Recommendations

1516. The Committee recommends that:

- 1) The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and
- 2) The Accounting Officer ensures that the all-Fund Account Manager maintain a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

7.2.3.3 Cash Balance

1517. The statement of financial asset as at 30 June reflected nil cash balance. However, the management did not provide the respective board of survey certificate for audit review. Consequently, the accuracy and completeness of nil cash balance as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1518. Mr. Daniel Mwaluko indicated that the board of survey certificate had since been presented to the auditor for review.

Committee Observations

1519. The Committee observed that-

- i) The Fund Account Manager had not provided at the time of the audit the Board of survey reports to support the cash balance; and

- ii) The survey reports were however submitted to the auditor for review and verification.

Committee Recommendations

1520. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

7.2.3.4 Outstanding imprest

1521. The statement of financial assets as at 30 June 2016 reflected imprest balance of Kshs. 88, 600 that was issued to an officer on 09 May 2007. Delay in surrendering the imprest contradicts Regulation 93 of the PFM(National Government) Regulations, 2015 which requires an officer with outstanding imprest to account for or surrender the same within seven (7) days of return to a duty station or completion of the task for which the imprest was issued. In the circumstance, recoverability of the un-surrendered imprest of Kshs. 88,600 as 30th June 2016 is doubtful.

Submission by the Fund Account Manager

1522. The Fund Account Manager indicated that included in the statement of financial assets 30th June, 2016 is an outstanding imprest of Kshs. 88,600 issued to Francis Kimotho personal No. 89102732 of Ministry of Water and Irrigation for conducting a geological survey for Taveta Constituency on 9th May, 2007. The management wrote to Chief Executive Officer, Water Resources Management Authority on 20th July, 2011, the Head of Accounting Unit, Ministry of Water and Irrigation on 2nd of June, 2010, the Permanent Secretary, Ministry of Water and Irrigation On 11th June, 2009, and the Permanent Secretary, Ministry of Water and Irrigation on 15th August, 2008 and the Chief Executive officer, Constituencies Development Fund Board on 4th September, 2012. The correspondence had been presented to the auditor for review.

Committee Observations

1523. The Committee observed that the Fund had not managed to trace the holder of the long outstanding imprest.

Committee Recommendations

1524. The Committee recommends that-

- 1) The Accounting Officer should within three months after the adoption of this report, ensure that the Fund Account Manager recovers the outstanding imprest from the Officer from the Ministry of Water & Sanitation, Irrigation failure to which the Accounting officer should recover the full imprest from the Fund Account Manager and report the recovery to the Auditor general for reporting in the next audit cycle; and

- 2) The Accounting Officer ensures that Fund Account managers adhere to the provisions of Section 71 (2) of the PFM Act, 2012 and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.

7.2.3.5 Use of goods and Services-Committee allowance

1525. Note 5 to the financial statements reflected Kshs. 3,313,700 in respect of committee allowances but the names of the payees, nature of allowances paid and dates of payment were not availed for audit review. Therefore, it had not been possible to confirm the propriety of the expenditure.

Submission by the Fund Account Manager

1526. The Fund Account Manager submitted that supporting schedules indicating names of payees, nature of allowances paid and dates of payment had been presented to the auditor for review.

Committee Observations

1527. The Committee observed that the Fund Account Manager had not provided at the time of the audit the supporting schedules indicating names of payees, nature of allowances paid and dates of payment. The supporting schedules were however submitted to the auditor for review.

Committee Recommendations

1528. The Committee recommends that the Accounting Officer ensures the Fund Account Manager complies with section 43 (11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.

7.2.3.6 Domestic travels and subsistence allowance

1529. Note 5 to the financial statement reflected Kshs. 1,031,800 relating to domestic travel and subsistence allowance payment out of which Kshs. 112,600 was not supported with invitation letters and attendance registers. As a result, the propriety and completeness of domestic travel and subsistence allowances expenditures of Kshs 112,600 for the year under review could not be confirmed.

Submission by the Fund Account Manager

1530. The Fund Account Manager submitted that the supporting schedules for the expenditure had since been presented to the auditor for review.

Committee Observations

1531. The Committee observed that the Fund Account Manager did not provide at the time of audit the supporting documents on domestic travels and subsistence allowance payment. However, the documents were later availed to the auditors for review.

Committee Recommendations

1532. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during the audit period as required under section 9(1)(e) Public Audit Act, 2015.

7.2.3.7 Transfers to other Government entities

1533. The statement of receipts and payment for the year ended 30 June 2016 reflected transfers from other government entities of Kshs. 131,048,776 while records maintained by the National Government Constituency Development Fund Board reflected a figure of Kshs. 70,000,000, resulting in a variance of Kshs. 61,048,776 which the management had not explained. As a result, the accuracy, validity and completeness of the transfers from other Government entities of Kshs. 131,048,776 for the year ended 30th June, 2016 could not be confirmed.

Submission by the Fund Account Manager

1534. The Fund Account Manager indicated that included in the statement of receipts and payments for the year ended 30th June, 2016 is Kshs. 131,048,776 as transfers to other Government entities. The supporting AIE's for the period under review were presented to the Auditor.

Committee Observations

1535. The Committee observed that the Fund Account Manager received Kshs. 131,048,776 and therefore, there was no variation.

7.2.3.8 Transfers to other Government units

1536. Note 6 to the financial statements reflected transfers to secondary schools totaling Kshs. 15,500,000 out of which a sum of Kshs. 2,000,000 had been transferred to Mahoo Secondary School for the construction of a multipurpose hall. The contract had been awarded to a construction company at a contract sum of Kshs. 6,106,310. However, records availed for audits review indicated that the project management committee awarded the tender through a request for quotation method instead of national open tender method, contrary to the first schedule of the Public Procurement and Asset Disposal Regulations, 2006 which sets a minimum of Kshs. 4,000,000 for use of national open tender method of procurement.

1537. Consequently, the propriety and value-for-money for Kshs. 2,000,000 spent on the construction of a multipurpose hall for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1538. The Fund Account Manager indicated that the project was co-financed by NG-CDF Taveta at a cost of Kshs. 2,000,000 and KPA at a cost of Kshs. 5,000,000. The project management committee used restricted tendering for locally prequalified contractors.

The reason for use of restricted tendering had since been explained to the auditor. The contract agreement for the NG-CDF component was availed to the auditor.

Committee Observations

1539. The Committee observed that the project tender was awarded through quotations, contrary to the provisions of the Public Procurement and Asset Disposal Regulations, 2006 which requires tenders above Kshs. 4,000,000 to be awarded through the national open tender method hence the audit query is not resolved.

Committee Recommendations

1540. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with provisions of Public Procurement and Asset Disposal Act, 2015 and its Regulations.

7.2.3.9 Bursaries to secondary schools

1541. Note 7 to the financial statements reflected bursary payments totaling Kshs. 4,500,000 made for secondary schools. However, documentary evidence of receipts by beneficiaries of bursaries totaling Kshs. 1,182,000 had not been availed for audit verification. Further, included in the bursaries figure is Kshs. 229,000 reallocated from the emergency vote but board approval for reallocation had not been availed for audit verification. Consequently, the propriety of a bursary of payment totaling Kshs. 1,411,000 for the year ended 30th June, 2016 could not be confirmed.

Submission by the Fund Account Manager

1542. The Fund Account Manager presented that during the review period bursary acknowledgment letters and receipts were still being received from the beneficiaries. And the same had been shared with auditor Kshs. 229,000 was reallocated from the emergency kitty to enable needy students to proceed with their studies. The constituency did not exceed the threshold as per CDF Act, 2015.

Committee Observations

1543. The Committee observed that the Fund Account Manager did not provide documentary evidence for transferring funds from the emergency vote to bursaries

Committee Recommendations

1544. The Committee recommends that:

- 1) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The NG-CDF Board should develop an over-arching bursary policy framework to guide constituencies' in-line with the needs of the constituency. Each NG-

CDF bursary committee establishes criteria and guidelines for identifying, categorizing and awarding bursaries to needy students.

7.2.3.10 Bursaries to Tertiary Institutions

1545. Note 7 to the financial statement reflected bursary payments totaling Kshs. 1,500,000 made to tertiary institutions but acknowledgment letters from the institutions and receipts for bursaries amounting to Kshs. 1,040,000 were not availed for audit verification. Consequently, the propriety of bursary payments totaling Kshs. 1,040,000 for the year ended 30 June could not be confirmed.

Submission by the Fund Account Manager

1546. Mr. Daniel Mwaluko submitted that the acknowledgment letters and receipts were still being received during and after the audit and had since been shared with the auditor for review.

Committee Observations

1547. The Committee observed that the Fund Account Manager did not provide documentary evidence for transferring funds from the emergency vote to bursaries.

Committee Recommendations

1548. The Committee recommends that:

- 1) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents;
- 2) The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries; and
- 3) The NG-CDF Board considers allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

7.2.3.11 Environment Projects

1549. Note 7 to the financial statements reflected transfers totaling Kshs. 700,000 made to environment projects. Records availed for audits review indicated that the budget was for purchase of the tree seedlings for planting at Kitobo Secondary School, Kimala Irrigation Scheme, Chala Secondary School, Challa Tuhire Irrigation Scheme, Bishop Njenga Secondary School and Rekeke Model Health Centre. Further, the records indicated that the project management committee re – allocated the funds to Njoro High School, Kiwalwa Dispensary, Ngitini Secondary Scheme, Kamleza Scheme and St. Norbert Primary School. However, Board approvals of the re-allocations were not availed for audits verifications. Consequently, the propriety and value for money for the expenditure of Kshs. 700,000 reported to have been incurred on purchase of trees seedlings for the year review could not be confirmed.

Submission by the Fund Account Manager

1550. Mr. Daniel Mwaluko indicated that the distribution schedules and approved code list from the NG-CDF Board supporting the expenditure had since been shared with the auditor for review.

Committee Observations

1551. The Committee observed that the Fund Account Manager had not provided Board approvals of the re-allocations. However, the documents were later provided to the auditors for review.

Committee Recommendations

1552. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor General during the audit period as required under section 9(1)(e) Public Audit Act, 2015.

7.2.3.12 Budgetary control and performance

1553. During the year under review the fund had a budget of Kshs. 134,105,538 but incurred expenditure of Kshs. 128,374,028 equivalents to 95.7% of the budget, resulting in net under – expenditure of Kshs. 5,606,457 or 4.3% as shown below:

Item	Budget (Kshs)	Expenditure (Kshs)	Under Absorption (Kshs)	Over Expenditure (Kshs)	%
Compensation of employees	2,218,704	1,542,320	676,384	-	30.5
Use of goods and services	6,065,589	5,065,608	999,981	-	16.5
Transfers to other government units	95,650,000	93,650,000	2,000,000	-	2.1
Other grants and transfers	28,242,292	27,721,000	521,292	-	1.9
Acquisition of assets	270,000	395,100	-	125,100	46.3
Other payments	1,659,000	-	1,659,000	-	100.0
TOTAL	134,105,584	128,374,028	5,731,557	125,100	

1554. The underutilization of funds by Kshs. 5,731,557 indicates that the budget was not implemented as planned hence; delivery of goods and services to residents of Taveta Constituency was curtailed to some extent.

Submission by the Fund Account Manager

1555. Mr. Daniel Mwaluko confirmed that included in the budgetary control and performance report was under expenditure of Kshs. 5,606,457 reflecting 4.3% underperformance which was caused by the project that were ongoing and employees' salaries for July, August and September 2016 that had been budgeted for.

Committee Observations

1556. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury while over expenditure was due to rollover funds from previous years.

Committee Recommendation

1557. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.2.3.13 Implementation of projects

1558. The projects status report as at 30 June 2016 availed for audits review indicated that Kshs. 85,250,000 was allocated to 35 projects while Kshs. 83.350,000 or 97.8% was disbursed during the year under review. Further the report indicated that cumulative disbursement totaled Kshs. 241,022,966 against cumulative expenditure of budget. Further, no funds were spent on Challa Primary School Projects in 2015/2016, despite the project having started in the previous year, a situation which contributed to low implementation level of 66% as at June 30 2016. The total unspent funds amounting to Kshs. 8,832,181 indicate that the project's funds were not implemented as planned. This impacted service delivery to the resident of Taveta constituency negatively.

Submission by the Fund Account Manager

1559. Mr. Daniel Mwaluko acknowledged that included in the implementation of the project report is unspent balance Kshs. 8,832,181 or 3.7% under expenditure. This was in regard to ongoing projects during the period under review.

Committee Observations

1560. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury while over expenditure was due to roll over funds from previous years.

Committee Recommendations

1561. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.2.3.14 Verification of projects

1562. In the course of the audit, twenty (20) projects with total disbursement of Kshs. 76,750,000 were inspected in the month of April 2017 and many anomalies noted. As a result of the anomalies noted during the audit inspection, the propriety of expenditure totaling Kshs. 76,750,000 incurred on Taveta CDF projects during the year ended 30th June, 2016 could not be confirmed.

Submission by the Fund Account Manager

1563. The Fund Account Manager submitted that the anomalies and defects had since been corrected and documents shared with auditor for review:

- i. Taveta sub-county police divisional headquarters project. The project tender register and advertisement had since been availed to the auditor for review. The vandalized sliding windows had since been repaired and project handed over.
- ii. Bishop Njenga secondary school project. The cracks noted on one wall and pavement for the twin staff houses had been corrected and certificate of making good defects issued to the contractor and shared with the auditor for review.
- iii. Chala secondary school project. Inspection and acceptance committee report and certificate of making good defects issued to the contractor and had since been shared with auditor for review.
- iv. KMTC Taveta project. The project was ongoing and interim certificates and schedule of expenditure break down for Kshs. 565,126 pme administrative expenses had since been shared to the auditor for review.
- v. Kitobo chiefs' office. The project had been labeled and the photograph shared with the auditor for review.
- vi. Chala youth polytechnic. The completion certificate and ownership documents had since been shared with the auditor for review.
- vii. Njukini primary school. The certificate of making good defects issued to the contractor had since been shared to the auditor for review.
- viii. Rekeke primary school. The certificates of completion and handing over minutes had since been shared to the auditor for review.
- ix. Lotima primary school. The certificate of completion had been availed to the auditor for review.
- x. Eldoro primary school. The certificate of making good defects issued to the contractor had been availed to the auditor for review.
- xi. Mata primary school. The certificates of completion had since been shared with the auditor for review.
- xii. Chala water project. Kshs. 298,840 was paid after the retention period was over due to delays of releasing fund to the project.
- xiii. Chala water project. Inspection and acceptance committee report and completion certificate had since been availed to the auditor for review.
- xiv. Majengo primary school. Inspection and acceptance committee report and bank statements had been availed to the auditor for review.
- xv. Majengo Primary School. Inspection and acceptance committee report had been availed to the auditor for review. The emergency occurred during the financial year.
- xvi. Jipe primary school. The rehabilitation of three classrooms whose roof was blown off by strong wind was still ongoing during the time of audit.

- xvii. Mahoo Girls secondary school. The quotations and engineers' certificate of work done had since been shared with the auditor for review.
- xviii. Njukini model health center. The certificates of making good defects issued to the contractor had been shared to the auditor for review.
- xix. Rekeke model health center. The certificates of making good defects issued to the contractor had been shared to the auditor for review.
- xx. Taveta technical training institute. Kshs. 1,000,000 was allocated from emergency for pipe laying to provide water to the institution to make it operational. The ownership document had been shared with the auditor for review.

Inspection visit by the Committee

- 1564. The Committee visited Mahoo Secondary School and inspected the construction of dormitory and dining area. It was verified that the projects were complete and in use and therefore value for money was realized.

Committee Observations

- 1565. The Committee observed that the projects with anomalies were corrected within the defect liability period and those abandoned had been completed.

Committee Recommendations

- 1566. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager only pays for works done based on completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds be retained for defect liability period.

7.3 VOI CONSTITUENCY

1567. Mr. Stephen Charo, the current Fund Account Manager since 2019 appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Voi Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Ms. Amina Ali, Former Fund Account Manager (Feb. 2014 to Dec. 2016)

7.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1568. The Auditor General raised seven audit Matters during examination of financial statements of Voi Constituency for the year 2013/2014.

7.3.1.1 Use of Goods and Services

1569. Included in the statement of receipts and payments for the year ended 30th June 2014 is an amount of Kshs. 1,406,317 in respect of use of goods and services of which no reporting schedules and payments list generated from IFMIS were availed for audit review. Consequently, it was not possible to confirm the propriety of Kshs. 1,406,317 being expenditure on use of goods and services for the year ended 30th June 2014.

Submission by the Fund Account Manager

1570. Mr. Stephen Charo submitted that the expenditure for use of goods and services and all supporting schedules had since been provided to the auditors for verification in hard copies. However, at CDF we do not use IFMIS, thus no generated IFMIS schedules.

Committee Observations

1571. The Committee observed that-

- i) The Fund Account Manager had not provided at the time of audit the supporting schedules and documentations to support the use of goods and services expenditure; and
- ii) The documentations were however submitted to the auditor for review and verification.

Committee Recommendations

1572. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents.

7.3.1.2 Committee Expenses

1573. Included in the statement of receipts and payments for the year ended 30th June 2014 is an amount of 3,745,777 in respect of committee expenses comprising other committee

expenses of Kshs. 1,515,777 and committee allowances of Kshs. 2,230,000 whose supporting expenditure schedules and IFMIS generated payments voucher were not availed for audit verification. Further the register of committee meeting was also not provided for audit verification.

Submission by the Fund Account Manager

1574. Mr. Stephen Charo submitted that supporting schedules and payments vouchers with the supporting documents including attendance register had been provided to the auditors for verification. However, at CDF they do not use IFMIS.

Committee Observations

1575. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of audit the supporting schedules and documentations to support the committee expenses expenditure.
- (ii) The documentations were later submitted to the auditor for audit review and verification.

Committee Recommendations

1576. The Committee recommends that:

- 1) The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015; and
- 2) The Accounting Officer ensures that the Fund Account Manager complies with section 43(11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.

7.3.1.3 Delayed Completion of Constituency Office Complex

1577. Included in the statements of receipts and payments for the year ended 30th June 2014 was Kshs. 3,878,686 where by an amount of Kshs. 3,368,686 was in respect of construction of buildings whose supporting schedules reflected Kshs. 4,438,686 resulting to unexplained or reconciled excess expenditure of Kshs. 1,070,000. Further the land on which the complex is constructed belongs to the community and therefore the Fund did not have title deed for it.

1578. Documents availed indicated that the project started on 30 August 2011 and was supposed to be completed within 24 weeks but as at the time of the audit in January 2015, construction of work had not been completed and the contractor was still on the site. No explanation had been given for the delay also tender documents were not available for audit verification and as such and it could not be ascertained how the contractor was evaluated and awarded the construction contract.

Submission by the Fund Account Manager

1579. The Fund Account manager submitted that delay in completion of the constituency office complex was as a result of late disbursement of funds by the CDF Board.

Committee Observations

1580. The Committee observed that:

- i) The delayed Completion of Constituency Office Complex was because of late disbursement of funds by the CDF Board;
- ii) The fund Account Manager did not submit title deed to the land on which the CDF office is located; and
- iii) There was no explanation on the excess expenditure of Kshs. 1,070,000.

Committee Recommendations

1581. The Committee recommends that:

- 1) The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies;
- 2) The Accounting Officer ensures that the Fund Account Manager avails the supporting documents on title deed during the subsequent audit cycle; and
- 3) The Accounting Officer ensures that the Fund Account Manager avails the supporting documents on the excess expenditure and completion certificate of the CDF office during the subsequent audit cycle.

7.3.1.4 Inaccuracies in the Financial Statements

1582. The statements of receipts and payments for the year ended 30 June 2014, reflected total of Kshs 73,197,135 which is at variance with the summary statement of appropriation figure of Kshs. 73,058,449. The difference of Kshs. 138,686 between the figures had not been explained or reconciled. Consequently, the accuracy of two statements for the year ended 30 June 2014 could not confirmed.

Submission by the Fund Account Manager

1583. Mr. Stephen Charo submitted that as at 30 June 2014, the total payments were Kshs. 73,197,135. The difference between statements of receipts and payments, and that of the summary statement of appropriation, was caused by casting error of Kshs. 138,686.00, which now stand corrected.

Committee Observations

1584. The Committee observed that-

- i) There was a variation between the statements of receipts and payments and summary statement of appropriation caused by casting error; and
- ii) The noted errors were corrected and supporting documents submitted for audit review and verification.

Committee Recommendations

1585. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.3.1.5 Transfers to Health Institutions

1586. Note 7 to the financial statements reflected transfers to health institutions figure of Kshs. 1,400,000 which is different from the supporting schedule figure of Kshs. 1,450,000 by a difference of Kshs. 50,000 and which had not been explained or reconciled. In the circumstances, the validity and accuracy of transfers to health institutions of Kshs. 1,400,000 could not confirmed for the year ended 30 June 2014.

Submission by the Fund Account Manager

1587. Mr. Stephen Charo submitted that the transfers to Health Institutions of Kshs. 1,450,000 were done accordingly. The difference of Kshs. 50,000 was misquoted/misstated.

Committee Observations

1588. The Committee observed that the error was corrected and supporting documents submitted for audit review and verification.

Committee Recommendations

1589. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.3.1.6 Unaccounted Disbursements

1590. Included in the transfer to other government units of Kshs. 37,745,777 is a total of Kshs. 1,000,000 transferred to Marungu Secondary School of which bank statements showing receipts by the school were not availed for audit review. Consequently, the propriety of Kshs. 1,000,000 included in the transfers to other government units of Kshs. 37,745,777 could not be confirmed for the year ended 30 June 2014.

Submission by the Fund Account Manager

1591. The Fund Account Manager reported that the transfers to other Government Units of Kshs. 37,745,777 were done precisely. The Kshs. 1,000,000 transferred to Marungu Secondary School was received and reflected to the PMC bank account on 25/09/2013. The Payment Voucher and PMC bank statement was provided for audit review.

Committee Observations

1592. The Committee observed that the Fund Account Manager did not provide supporting documentations to show that Marungu Secondary School received the Kshs. 1,000,000 and the audit query is not resolved.

Committee Recommendations

1593. The Committee recommends that within three months upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager provides documentation for the transfer of Kshs. 1M Marungu Secondary School, to the Auditor General for audit review and reporting in the subsequent audit cycle.

7.3.1.7 Cash and Cash Equivalents

1594. Included in the statement of financial assets and liabilities as at 30 June 2014 is Cash and Cash equivalents of Kshs. 2,280,932. However, excluded from the balance of Kshs. 2,280,932 is cash in hand amount of Kshs. 514,705 that had not been supported with a certificate of board of survey. Further, the bank balance as per cashbook reflected Kshs. 2,290,932 while the financial statements reflected a balance of Kshs. 2,280,932 resulting in unexplained or reconciled difference of Kshs. 10,000. Also, no bank reconciliation statement as at 30 June 2014 was provided for audit review.
1595. Further a review of the available bank statements as at 30 June 2014 indicated that a bank balance of Kshs 6,075,769 as at 30 June 2014. However, no bank confirmation certificate was availed for audit review. In the circumstances it had not been possible to ascertain the validity, accuracy and completeness of cash and cash equivalent balance of Kshs. 2,280,932 as at 30 June 2014.

Submission by the Fund Account Manager

1596. The Fund Manager submitted that the error in Cash and Cash Equivalent highlighted in the Audit Report of Kshs. 10,000.00 was as a typo in the financial statement, which did not affect the ultimate status of the financial statement. The bank reconciliation, cashbook and bank statement to ascertain the correct bank and cashbook balances, and to show all the reconciling items in the bank statement was provided for audit review.

Committee Observations

1597. The Committee observed that-

- (i) Cash in hand amount of Kshs. 514,705 was not supported with a certificate of board of survey;
- (ii) Bank reconciliation statement as at 30 June 2014 was not provided for audit review; and
- (iii) There was unexplained variance on bank balance as per cashbook and as per the financial statements.

Committee Recommendations

1598. The Committee recommends that--

- 1) The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1599. The Auditor General raised eight audit Matters during examination of financial statements of Voi Constituency for the year 2014/2015.

7.3.2.1 Inaccuracies in the Financial Statements

1600. The financial statements availed for audit review for the year ended 30 June 2015 had the following inaccuracies:

- (a) The summary statement of appropriation: Recurrent and development combined for the year ended 30 June 2015 reflected acquisition of assets budget of Kshs. 6,000,000 against expenditure of Kshs. 5,606,308 [93.5%], resulting to under expenditure of Kshs. 393,692 [6.5%] but which had not been reflected under budget utilization difference.
- (b) The summary statement of appropriation: Recurrent and development combined for the year ended 30 June 2015 reflected other grants and transfers budget of Kshs. 49,700,816 and actual expenditure of Kshs. 47,333,931 with a budget utilization difference indicated as Kshs. 2,196,436.00 resulting to a variance of Kshs. 170,449 which was not been explained nor reconciled. Further, the surplus of Kshs. 17, 059, 553.30 shown in the statement of receipts and payments is not reflected in this financial statement.
- (c) The statement of financial assets reflected bank balance of Kshs. 18,990,486 while Note 10 on the same reflected a balance of Kshs. 19, 340, 486 resulting to a variance of Kshs. 350,000 not explained nor reconciled.
- (d) The statement of financial assets reflected Note 12 as fund balance brought forward of Kshs. 2, 280,933. However, these financial statements do not contain Note 12.
- (e) The financial statements at page 13 did not reflect the client's name, year and name of the statement contrary to the requirements of International Public Sector Accounting Standards.

Submission by the Fund Account Manager

1601. The Fund Account Manager acknowledged the errors and omissions in the financial statements and informed that the same had been corrected. The corrected Appropriation table was availed and the corrected Statement of receipts and payments were provided for audit verification.

Committee Observations

1602. The Committee observed that the error was corrected and supporting documents submitted to the auditors for review and for audit verification.

Committee Recommendations

1603. The Committee recommends that Accounting Officer to ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and

adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.3.2.2 Transfers from CDF Board- AIEs Received

1604. The statement of receipts and payments for the year ended 30 June 2015 reflected Kshs. 111,523,346 in respect of transfers from CDF Board – AIEs received while CDF Board Circular NO. CDF BOARD/CIRCULARS/VOIL.1.1/170 of July 2014 indicates transfer figure of Kshs. 99,972,618, resulting to a variance of Kshs. 11,550,728 which had not been reconciled nor explained. Consequently, the accuracy and completeness of Kshs. 111, 523,346 in respect of transfers from CDF Board – AIEs Received for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1605. Mr. Stephen Charo submitted that the variance of Kshs. 11,550,728 are funds from the previous year as detailed in the appropriation table under adjustment were availed to the auditor.

Committee Observations

1606. The Committee observed that the difference of Kshs. 11,550,728 is funds from the previous year.

Committee Recommendations

1607. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.3.2.3 Transfers to Other Government Units

1608. Included in the statement of receipts and payments for the year ended 30 June 2015 is an amount of Kshs. 32,752,759 in respect of transfers to other governments units, out of which Kshs. 5,932,759 relates to transfers to health institutions. However, of the amount transferred to health institutions, Kshs. 4,482,759 as detailed below was paid to 4 [four] health institutions which were not in the approved project proposal list availed for audit review.
1609. Further, the project files, completion certificates and site inspection reports by the line ministry for these projects were not availed for audit verification. Consequently, the propriety and validity of transfers to health institutions of Kshs. 4,482,759 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1610. The Fund Account Manager submitted that the letter from the Board Secretariat dated July 18, 2014, with the additional approved code list following a presidential directive

as detailed circular Ref: CDFBOARD/CIRCULARS/VOL1.1/170 dated 10th July 2014 was provided for verification.

Committee Observations

1611. The Committee observed that the Fund Account Manager did not provide the project files, completion certificates and site inspection reports at the time of audit to support the expenditure.

Committee Recommendations

1612. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

7.3.2.4 Other Grants and Transfers

a) Constituency Sports Projects

1613. Included in the other grants and transfers balance of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 1,926,450 paid to two suppliers for supply of sports materials and equipment. However, the inspection and acceptance committee report, stores register where the sports materials and equipment were recorded and distribution list were not availed for audit verification.

Submission by the Fund Account Manager

1614. The Fund Account Manager submitted that there was missing sports materials records and distribution list of Kshs. 1,926,450.00. He stated that it's true that the Constituency Tournament was conducted but there were such missing records. He further submitted that the Fund endeavor to improve its internal controls, and shall ensure all the consumable items for office use and other activities are recorded in consumable ledger records.

Committee Observations

1615. The Committee observed that-

- (i) The Fund Account Manager had not provided the inspection and acceptance committee report, stores register where the sports materials and equipment were recorded and distribution list to support the expenditure; and
- (ii) The documents were however provided to the auditor for review.

Committee Recommendations

1616. The Committee recommends that the Accounting Officer ensures that the Fund Account managers put in place proper control systems for safeguarding public

assets in line with Regulation 139 of PFM (National Government) Regulations, 2015

7.3.2.5 Transfers to Primary Schools

1617. Included in other grants and transfers balance of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 12,820,000 transferred to primary schools of which Kshs. 3,500,000 comprising; Kshs 2,000,000 for construction of a classroom at Ghazi Primary School and Kshs. 1,500,000 for a similar purpose at Buguta Primary School. However, quotations and contract agreements for the construction of these classrooms were not availed for audit verification. Details on how the bidders were invited, winners identified and terms and conditions of the contracts were not availed for audit review. Consequently, the propriety and value for money for Kshs. 3,500,000 transferred to primary schools for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1618. For Ghazi Primary School – Construction of a classroom: Kshs. 2,000,000- the Fund Manager submitted that the activities were misstated; these were renovation works to school buildings amounting to Kshs. 6,351,369.85 thus 25 doors. At the time of audit, the works were ongoing, until now the project is ongoing (two classrooms & Verandah of 3 classrooms not yet) because funds were disbursed in phases. Copies of quotations and agreement were provided for verification. Complete ones were in use.
1619. For Buguta Primary School – Construction of a classroom: Kshs. 1,500,000 [Emergency P.V. No. 914 Chq No. 4324], the Fund Account Manager disclosed that the funds were disbursed to handle the emergency works reported, i.e., three Classrooms whose roof was blown off by strong winds and the back elevation wall had many major cracks due to the force of wind. Copy of the minutes and the estimated cost of construction was provided for review. The construction works were labour based, materials were supplied through LPO to respective hardware (Joe Timber & Hardware Investment Ltd), who had the ability to supply large quantities of materials before payment processing.
1620. The labour work was prioritized to school parents who had done masonry, while PMC were monitoring day to day works/activities; this was to economically empowering the community due to harsh living conditions in the Marungu area. The classrooms are complete and in use.

Committee Observations

1621. The Committee observed that the Fund Account Manager did not provide quotations and contract agreements for the construction of these classrooms for audit verification to support the expenditure

Committee Recommendations

1622. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

7.3.2.6 Transfers to Secondary Schools

1623. Included in the other grants and transfers balance of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 3,500,000 relating to transfers to secondary schools of which the following observations were made:

- i). A total of Kshs. 2,000,000 was transferred to Makwasinyi Girls Secondary School for construction of a girl's dormitory. However, quotations for the contract agreement and certificate of completion were not availed for audit verification.
- ii). An amount of Kshs. 1,500,000 was transferred to Marungu Secondary School for construction of a dormitory which was done through labour-based contract. However, inspection and acceptance committee report on construction materials procured for the project were not availed for audit review. Further, the materials were purchased from non-prequalified suppliers. Consequently, the propriety and value for money for Kshs. 3,500,000 transferred to secondary schools for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1624. The Fund Account Manager submitted that at the time the constituency received the funds there was a letter brought to the office, written to CDF by Njoroge & Njoroge Company Advocates on behalf of the contractor – Reel Building & Construction Engineers to pay his long overdue debt of Kshs. 2,256,234.80. So, the payment of Kshs. 1,400,000 was handed priority to avoid court cases. The two million was not enough to remit all the debt, so there was need of more funds from emergency to handle the case fully; thus, the emergency P.V No 887 Chq No: 4240 amount Kshs. 500,000. Marungu Secondary School – Construction of Dormitory: Kshs. 1,500,000. The works were evaluated through full contract and seen that it will be more expensive so the PMC opted to Labour-based contract.
1625. The materials were procured through supply quotations to various hardware and MT Carmel Timberland & hardware won the tender but at some point, he was reluctant/delayed to supply materials hence there was need to stop and do another tendering which was won by Oricha Hardware who is still supplying up to today. The dormitory is at plastering stage awaiting more funds.

Committee Observations

1626. The Committee observed that the Fund Account Manager did not provide quotations for the contract agreement and certificate of completion for audit verification to support the expenditure.

Committee Recommendations

1627. The Committee recommends that within three months upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager provides supporting documents to the Auditors General for audit review and reporting in the subsequent audit cycle.

7.3.2.7 Water projects

1628. Included in the other grants and transfers figure of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 16,285,000 in respect of grants to water projects to water projects of which completion certificates and site inspection reports by respective technical departments of the government were not availed for audit review. Consequently, the propriety and value for money for Kshs. 16, 285,000 disbursed to the project for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1629. The Fund Account Manager submitted that he had provided the copies for site inspections reports by respective technical government departments and completion certificates of the water projects:
- i) Makwasinyi Girls Secondary School – Kshs. 500,000
 - ii) Buguta Primary School – Kshs. 1,500,000
 - iii) Wongonyi Dispensary – Kshs. 400,000
 - iv) Mwakingali Water Project – Kshs. 1,000,000
 - v) Makwasinyi Girls Secondary School - was funded to handle the long overdue debt of Kshs. 2,256,234.80, as explained in Note 4.3 above. The amount disbursed was Kshs. 2,500,000 (excess was used to pay school electricity installation bill).
 - vi) Buguta Primary School - the funds were disbursed to cater the emergency of renovation of the three classrooms whose roof was blown off by strong winds, and the back elevation wall which was left with major cracks.
 - vii) Wongonyi Dispensary – the funds were to renovate and partition the house so as it can serve as Health Centre in the area. This was to bring health services near to the upland people of Ngolia ward, who were to travel more than 30Km to Moi Hospital Voi town. Copies of inspection reports from the ministry of health and county Health Department were submitted to the auditor.

- viii) Mwakingali Water Project – the funds were allocated for purchasing & laying distribution lines in Mwakingali 'A' village. The villagers requested for funds in a village meeting called upon by the Area MP. He promised to work upon the issue come end of year thus the funding. The project is complete and in use. Inspection and completion certificates were submitted to the auditor.

Committee Observations

1630. The Committee observed that the Fund Account Manager did not provide completion certificates and site inspection reports by respective technical departments of the government for audit verification to support the expenditure.

Committee Recommendations

1631. The Committee recommends:

- 1) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) Within three months upon adoption of this report, the Accounting Officer should ensure that the Fund Account Manager provides certificates of completion to the Auditor General for audit review and reporting in the subsequent audit cycle.

7.3.2.8 Emergency Projects

1632. Included in the other grants and transfers figure of Kshs. 47,333,931 shown in the statement of receipts and payments for the year ended 30 June 2015 is Kshs. 7,550,000 in respect of disbursements to emergency projects of which the project files were not availed for audit verification.

1633. Further, payment vouchers availed for audit review indicated that Kshs. 3,400,000 was disbursed to four schools for emergency. However, the vouchers were not supported with request for funding by the Project Management Committees, Engineer's estimate of costs and report of Inspection and Acceptance Committee. Consequently, the property and value for money for Kshs. 7,550,000 disbursed and spent on emergency projects for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1634. The Fund Manager submitted that the project files for the emergency projects, request for funding by the Project Management Committees, Engineer's estimate of costs and report of Inspection and Acceptance Committee had been provided to the auditor for review.

Committee Observations

1635. The Committee observed that at the time of audit, the Fund had not provided Engineer's estimate of costs and report of Inspection and Acceptance Committee, and project files for audit verification. The documents had since been submitted to the auditor for review.

Committee Recommendations

1636. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(c) Public Audit Act, 2015.

7.3.2.9 Cash and cash Equivalents.

1637. The statement of financial assets indicates a bank balance of Kshs. 18,990,486 as at 30 June 2015. However, the bank reconciliation statement availed for audit indicated a cashbook balance of Kshs. 573,767 resulting to unexplained nor reconciled variance of Kshs. 18,416,719 in addition, the bank reconciliation statement reflected a bank balance of Kshs. 12,848,800 of which the supporting certificate of bank balance was not availed for audit review and unpresented cheques totaling Kshs. 12,274,778 whose dates of subsequent clearance in the bank were not indicated.
1638. Further, included in the cash and cash equivalents balance of Kshs. 19,340,486 shown in the statement of financial assets as at 30 June 2015 is outstanding imprest of Kshs. 350,000 which is at variance with the recomputed balance of Kshs. 364,704. The variance of Kshs. 14,704 between the two figures had not been explained nor reconciled. Under the circumstance the accuracy and completeness of cash and cash equivalents balance of Kshs. 19,340,486 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1639. The Fund Account Manager submitted that the errors were corrected and the amended Financial Statements with the supporting schedules and evidence provided for audit review.

Committee Observations

1640. The Committee observed that-
- (i) The Fund Account Manager did not maintain and up-to-date and accurate financial records; and
 - (ii) The unpresented cheques were reversed and the anomalies amended in the financial statement. However, bank certificate have not been availed for audit verification.

Committee Recommendations

1641. The Committee Recommends that:
- 1) The Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence

to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and

- 2) Within three months of adoption of this report, the Accounting officer ensures that the Fund Account Manager avails supporting documents to the Auditors General for audit review and reporting in the subsequent audit cycle.

7.3.2.10 Unremitted Statutory Deductions.

1642. The statement of receipts and payments for the year ended 30 June 2015 includes compensation of employees' balance of Kshs. 877,717 included in this were NHIF and NSSF deductions totaling Kshs. 107,520 deducted from staff salaries but not remitted to the respective authorities. The unremitted amount consisted of NSSF and NHIF deductions of Kshs. 86,400 and Kshs. 21,120 respectively which attracted penalties totaling Kshs. 94,320. As a result, the Fund stands to lose Kshs. 94,320 as a result of penalties on the unremitted statutory deductions. In the circumstances, the Fund is in breach of the law.

Submission by the Fund Account Manager

1643. The Fund Account Manager submitted that the management acknowledges non-remittance of statutory deductions for the audited period. The unremitted amounts were later cleared vide cheques. No 005092 of Kshs. 160,272.00 and cheque No.005091 of Kshs. 91,200.00 for NSSF and NHIF respectively. Also, to support the response were voucher numbers 57 and 58, NHIF and NSSF respectively. The remittance had therefore been up to date since the correction was made. During the audit period the management was in the process of recruiting a technical person to facilitate the same as envisaged in CDF Act Section 45 (1) Staff of the Constituency Committee.

Committee Observations

1644. The Committee observed that-

- i) The Fund Account Manager had not filed statutory deductions on time-NHIF & NSSF in contravention to the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No 9 of 1998; and
- ii) Delay in remittances of statutory deductions (NHIF and NSSF) results to penalties and fines.

Committee Recommendations

1645. The Committee recommends that the Accounting Officer ensures that all the Fund Account Managers and PMCs comply with statutory deduction requirements, withhold/deduct and remitted all the statutory deductions on time to avoid possible fines and penalties accruing due to non-compliance.

7.3.2.11 Fixed Assets

1646. Annex 1 to the financial statements at reflected a fixed assets balance of Kshs. 22,515,816 as at 30 June 2015. However, the fixed assets register in support of the balance was not availed for audit verification. Further, Annex I indicated that fixed assets opening balance of Kshs. 21,600,000 and a closing balance of Kshs. 22,515, 816, which is an increase of additions of Kshs. 915, 816 between the two years. However, the increase is at variance with the acquisition of assets cost of Kshs. 5,606,308 shown in the statement of receipts and payments for year under review. The variance of Kshs. 4, 690,492 between the two figures had not been explained nor reconciled. Consequently, the details of the assets and the accuracy and completeness of fixed assets balance of Kshs. 22,515,816 as at 30 June 2015 could not confirmed.

Submission by the Fund Account Manager

1647. The Fund Account Manager reported that the acquisition of assets cost of Kshs. 5,606,308 was the correct figure. The correct position including the opening balance and closing balance were detailed in the schedule submitted to the auditor.

Committee Observations

1648. The Committee observed that-

- (i) At the time of audit, the Fund Account Manager had not provided fixed assets register in support of the balance for audit. However, the documents had since been submitted to the auditor for review.
- (ii) The accuracy of the fixed assets balance could not be established as there were variance on acquisitions of assets and net increase in fixed assets.

Committee Recommendations

1649. The Committee recommends that-

- 1) The Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 62(b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The Accounting Officer to ensure the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015

7.3.2.12 Budgetary Control and Performance.

1650. During the year under review, the Fund had a Kshs. 104,253,551 against expenditure of Kshs. 94, 463,793 [90.6%] resulting in under expenditure of Kshs. 9,789,758 or 9%. Funds not utilized is an indication of services and approved programs not implemented, hence the budgets not fully meeting the intended objective of improving delivery of goods and service to the residents of Voi Constituency or the management may be over

budgeting on its activities, hence need to re-look on its budgeting mechanism to ensure only priority areas are budgeted.

1651. Further, whereas the Fund reported a budget of Kshs. 104, 253,551, records maintained by CDF Board indicated that the Fund was allocated Kshs. 99,972,618 for the year under review. This resulted to a variance of Kshs. 4,280,933 which had neither been explained nor reconciled.

Submission by the Fund Account Manager

1652. The Fund Account Manager indicated that this is a budget utilization difference and not an under expenditure. The detailed schedule and explanations were submitted to the auditor. The fund operates on disbursements received.

Committee Observations

1653. The Committee observed that under expenditure was due to late disbursement of funds by the CDF Board and the National Treasury.

Committee Recommendations

1654. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.3.2.13 Project Implementation.

1655. The project status report availed for audit review indicated that Kshs. 71,900,372 was allocated and disbursed to 61 projects, out of which Kshs. 50,470,266 or 70% had been spent as at 30 June 2015 leaving unspent balance of Kshs. 21,430,106 or 30%. Further, 10 out of the 61 projects that received disbursements totaling Kshs. 14, 500,000 had not been implemented as at year-end, an indication that envisaged goods and services were not rendered to residents of Voi Constituency.

Submission by the Fund Account Manager

1656. The Fund Account Manager submitted that the under-utilization of funds was caused by slow absorption of funds at project level and delays in releasing funds to PMC's. Consequently, some of the projects received AIEs funds in respect of previous financial year 2013/2014. Further, the 10 projects that received disbursements totaling to Kshs. 14,500,000 had not been implemented as at year end due to the following reason:
- a) Late disbursement of funds from NG-CDF Board Nairobi, either due to late requisition or low burn rate, thus the implementation rate.
 - b) Procurement procedure for projects or purchasing process needed more time like CDF Vehicle of Kshs. 7,000,000, which was purchased in FY 2015/16.
 - c) Some of the projects were cumulatively funded before implementation can be undertaken i.e., Voi Community Library project – Kshs. 4,000,000 which was initiated in the year 2016 August.

1657. Funds were awaiting re-allocation; Gimba Model Health Centre – Kshs. 3,000,000, this project was already initiated by the County Government hence the need of reallocation.

Committee Observations

1658. The Committee observed that delay in the implementation of the projects were due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1659. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.3.2.14 Projects Verification

1660. Eight projects costing Kshs. 7,850,000 verified during the audit for the year ended 30 June 2015 were not completed. Consequently, the propriety and value for money for Kshs. 7,850,000 spent on various projects during the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1661. The Fund Account Manager submitted that during the verification, some of the projects were not fully complete, thus under retention period while others on procurement process as per the following analysis:

1. Voi Girls Secondary School – Purchase of tree seedlings: Kshs. 130,000- During the time of audit the seedlings were still in the school nursery bed awaiting rainy season to be planted, the oncoming period was hot & dry season.
2. Ghazi Primary School – Renovation of school buildings: Kshs. 2,000,000-When the project was commencing some adjustments were done;
 - a) Wooden shutter windows with mesh are an old fashion style so to put hardwood window frames reinforced with Y12 bars.
 - b) Mortice locks would not last long with pupils hence the use of ordinary locks i.e., they put in sticks, nails, soil hence malfunction of the lock.
 - c) Brass butt hinges were decorative but they could not withstand pupils' commotions like swing of the door, banging hence the use of the ordinary iron hinges.
 - d) The full painting was to be done when all renovation works were done, to make it look uniform.
 - e) The 19 doors seen were for the complete renovated buildings while the 6 others were still under ongoing works. Till the time of the audit the project was still ongoing awaiting cumulative disbursement from NG-CDF Board.
3. Mwanyambo Primary School – Purchase of Special Equipment or the Physically Challenged pupils. At the time of funding, the special learning equipment were

already supplied by World Bank as donation to the school, hence the utilization of funds for construction of special unit classrooms.

4. Voi Primary School Purchase of Beds, Tables, Chairs, Cupboards, Doubles Decker Beds and Mattresses. This purchasing process was delayed because we were waiting the special unit dormitory to be complete as I quote the Head teacher Mr. Lawrence Mabishi, "there was no place to keep the equipment because the dormitory for the special unit was not complete, and it is still under construction. It will be complete by 5th February 2017", hence the delay of procurement and tender awarding. Opening of tender, evaluation and approval will be done today (02/02/2017) in the evening, to select the perfect bidder. The fabrication of the beds and equipment will commence as from next week 07/02/2017." Copies of minutes, photos and inspection reports were submitted to the auditor.
5. Buguta Primary School – Construction of Two classrooms: Kshs. 1,500,000 the material quotations were of Gauge 30 iron sheet not gauge 28, thus the funds were not sufficient to cater for gauge 28 GCI sheets expenses. The minor cracks seen on the walls & floor were due to wear & tear, and also insufficient curing cause by lack of water in the region. The classes were complete and in use.
6. Makwasinyi Girls Secondary School – Construction of Girls Dormitory: Kshs. 2,000,000 The minor cracks seen in the walls & floors were due to wear and tear. The dormitory is in use.
7. Buguta Secondary School – Construction of dormitory: Kshs. 1,000,000. The funds disbursed were additional for construction of dormitory as stated on the project list FY 2014/15. The dining hall construction was funded with Kshs. 1,000,000 in the previous FY 2013/14 hence the reason it's complete and in use.
8. Marungu Secondary School – Construction of Dormitory: Kshs. 1, 500, 000. There was conflict on the parcel of land (where the dormitory was placed) between the school and the neighbouring villager. So, the Area Chief and the School Board of Management were following up the matter at the land's office Wundanyi, as at now the issue has been resolved and construction is ongoing.

Committee Observations

1662. The Committee observed that:

- i) The projects were now complete and in use. The tree seedlings were not planted since Voi Girls school was awaiting rainy seasons to be planted;
- ii) The minor cracks at Buguta primary school and Makwasinyi Girls Secondary School on the walls & floor were due to wear & tear, and also insufficient curing cause by lack of water in the region;
- iii) At Buguta Secondary School, the funds disbursed were additional for construction of dormitory as stated on the project list FY 2014/15; and
- iv) At Marungu Secondary School, there was conflict on the parcel of land (where the dormitory was to be constructed) between the school and the neighbouring villager. As at now the issue has been resolved and construction is ongoing.

Committee recommendations

1663. The Committee recommends that:

- 1) The Accounting Officer should ensure that all the Fund Account Managers and PMCs undertake consultations and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced in line with the NG-CDF Act, 2015; and
- 2) The Accounting officer should ensure that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project.

7.3.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1664. The Auditor General raised six audit Matters during examination of financial statements of Voi Constituency for the year 2015/2016.

7.3.3.1 Bank Balance

1665. The statement of financial assets as at 30th June 2016 reflected a bank balance of Kshs. 25,473,660. However, the bank reconciliation statement as 30th June 2016 reflected un-presented cheques of Kshs. 6,092,311.30 out of which stale cheques totaled to Kshs. 1,545,373.90. Further bank statements confirming subsequent clearance of the cheques by the banks were not availed for audit verification. In addition, the bank reconciliation statements reflected payments in bank statements not in cashbook of Kshs. 40,250.70 out of which a balance of Kshs. 8,250.73 related to bank charges not recorded in cashbook and therefore not accounted for in these financial statements as at 30th June 2026 also reflected receipts in cashbook but no evidence of subsequent clearance of balances had been availed for audit verification. Consequently, the accuracy, validity and completeness of the bank balance of Kshs. 25,473,660 as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1666. The Fund Account Manager submitted that the amount of stale cheques of Kshs. 1,545,373.90 was reversed as follows: Kshs. 1,000,000.00 on July 30, 2016 and Kshs. 545,373.90 on February 28, 2017 (Cashbook extract was submitted to the auditor.). The balance of Kshs. 4,546,937.40 cleared in the bank statement subsequently within the next 6 months. An amount of Kshs. 40,250.73 was in the bank statement but not in the cashbook, out of this amount, Kshs. 8,250.73 was charged in the cashbook in the Financial Year 2017/18.

1667. He further stated that the balance of Kshs. 32,000.00 relates to Cheque No. 005545, which was later cancelled. The cashbook balance of the said financial year was overstated by Kshs. 30,000.00, an amount which came up due to casting error in the cashbook.

Committee Observations

1668. The Committee observed that the un-presented cheques were reversed and bank charges recorded and the supporting documents had since been provided and reviewed by the auditor.

Committee Recommendations

1669. The Committee recommends that Accounting Officer should ensure that the Fund Account Manager keeps financial and other records that are accurate, reliable,

complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.3.3.2 Outstanding Imprest

1670. The statement of financial assets as at 30th June 2016 reflected outstanding imprests of Kshs. 214,705 of which the date of issuance had not been indicated to confirm compliance with Regulation 93 of the PFM (National Government) Regulations 2015 which provides temporary imprests shall be accounted for or surrendered within seven working days of return to duty station. Consequently, the propriety and recoverability of outstanding imprests totaling Kshs. 214,705 as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1671. The Fund Account Manager submitted that the imprest had been cleared on 15/06/2016 as per documents presented before the Committee.

Committee Observations

1672. The Committee observed that the Fund Account Manager had issued imprest warrants without indicating the issuance date. The imprest was subsequently cleared on 15/06/2016.

Committee Recommendations

1673. The Committee recommends that the accounting officer should ensure that all Fund Account Managers properly issue imprests with clear dates in line with provisions of Regulation 93 of the PFM (National Government), Regulations 2015.

7.3.3.3 Unsupported Expenditure

1674. The statement of receipts and payments for the year ended 30 June 2016 contained various payments totaling Kshs. 28,124,867 as detailed below but whose supporting documents were not availed for audit review. (Table given). Consequently, the propriety of expenditure totaling Kshs. 28,124,867 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1675. The Fund Account Manager submitted that the supporting documents, schedules and detailed response were provided for audit verification.

Committee Observations

1676. The Committee observed that the Fund Account Manager had not provided supporting documents to support the payments of Kshs. 28,124,867. The documents were later provided to the auditors for review and verification.

Committee Recommendations

1677. The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

7.3.3.4 Uses of goods and services

1678. Note 5 to the financial statements for the year ended 30th June 2016 reflected committee allowances of Kshs. 4,536,000 but the names of the payees and nature of meetings held were not availed for audit verification. Consequently, the propriety and completeness of the committee allowance payments of Kshs. 4,536,000 for the ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1679. The Fund Account Manager submitted that all vouchers concerning committee allowances were availed and inside all payment vouchers there were attachments containing list of payees. The vouchers contained committee allowance, dates, names of payees and nature of meeting held.

Committee Observations

1680. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting schedules and documentations to support the committee expenses expenditure. The documentations were submitted later to the auditor for review.

Committee Recommendations

1681. The Committee recommends that the Accounting Officer should ensure that all Fund Account Manager avail supporting documents to the Auditor during audit as required under section 9(1)(c) Public Audit Act, 2015.

7.3.3.5 Other grants and transfers

1682. Note 7 to the financial statements for the ended year 30th June 2016 reflected emergency projects of Kshs. 6,879,613. However written opinion of the Constituency Development Fund Committee had not been availed for audit review contrary to section 8(3) of the National Government Constituency Development Fund Act, 2015 which defines emergency as an urgent unforeseen need for expenditure which in the opinion of the Committee, cannot be postponed to the following financial year without harming public interest in the respective constituency. Consequently, the propriety of expenditure totaling Kshs. 6,879,613 on emergency projects for the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

1683. The Fund Account Manager submitted that all projects funded through emergency vote had minutes and such projects were discussed by Constituency Development Fund Committee for approval. The funds were re-allocated to existing projects, especially those that were under funded in the financial year and the prior year.

Committee Observations

1684. The Committee observed that the Fund Account Manager had not provided the supporting documentation and minutes confirming the projects as emergencies. The documentation was however submitted to the auditor for review and verification.

Committee Recommendations

1685. The Committee recommends that the Accounting Officer should ensure that All Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

7.3.3.6 Budgetary controls and performance

1686. During the year under review, the Fund had a budget of Kshs. 146,862,613 against expenditure of Kshs. 146,862,613. The budget indicates the budget was not implemented as planned. Therefore, delivery of goods and services to the residents of Voi Constituency was curtailed.

Submission by the Fund Account Manager

1687. The Fund Account Manager submitted that the committee did not implement the budget in accordance with Section 220(1) of the Constitution of Kenya 2010 and Section 35(1) of The PFM Act, 2012. The level of unabsorbed funds relates to delays in disbursing funds from the NG- CDFB. However, these projects had now been implemented to their completion.

Committee Observations

1688. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

1689. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.3.3.7 Projects Implementation

1690. During the year under review fifty (50) projects were allocated Kshs. 79,647,061 out of which Kshs. 26,700,000 or 33.5% was disbursed to thirty –nine (39) projects which

therefore left Kshs. 52,947,061 or 66.5% of the allocation undisbursed. Expenditure totaling Kshs. 18,743,948 or 70.2% of the disbursement amount was incurred resulting to an unspent balance of Kshs. 7,956,052 or 29.8% of the disbursed amount. Two (2) projects which received disbursements of Kshs. 2,500,000 had not been implemented as at year end. The under-expenditure of Kshs. 7,956,052 and the failure to disburse funds to projects indicates that delivery of goods and services to residents of Voi constituency was curtailed.

1691. Submission by the Fund Account Manager

i) Construction of Dining Hall at Olops Girls Secondary School for Kshs. 2,000,000.

The Fund Account Manager submitted that the school is situated on the steeply slopes of Sagalla hills so there was a hard time to come up with a levelled ground to initiate the construction works of a dormitory thus the late implementation of the project. The construction works were still ongoing at the school.

ii) Construction of Incinerator at Miasenyi Dispensary for Kshs. 500,000.

The Fund Account Manager submitted that funds were disbursed late in the financial year, so the implementation was done in the following Financial Year 2016/17. The project is complete and in use. Copies for the works last payment process were submitted to the auditor.

Committee Observations

1692. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury, hence the audit query is resolved.

Committee Recommendations

1693. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.3.3.8 Verification of Projects

1694. During the audit, seventeen (17) projects which received disbursements totaling Kshs. 14,761,685 were verified in the month of May 2017 out of which anomalies were noted in respect of eight (8) projects which received Kshs. 8,300,000. Consequently, value for money may not have been obtained for Kshs. 8,300,300 spent on projects for the year ended 30 June 2016.

Submission by the Fund Account Manager

1695. The Fund Account Manager submitted the following information on the projects

- a) Ikanga B Water Project – Construction of a borehole: Kshs. 1,000,000-The surveys done showed that the water table was too deep, hence drilling a borehole, fitting of a

pump and laying of pipes was too expensive to be undertaken. So, the funds were utilized in purchasing lying of pipes, tanks which were to tap water from the main line constructed by TAVEVO Co. Ltd recently to supply water to the other villages across the railway line. The line was laid up to where the tanks were placed in the Ikanga B village (water kiosk). Copies of: minutes for request of change of use, project estimates, LPO & LSO and awarding minutes were availed for audit.

- b) Mchanga Primary School – Construction of a Classroom: Kshs. 500,000 [Emergency Funds]. During the time, pupils in the area were learning under a tree which had not been conducive for learning. The area Committee had been called upon by the community to visit the school which was also prone to human-wildlife conflicts, to intervene. The safety of the pupils and teachers had been compromised hence need of emergency funding to build a classroom. They were given assurance that construction of classroom would be commenced immediately to safe guard the pupils. The funds disbursed (Kshs. 500,000) had not been enough to build a complete classroom. Up to the time of the audit the two classrooms (one built by community) were not fully complete i.e., finishes, flooring, fixing doors & windows and painting; but they're in use. Payment voucher with CDFC minutes were availed.
- c) Maungu Public Toilet – Completion of Public Toilet: Kshs. 200,000 [Emergency Funds]. The Emergency Funds had been approved in the CDFC meeting held on 22/01/2016. The Women's Wing had been closed due to drainage block caused by flashing of sanitary towels i.e., misuse of toilet. Availed for audit were copies of the CDFC minutes, PMC request minutes.
- d) Ore Primary School – Construction of Classroom and Renovation of Classroom: Kshs. 1,200,000. The classroom to be renovated was beyond repair so; the school management opted to construct a new one after demolishing the old one. The class was complete and in use.
- e) Marasi Primary School – Construction of two classrooms: Kshs. 1,500,000. The electrical installation was not included in the Bill of Quantities because the funds were not sufficient. The minor cracks on the wall and Veranda were due to ware and tare. Labelling was to be done when the contractor was fully paid his retention. Availed for audit were copies of: handing over minutes, completion certificate and final payment certificate.
- f) Buguta Health Centre – fencing of the Health Centre: Kshs. 500,000. At the moment of implementation, the County Government of Taita Taveta had supplied the maternity wing equipment for the Health Centre. The management requested the funds to be utilized in fencing the property to improve security and eliminate trespassing.
- g) Mwakitawa Girls Secondary School - Construction of dormitory: Kshs. 2,000,000. The funds were not sufficient to complete the BQ works amounting to Kshs. 6,347,340.20. So, it was waiting more funding. Availed for audit was a copy of the last PMC minutes resolving the ongoing project then pending issues.

- h) Kajire Secondary School – Construction of Dormitory: Kshs. 1,400,000. The funds were not sufficient to complete the contractual sum amounting to Kshs. 3,392,135.93. Hence waiting more funding; that's why it had stalled. As at the time of the audit the dormitory had received more funds. Thus, it was complete and in use.

Committee Observations

1696. The Committee observed that anomalies cited by the Auditor General on the projects had been corrected within the defect liability period and that those abandoned were completed, hence audit query is resolved.

Committee Recommendations

1697. The Committee recommends that the Accounting Officer should ensure that Fund Account Managers only makes payment for works done based on completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds be retained for defect liability period.

7.4 MWATATE CONSTITUENCY

1698. Ms. Amina Ali, the current Fund Account Manager since 2017 appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Mwatate Constituency for the financial years 2013/14, 2014/15 and 2015/16. She was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Mr. Ronald W. Jembe, Former Fund Account Manager (Feb. 2014 to June 2015).

7.4.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1699. The Auditor General raised three audit Matters during examination of the financial statements of Mwatate Constituency for the year 2013/2014.

7.4.1.1 Inaccuracies in the Financial Statements

1700. The summary statement of appropriation reflected original and final budget balances of Kshs. 68,968,973.80 and Kshs. 69,014,066.70 respectively while the correct casted and approved final and original budgets were Kshs. 67,679,249.70 and Kshs. 67,724,342.60 respectively, resulting to an error of Kshs. 1,289,724.10 in both cases.

Submission by the Fund Account Manager

1701. Mr. Ronald Jember, the Fund Account Manager submitted that the error of Kshs. 1,289,724.10 was due to omission of balance brought forward from previous years thus affecting the original and final budgets. This error is corrected in the re-stated financial statements. This is regretted and measures instituted to avoid recurrence.

Committee Observations

1702. The Committee observed that there were inaccuracies in the Financial Statements owing to omissions of previous years' balance brought forward. The statements were amended after the audit review and documentations provided for audit verification.

Committee Recommendations

1703. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.4.1.2 Cash and Cash Equivalents – Kshs. 1,665,481

1704. Included in the statement of financial assets and liabilities is cash and liabilities in cash and cash equivalents balance of Kshs. 790,000 recorded in cashbook analysis for the

month of June 2014 and had not been supported with an imprest register. In addition, the supporting bank reconciliation statement as at 30th June 2014 reflected a balance as per cashbook of Kshs. 1,572,408.00 resulting to unexplained/unreconciled variance of Kshs. 873,073.40. Further, the bank balance of Kshs. 16,400,427 as indicated in certificate of bank balance is different from Kshs. 15,639,427 used in bank reconciliation statement.

1705. The resultant variance of Kshs. 761,000 between the two records had also not been explained/reconciled. The bank reconciliation statement further reflected payment in cashbook not yet recorded in bank statement of Kshs. 14,423,893 of which cheques totaling Kshs. 455,360 were already stale. The reconciliation statement also reflected payments in bank statement not recorded in cashbook of Kshs. 327,370, out of which Cheque No. 559 for Kshs. 300,000 had been outstanding since 9 June 2009. In the circumstance, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 1,655,481 as at 30th June 2014 could not be confirmed.

Submission by the Fund Account Manager

1706. The Fund Account Manager submitted that there was an omission of the Kshs. 790,000.00 imprest from the financial statement. The bank reconciliation was redone and restated in the financial statement. The variance was due to unrepresented cheques which went through on 2/7/2014 but not captured as outstanding items in the bank reconciliation as at 30/6/2014. i. e chq 2814 112,000, chq 2778 25,000, chq 3226 200,000 chq 3227 200,000 chq 3228 200,000 and chq 2813 24000.00. He further submitted that the outstanding cheque was replaced.
1707. The updated register showing imprest entries and surrenders. Aailed is copy of cashbook showing the reversed cheques. The reconciliation indeed shows payment of Kshs. 300,000.00 in bank not in cash. This cheque was written for a project however the payment was omitted and not posted in cashbook. The Copy of Cashbook showing that the payment was posted later.

Committee Observations

1708. The Committee observed that-

- (i) The Fund Account Manager did not maintain an imprest register; and
- (ii) The Copy of Cashbook showing the payment was posted after the audit period.

Committee Recommendations

1709. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.4.1.3 Other Grants and Transfers

1710. The statement of receipts and payment reflected other grants and transfers balances of Kshs. 36,355,261 which includes a total of Kshs. 3,850,000 disbursed for construction of various roads and a footbridge. However, the relevant project bank statement showing receipt of these disbursements, expenditure return and completion certificates were not availed for audit verification. Further, the other grants and transfers balance of Kshs. 36,355,261 includes student bursaries totaling Kshs. 14,925,411. However, bursary advertisement and applications received, minutes of the Constituency Development Fund Committee indicating how the beneficiary were identified and evidence of receipt by the respective learning institution were not provided for audit verification. Also, the other grants and transfers balance of Kshs. 36,355,261 includes Kshs. 1,900,000 disbursed for construction of Mwasinenyi Cooling Plant. However, the relevant project bank statement showing receipt of these disbursements were not availed for audit verification.
1711. In the circumstances, the propriety of disbursement amounting to Kshs. 5,750,000 for construction of roads, a footbridge and a cooling plant and Kshs. 14,925,411 spent on bursaries could not be confirmed.

Submission by the Fund Account Manager

1712. The Fund Account Manager submitted that the project bank statements, expenditure returns /reports and completion certificates for Kshs. 3,850,000 used on roads Sanga Mbagha Road and Kidaya ngerenyi footbridges and Kshs. 1,900,000 for construction of Mwasineyi cooling plant had been availed for audit review. The bursary amount of Kshs. 14,925,411 was issued to beneficiaries identified in ward barazas as evidenced by the submitted reports, minutes and photos. The NGCDFC followed up on acknowledgements from the beneficiary institutions. Some had since been received and availed for audit review.

Committee Observations

1713. The Committee observed that-

- (i) At the time of audit, the Fund Account Manager did not provide the project expenditure returns, project's bank account statements, and completion certificates. The documents had been provided for verification after audit period; and
- (ii) However, the Fund Account Manager did not provide acknowledgement receipts from the beneficiary institutions that the funds were received.

Committee Recommendations

1714. The Committee recommends that:

- i) The Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and

- ii) Within three months of adoption of this report, the Accounting officer should ensure that the Fund Account Manager avails acknowledgement receipts from the beneficiary institutions to the Auditor General for audit review and reporting during the subsequent audit cycle.

7.4.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1715. The Auditor General raised ten audit Matters during examination of financial statements for Mwatate Constituency for the year 2014/2015.

7.4.2.1 Inaccuracies of the financial statement

1716. The comparative financial year was shown on the statement of receipts and payments as at 2012/2013 instead of 2013/2014. The statements of financial assets and liabilities as at 30 June 2015 reflected a prior year adjustment of Kshs. 790,000 in respect of outstanding imprests, not captured in 2013/2014 but incorrectly adjusted both in 2013/2014 and 2014/2015. The financial years were not indicated in the statement of cash flows for the year ended 30 June 2015. The other expenses figure of Kshs. 81,217,235 shown on the statement of cash flows had no disclosure in Note 11 which is blank. Note 15 shown in the statement of financial assets and liabilities was for cash equivalents and not fixed assets as disclosed in the notes. The Fund balance (Note 16) brought forward was shown as Kshs. 1,572,408 which was at variance with Kshs. 2,362,408 in 2013/2014.

1717. The statement of financial assets and liabilities as at 30 June 2015 reflected surplus of Kshs. 4,107,779 while the statement of receipts and payments reflected Kshs. 2,535,370 resulting to unexplained/unreconciled variance of Kshs. 1,572,409.00.

1718. The statement of cash flows reflected other revenues figure of Kshs. 83,572,605 while the comparative for 2013/2014 was Kshs. 77,793,029 resulting in unexplained/unreconciled variance of Kshs. 5,959,576. The statement of financial assets and liabilities as at 30 June 2015 cash and outstanding imprest balance was shown as Note 13 and 14 respectively instead of Note 12B and 12C respectively. Notes 1, 4, 5, 6, 7, 8, 9 shown on the statement of cash flows for the year ended 30 June 2015 had no comparative balances for 2013/2014. Note 16 shown on the statement of cash flows had no corresponding disclosure in the Notes.

1719. The breakdown of the other operating expense of Kshs. 1,121,547 and the comparative figure of Kshs. 3,257,956 at Note 5 had not been given. Unexplained/Unreconciled variance of Kshs. 531,709 between accounts figure of Kshs. 904,982 and supporting schedule figure of Kshs. 1,436,691. Unexplained/Unreconciled variance of Kshs. 27,930 between accounts figure of Kshs. 5,707,700 and supporting schedule figure of Kshs. 5,735,630.

Submission by the Fund Account Manager

1720. Mr. Ronald Wanje Jember, the former Fund Account Manager submitted that unreconciled errors and presentation anomalies had been amended in the re-stated financial statements. Availled for audit review is the re-stated financial statement. Cash and cash Equivalent there was an outstanding Imprest of Kshs. 790,000, which was taken on 15/6/2015 and it was never included in the cash and cash equivalent. The cashbook balance as per cashbook and bank reconciliation was Kshs. 6,971,374 and the photocopy of the cashbook was submitted with a copy of bank reconciliation. Bank balance for the 2013/2014 and brought forward to F/Y 2014/2015 restated as Kshs. 1,600,409 due to the fact that the initial figure of Kshs. 1,572,408 was under stated. The figure did not include the balance brought forward the previous financial year.

Committee Observations

1721. The Committee observed that there were various errors and anomalies in the Financial Statements. The unreconciled errors and presentation anomalies were amended in the re-stated financial statements.

Committee Recommendations

1722. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps financial and other records that are accurate, reliable, complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.4.2.2 Other Grants and Transfers

1723. Included in other grants and transfers balance of Kshs. 34,034,835 shown in the statement of receipt and payments for the year ended 30 June 2015 is Kshs.1, 800,000 in respect of Mramba Water Borehole Project, Mariwenyi Borehole and Mwabota water tank. However, the approved projects proposals availled for audit review indicated a figure of Kshs. 6,500,000 as transferred to these projects, resulting to unexplained nor reconciled variance of Kshs. 4,700,000 between the two records. Consequently, the propriety of other grants and transfers figure of Kshs.4700, 000 excluded in these financial statements could not be confirmed.

Submission by the Fund Account Manager

1724. Mr. Ronald Wanje Jember, the former Fund Account Manager submitted that it is true that Kshs. 6,500,000 was allocated to the said projects as shown in the code list. However, Kshs. 1,800,000 was released to the projects during the year based on amounts received from the Board.

Committee Observations

1725. The Committee observed that there was no variation as the Kshs. 6,500,000 was the approved allocation for the project while Kshs. 1,800,000 was what was dispersed to the project during the year based on the actual receipts from the Board.

Committee recommendations

1726. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government), 2015

7.4.2.3 Bank balance

1727. The statement of financial assets as at 30 June 2015 reflected a bank balance of Kshs. 5,700,187. However, the bank reconciliation statement as at 30 June 2015 reflected payments in cashbook not in bank statement of Kshs. 2,486,109, out of which cheques for Kshs. 894,400 were stale. Further, receipts in bank statement not in cashbook totaled Kshs. 472,138 while payments in bank statements not in cashbook representing bank charges amounted to Kshs. 8,080. However, the management had not explained why these stale cheques had not been reversed in the cashbook and why bank charges which were not reconciling items were reflected in the reconciliation.

1728. In addition, the dates when all un-presented cheques and other reconciling items were subsequently cleared by the bank were not availed for audit review. Consequently, the accuracy and completeness of the bank balance of Kshs. 5,700,187 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1729. Mr. Ronald Wanje Jember submitted that the stale cheques had been reversed in the cashbook. Other items would be cleared and revised reconciliation availed. A copy of cashbook and reconciliation with corrections had been provided for verification.

Committee Observations

1730. The Committee observed that;

- i) There were inaccuracies on bank balance as cashbook and bank reconciliation statements were not updated; and
- ii) Adjustments to the cashbook were made after the audit and documents availed for verification.

Committee Recommendations

1731. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided

by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.4.2.4 Outstanding Imprest

1732. The statement of financial assets as at 30 June 2015 reflected outstanding imprest of Kshs. 770,000 issued to an officer of the Fund on 15 June 2015. However, the imprest warrants number, expected date of surrender and purpose of issuance was not provided for audit verification. As a result, the accuracy, completeness and propriety of the imprest of Kshs. 770,000 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1733. Mr. Ronald Wanje Jember, the former Fund Account Manager disclosed there was an outstanding Imprest of Kshs. 790,000 which was taken on 15/6/2015 and was never included in the cash and cash equivalent. The amount was also posted as prior year adjustment and the figure was restated to cash and cash equivalent affecting Net Liabilities.

1734. The Fund Account Manager further submitted that the same figure was having a casting error on Note 12C which was posted as Kshs. 770,000 instead of Kshs. 790,000. Imprests had since been accounted for, a copy of cashbook, imprest register showing date received and surrendered was provided for verification.

Committee Observations

1735. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting documents. The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1736. The Committee recommends that:

- 1) The Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.4.2.5 Transfers from CDF Board

1737. The statement of receipt and payments for the year under review reflected transfers from CDF Board balance of Kshs.83, 752,606 while AIEs as per vote book total Kshs. 103,479,343.80. However, the management had not provided reconciliation nor explanation for the variance of Kshs.19, 726,738.40 between the two figures.

Consequently, the accuracy and completeness of the transfers from CDF Board balance of Kshs 83,752,605 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1738. The Fund Account Manager confirmed that the Constituency received Kshs. 83,752,605 during the year. The previous financial statement did not include Receipts and Transfers from CDF Board the Original Budget and the approved amounts was Kshs. 99,972,618. The adjustments amount included the balance brought forward of Kshs. 1,600,409 which affected the final Budget to Kshs. 101,573,027.

Committee Observations

1739. The Committee observed that the unexplained variance of Kshs. 1,600,409 is the balance brought forward from the previous year.

Committee recommendation

1740. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.4.2.6 Committee Meeting Allowances and Expenses

1741. The statement of receipts and payments reflected committee meeting allowances and expenses of Kshs. 5,707,000. Included in this figure is Kshs. 5,457,700 relating to sitting and transport allowances paid to Constituency Development Fund Committee (CDFC) members. However, quotations for hire of taxis, daily motor vehicle work tickets for vehicles used, minutes of meetings held, reports produced during the meetings, dates the projects visited by the Monitoring and Evaluation Committee members were not availed for audit verification. Consequently, the propriety of expenditure totaling Kshs. 5,457,700 on committee meeting allowances and expenses for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1742. The Fund Account Manager submitted that the motor vehicle work tickets, minutes of meetings held, reports produced during the meetings, dates the projects visited by the Monitoring and Evaluation Committee members in support of the expenditure had been availed for audit review

Committee Observations

1743. The Committee observed that-

- (i) The Fund Account Manager did not provide documentation on committee meeting allowances and expenses;
- (ii) The documents were taken by EACC who were investigating fraud case in the Constituency offices; and

(iii) The audit issue is unresolved.

Committee Recommendations

1744. The Committee recommends that-

- 1) The Ethics and Anti-Corruption Commission (EACC) should expedite investigations, conclude the matter, and provide a status report to the National Assembly within three months of the adoption of this report; and
- 2) The Accounting Officer should ensure that the documents taken by Ethics and Anti-Corruption Commission (EACC) are returned for clearing the outstanding audit issues.

7.4.2.7 Transfers to Other Government Units

1745. The statement of receipts and payments for the year under review reflected Kshs. 39,334,462 in respect of transfers to Project Management Committees during the year under review. This amount included Kshs. 8,450,000 transferred to primary schools, Kshs. 26,884,462 transferred to secondary schools and Kshs. 4,000,000 transferred to health institutions. The following observations were made.

i. Transfers to Primary Schools

1746. Included in the transfers to other government units' balance of Kshs. 8,450,000 is Kshs. 6,500,000 disbursed to 62 primary schools for electrical wiring and a further Kshs. 500,000 for bush clearing and grading of Kalendo-Ndashinyi road. However, expenditure returns of the transfers were not availed for audit verification. Under the circumstance, the propriety of the transfers to primary schools of Kshs. 7,000,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1747. The Fund Account Manager submitted that the returns had been availed and indeed the electrification and wiring of the entire primary was completed. The Delivery notes and invoices of each of the school and photos of the projects confirming the work was completed, and inspection reports were availed for verification.

Committee Observations

1748. The Committee observed that the Fund Account Manager did not provide at the time of audit the project expenditure returns. The documents were later provided to the auditors for review and verification.

Committee Recommendations

1749. The Committee recommends that the Accounting Officer should ensure that all Fund Account Manager avail supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.

ii. Transfers to Secondary Schools

1750. Included in the transfers to secondary schools' balance of Kshs. 26,884,462 is an amount of Kshs. 4,500,000 allocated for Kituma Sec School for construction of a kitchen, laying of water piping and fencing. However, payment vouchers availed for audit indicated a transfer of Kshs. 1,500,000 was diverted to construction of two classrooms and purchase of furniture. Further, Kshs. 2,200,000 diverted and spent on unspecified work while a payment of Kshs. 1,000,000 was not supported with engineer's certificate of completion. Consequently, the propriety of Kshs. 4,500,000 spent on the secondary school projects for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1751. The Fund Account Manager confirmed that it is true that funds were diverted from the initial activity of construction of kitchen, piping and fencing to construction of classroom because the classroom was a pressing need and students had to do their extra subjects during weekends and later hours to be able to cover the syllabus. The number of students' enrolment also increased so there was an urgent need for furniture to be procured. Minutes from Committee requesting the change of activity and photos of the extra classroom and furniture were provided for audit verification.

Committee Observations

1752. The Committee observed that the Fund Account Manager had not provided a completion certificate for works worth Kshs. 1,000,000 and how Kshs. 2,200,000 was utilized hence audit query is unresolved.

Committee Recommendations

1753. The Committee recommends that:

- 1) Within three months upon adoption of this report, Accounting Officer should ensure that the Fund Account Manager provides certificates of completion to the Auditors General for audit review and reporting in the subsequent audit cycle;
- 2) The accounting officer ensures that the Fund Account Manager complies with projects implementation as approved by the NG-CDF Board. Any reallocation must at all times be approved by the board before commencement of a project in line with NG-CDF Act, 2015; and
- 3) The NG-CDF Board should prioritize requests for reallocation of funds by constituencies to avoid inordinate delays in project implementation.

iii. Transfers to Health Institutions

1754. The transfers to health institutions figure of Kshs 4,000,000 includes Kshs. 2,100,000 disbursed to Bura Health Centre project account during the year under review, out of which Kshs. 1,500,000 was for construction of a mother and child care unit of which no project proposal and approval were availed for audit review. In addition, the balance of

Kshs.600, 000 being retention money, was transferred on 15 January 2015 for construction of an outpatient block at the facility which the engineer's completion certificate was not availed for audit verification. Further, the ownership for the land on which the health unit stands is in dispute with an individual contesting the local community's claim to it in a court of law.

1755. Consequently, until the case is determined and the land ownership by the local community confirmed by the court, the Fund risks loss of funds totaling Kshs. 7,455,978.39 which includes Kshs. 5,355,978.39 spent on the project in the year 2012/2013.

Submission by the Fund Account Manager

1756. The Fund Account Manager submitted that the amount in question were funds transferred to Bura Health Center for construction of an MCH /FP unit. The inpatient department was done by economic stimulus programme and therefore the outpatient and MCH/FP department funded by CDF. The land ownership documents showing the gazettelement of the project plot as public utility and de-gazettelement of the plot which was initially grabbed by a certain individual was provided for audit verification.

Committee Observations

1757. The Committee observed that the Fund Account Manager had at the time of Audit not provided the Title deed for the land on which the Health Center was constructed since the land ownership is in dispute and the case is before a court of Law.

Committee Recommendations

1758. The Committee recommends that:

- 1) The Accounting Officer should ensure that the Fund Account Manager and PMCs undertake feasibility studies and due diligence on land ownership prior to undertaking projects for their smooth implementation; and
- 2) Within three months upon adoption of this report, the Accounting Officer to provide a status report on the land ownership case to the Auditor General for audit review and reporting to the National Assembly.

7.4.2.10 Other Grants and Transfers

a) Bursaries

1759. Note 8 to the financial statements shows bursaries to secondary/tertiary institutions of Kshs. 23,811,111 disbursed during the year under review. However, bursary applications, approvals by the NG-CDF Committee and acknowledgment of receipt by the respective tertiary institutions not availed for audit verification; Consequently, the propriety of Kshs. 23,811,111 paid as bursaries for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1760. The Fund Account Manager submitted that the Bursary beneficiary list (Schools and students) and acknowledgement receipts from the various schools was provided for verification.

Committee Observations

1761. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting documents. However, the documents were later provided to the auditors for review and verification.

Committee Recommendations

1762. The committee recommends that:

- 1) The NG-CDF Board should develop an overarching policy framework on bursaries to guide constituency bursary committee's in-line with the needs of the constituency. Each NG-CDF bursary committee to establish criteria and guidelines for identifying, categorizing and awarding of bursaries to needy students; and
- 2) The Accounting Officer should ensure that all Fund Account Managers avail supporting documents to the Auditor General during audit as required under section 9(1)(e) Public Audit Act, 2015.

b) Water Projects

1763. Note 8 to the financial statements reflected Kshs. 1,800,000 for water projects comprising Kshs. 800,000 disbursed to Mambisi Water Project for construction of a dam wall and Kshs. 1,000,000 for Mwatate-Mwambewa Borehole Project which entailed the purchase of water tanks, construction of water kiosks and extension of distribution line. However, project architectural drawings or design were not availed for audit review nor the water tanks, pipeline and water kiosks provided for physical verification. As a result, the propriety of Kshs. 1,800,000 disbursed to water projects during the year under review could not be confirmed.

Submission by the Fund Account Manager

1764. The Fund Account Manager submitted that the Drawings, correspondence with the Ministry of water and Photos of the same provided as documentary and physical evidence. The documents had been availed for audit review.

Committee Observations

1765. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting documents. The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1766. The Committee recommends that the Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

c) Environment Project

1767. Note 8 to the financial statements reflected a figure of Kshs. 1,939,724 in respect of environment projects implemented during the year under review of which Kshs. 1,289,724 is in respect of planting trees in six primary schools while Kshs. 650,000 was construction of gabions along Kirongwe Gulley in Mwatate Constituency. However, details of the schools that received the trees and quotations raised before procuring the trees were not availed for audit review. Consequently, the propriety of Kshs. 1,939,724 spent on planting of trees and construction of gabions for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1768. The Fund Account Manager submitted that the funds were spent on tree planting and construction of gabions. The list of schools where the tree planting was done and photos of activities during tree planting had been availed for audit review.

Committee Observations

1769. The Committee observed that:

- (i) The Fund Account Manager did not provide at the time of audit the supporting documents showing competitive bidding for supply of the trees; and
- (ii) The list of schools where the tree planting was done and photos of activities during tree planting had been availed for audit review.

Committee Recommendations

1770. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail ~~supporting documents~~ to the Auditor during audit as required under section 9(1)(c) Public Audit Act, 2015.

d) Emergency ~~Kshs.~~ 4,950,000

1771. Note 8 to the financial statements reflected emergency funds balance of Kshs. 4,950,000 in respect of 11 emergency projects of which the architectural drawings, Bills of Quantities, quotations and certificates of completion were not availed for audit verification. As such, the propriety and value for money for this expenditure of Kshs. 4,950,000 the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1772. The Fund Account Manager acknowledged that it is true that Kshs. 4,950,000.00 was indeed sourced from the emergency vote. The list of projects had been availed for audit

review. CDFC Minutes authorizing the funding the projects, also availed the completion certificates for the projects.

Committee Observations

1773. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting document. The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1774. The Committee recommends that the Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents.

e) Budgetary Control and Performance

1775. Overall, under expenditure of Kshs. 7,319,001 or 8% on budget. Unexplained variance/under absorption of Kshs. 17,319,001 or 18% between the budget as per summary statement of appropriation and CDF Board records/Circular. Failure to explain how the over expenditure of Kshs. 17,274,965 or 20% of the budget.

Submission by the Fund Account Manager

1776. The Fund Account Manager submitted that the NGCDFC had balances b/f from previous years amounting Kshs. 1,600,409. The Committee received funds from the board amounting Kshs. 99,972,618 giving total available funds of Kshs. 101,573,027 included in the balance of Kshs. 34,484,487 transfers to other Government units for previous year received during the period. There was therefore no over expenditure. The under expenditure was occasioned by non-receipt of funds from the Board.

Committee Observations

1777. The Committee observed that-

- i) The under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury; and
- ii) The over expenditure is due to roll over funds from previous years which was utilized in the financial year.

Committee Recommendations

1778. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

f) Projects Implementation

1779. Incomplete construction work on classrooms of two secondary schools at a cost of Kshs. 2,900,000. Omission of projects in the current status report costing Kshs. 38,245,747 reported as ongoing in the status report as at 30 June 2014.

Submission by the Fund Account Manager

1780. The Fund Account Manager submitted that the Kombolio Secondary School project is complete. Aailed for audit reviews were the completion certificate for Kombolio Secondary School and photos of the project. However, Laghonyi Secondary school had not been completed and had a pending investigation that is going on by the office of the DCI. Project had been included in implementation status report.

Committee Observations

1781. The Committee observed that:

- i) Slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury; and
- ii) At Laghonyi Secondary school, construction of the classrooms was not completed and that there were on-going investigation by the office of the Directorate of Criminal Investigations (DCI) on the project.

Committee Recommendations

1782. The Committee recommends that:

- 1) The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and
- 2) The accounting officer should follow up with the DCI on the status of investigation on the construction of the Laghonyi Secondary School and report to the Auditor General for audit review and reporting in the subsequent audit.

Projects Verification

1783. Three projects costing Kshs. 8,889,412.50 were either incomplete and contractors not on site or had physical defects which had not been rectified.

Submission by the Fund Account Manager

1784. The Fund Account Manager submitted that the project had been completed by contractor to satisfaction of committee. Photos of the projects were provided for verification.

Committee Observations

1785. The Committee observed that the projects were complete and in use and to the satisfaction of the CDFC.

Committee Recommendations.

1786. The Committee recommends that the Accounting officer and the Fund Account Managers should ensure that projects are completed in time, without defects and payments based on completion certificates in line with NG-CDF Act, 2015.

7.4.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1787. The Auditor General raised nine audit Matters during examination of financial statements of Mwatate Constituency for the year 2015/2016, when Mr. Boniface Agoro was the Fund Account Manager.

Presentation of the Financial Statements

1788. The financial statements for the year ended 30 June 2016 submitted for audit reflected different approval and signing dates as follows:

S/No.	Financial Statement	Dates Approved
1	Statement of Receipts and Payments	25 August 2017
2	Statement of Financial Assets and Statement of Cash Flows	25 August 2016

1789. Consequently, the financial statements do not comply with International Public Sector Accounting Standard number 1 on presentation as prescribed by the PSASB.

Submission by the Fund Account Manager

1790. The Fund Account Manager submitted that the unreconciled errors and presentation anomalies had been amended in the re-stated financial statements. Cash and cash equivalent there was an outstanding Imprest of Kshs. 259,076 which was taken within the financial year and it was never captured in the cash and cash equivalent.

Committee Observations

1791. The Committee observed that there were errors in the presentations of the Financial Statements which is in violation of the International Public Sector Accounting Standard number 1 on presentation as prescribed by the PSASB.

Committee Recommendations

1792. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

7.4.3.1 Inaccuracies in the Financial Statements

1793. The financial statements for the year ended 30 June 2016 submitted for audit review contain the following inaccuracies:

- i. Casting Errors

Note 7 to the financial statements reflected other grants and transfers balance of Kshs.69, 327,202 while re-cast balance is Kshs.68, 927,201, resulting in a variance of Kshs.400, 001 which however had not been explained.

ii) Variances between Financial Statements and Notes

1794. There were variances between the financial statement balances and identical account balances reflected in the Notes as shown below:

Component	Note	Financial Statement Figure (Kshs)	Figure as Per Note (Kshs)	Variance (Kshs.)
Transfers to Other Government Units	6	34,327,448	33,827,448	(500,000)
Other Grants and Transfers	7	68,827,202	69,327,202	500,000
Total		103,154,650	103,154,650	-

iii) Variances in Opening Balances

1795. Variances between the financial statements opening balances and audited financial statements for year 2014/2015 totaled Kshs.12, 463,206. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

iv) Variances Between Financial Statements and Payment Voucher Amounts

1796. The financial statements contain variances of Kshs. 5,435,500 between the financial statements and payment vouchers as shown below:

Component	Financial Statement Figure (Kshs.)	Payment Voucher Amount	Variance (Kshs.)
Other Grants and Transfers			
Water Projects	18,280,000	19,775,500	(1,495,500)
Road Projects	10,956,577	14,456,577	(3,500,000)
Emergency Projects	1,042,000	1,482,000	(440,000)
Total	30,278,577	35,714,077	(5,435,500)

1797. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1798. The Fund Account Manager submitted that the management noticed the various inaccuracies on the financial statement including opening balances and variations between financial statements and payment voucher amounts. The inaccuracies came about when the financial for the year ended 30th June 2016 was being prepared the

certified financial statement for the year 2014/2015 was unavailable at the station that's why there was a lot of incorrect opening balances for that financial year. The financial statement was restated and correct opening balances re-casted.

1799. The Fund Account Manager further submitted that the variances were caused by casting error when preparation of payment listing for the year under review was done. But later the payment listing was prepared using cashbook and payment vouchers. Therefore, all variances were reconciled and correct figured posted.

Committee Observations

1800. The Committee observed that:

- i) There were various errors and anomalies in the financial statements that were later amended after the audit review; and
- ii) The omissions and inconsistencies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1801. The Committee Recommends that:

- 1) Accounting Officer to ensure that the Fund Account Manager keeps accurate, reliable, complete financial and other records and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and
- 2) The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

7.4.3.3 Unsupported Transactions

1802. The financial statements submitted for audit had unsupported expenditure amounting to Kshs. 47,183,046, as detailed below:

Component	Note	Financial Statement	Amount Supported	Variance (Unsupported)
Use of Goods and Services	5	12,975,804	2,473,706	10,502,098
Transfers to Primary Schools	6	12,452,931	8,052,931	4,400,000
Transfers to Secondary Schools	6	14,792,000	13,510,400	1,281,600
Bursaries - Secondary Schools and tertiary Institutions	7	24,000,900	0	24,000,900
Electricity Projects	7	7,000,000	3,500,000	3,500,000
Sports Projects	7	2,597,000	800,000	1,797,000

Environment Projects	7	1,850,724	149,276	1,701,448
Total		75,669,359	28,486,313	47,183,046

1803. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1804. The Fund Account Manager submitted that the management supported all transaction with payment vouchers which were availed for audit review. All cheques for award of bursaries were submitted to the auditor with the list of bursary beneficiaries; copies of the same and copies of acknowledgement were available in the office file. All PMC files were also available and availed for audit review.

Committee observations

1805. The committee observed that there were unsupported expenditure amounting to Kshs. 47,183,046. However, the supporting documents, including list of bursary beneficiaries were later availed for audit review.

Committee recommendation

1806. The Committee recommends that the Accounting Officer should ensure that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(c) Public Audit Act, 2015.

7.4.3.4 Bank balances

1807. 1772 The statement of financial assets as at 30 June 2016 reflected a bank balance of Kshs.47, 441,652. However, the bank reconciliation statement availed for audit review reflected un-presented cheques of Kshs.6, 738, 345, out of which cheques of Kshs.1, 044,629 were stale. The bank reconciliation statement also reflected payments in bank statement not recorded in cashbook of Kshs.360, 000 and receipts in cashbook not yet recorded in bank statement of Kshs.529, 049.50. However, it was not explained why these payments had not been recorded in cashbook and the receipts not banked. Further, subsequent bank statements to confirm when the cheques were cleared by the bank were not availed for audit verification. Consequently, the accuracy and completeness of the bank balance of Kshs.47, 441,652 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1808. The Fund Account Manager submitted that while the management acknowledged the Bank balance issues, the board of survey certificate was presented for audit review. The bank statement for the year under review had been presented with bank balance certificate. All reconciliation reports of all 12 months under review had been presented for audit review. The board of survey certificate had been provided to verify and justify cashbook and bank balance.

Committee Observations

1809. The Committee observed that:

- i) There were inaccuracies on bank balance as cashbook and bank reconciliation statements were not updated; and
- ii) The inaccuracies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub-County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1810. The Committee Recommends that:

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

7.4.3.5 Cash Balance

1811. The statement of assets as at 30 June 2016 reflected a nil cash balance whereas cashbook availed for audit review had a balance of Kshs.259, 076. Further, the Board of Survey report had been not availed for audit review. Consequently, the accuracy and completeness of the nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1812. The Fund Account Manager submitted that the board of survey certificate had been submitted to verify and justify cashbook and bank balance. The outstanding imprest was as a result of historical balances which had not taken under the financial year under review and the outstanding imprest of Kshs. 259,076 had been surrendered.

Committee Observations

1813. The Committee observed that the Fund Account Manager had not provided at the time of audit the Board of survey reports to support the cash balance. The survey reports were however submitted to the auditor for audit verification.

Committee Recommendations

1814. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the

Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

7.4.3.6 Outstanding Imprests

1815. The statement of assets as at 30 June 2016 reflected nil balance while Note 11 to the financial statements reflected a balance of Kshs.259, 076. Further, the date when the imprest was issued had not been indicated. In the circumstance, the accuracy and completeness of the nil imprest balance reflected in the financial statements and recoverability of the un-surrendered imprest of Kshs.259, 076 as at 30 June 2016 remains uncertain.

Submission by the Fund Account Manager

1816. The Fund Account Manager submitted that copies of imprest warrant, a copy of imprest register showing that date of issue and expected date of surrender of the imprest was provided for audit review. According to the record the imprest was issued to the officer for the purpose of facilitation of the officer and NGCDFC members to inspect ongoing projects.

Committee Observations

1817. The Committee observed that the Fund Account Manager had not provided at the time of audit the supporting documents. The documents had however been provided to the auditors for review and verification.

Committee Recommendations

1818. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, of 2012 on the timely submission of documents.

7.4.3.7 Other Projects

1819. Note 7 to the financial statements reflected other projects valued at Kshs.1, 600,000. However, the projects were not in the list approved by the National Constituencies Development Fund Board pursuant to Section 31(1) of the National Constituencies Development Fund (NGCDF) Act, 2015 which states that 'the list of projects received by the Board shall be tabled for review at a Board meeting' and the same 'scrutinized and approved by the NGCDF Board' in accordance with Section 31(2) of the Act. As such, the Project Management Committee breached the law by incurring unbudgeted expenditure of Kshs.1, 600,000 during the year under review.

Submission by the Fund Account Manager

1820. The Fund Account Manager submitted that management acknowledges that the payments of Kshs.1, 600,000 which was done for strategic plan was not among the approved projects in the code list. However, the project was done the previous financial

year and it was among pending bill which was paid during the financial year under review.

Committee Observations

1821. The Committee observed that the strategic plan project was approved in FY 2014/15 but owing to delay of funds, the project was paid for in 2015/16.

Committee Recommendations

1822. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.4.3.8 Strategic Plan

1823. Note 7 to the financial statements reflected untitled balance of Kshs.1, 600,000 which relates to strategic plan according to an explanation by management. However, this was not in the approved budget, contrary to Section 31 of the National Government Constituencies Development Fund Act, 2015 which requires a list of projects to be submitted to the Board for scrutiny and approval. Further, the amount was paid to a consultant for preparing five-year strategic plan for the Mwatate Constituency but the purchase requisition, quotations, tender evaluation and award minutes were not availed for audit verification. Consequently, the propriety, completeness and value-for-money on the expenditure of Kshs.1, 600,000 incurred on the strategic plan during the year under review could not be confirmed.

Submission by the Fund Account Manager

1824. The Fund Account Manager submitted that the management acknowledge that the project which is the Strategic Plan was done. The process of procurement was followed but the project was not done during the financial year under review (2015-2016). It was done the previous year and it was among pending bills and when the funds were received from the NGCDF Board, payment was done. The copy of the strategic plan and voucher with NG-CDFC minutes for approval of payment of the project was provided for review.

Committee Observations

1825. The Committee observed that-

- (i) The strategic plan project was approved and implemented in FY 2014/15 but owing to delay of funds, the project was paid for in 2015/16;
- (ii) The supporting documents including the purchase requisition, quotations, tender evaluation and award minutes were not availed during the audit review; and
- (iii) The documents have since been availed for audit verification

Committee Recommendations

1826. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.4.3.9 Budgetary Controls and Performance

1827. During the year under review, the Fund had a budget of Kshs. 158,766,247 but spent Kshs. 117,794,782 or 74.2% of the budget, resulting in net under-expenditure of Kshs. 40,971,465 or 25.8% of the budget as shown below:

Units					
Other Grants and Transfers	72,456,675	68,827,202	0	3,629,473	
Variance	40,470,277	0	0	40,470,277	
Total	158,766,247	117,794,782	(3,552,260)	44,523,725	25.8

1828. As the table shows, the Fund overspent on use of goods by 19% and on transfers to other government units by 5%, and underspent by 20% on compensation of employees and 5% on other grants and transfers. Management attributed this to lack of bank accounts for some projects. As such, delivery of goods and services to residents of Mwatate Constituency may have been curtailed by the under-expenditure.

Submission by the Fund Account Manager

1829. Management submitted that under-expenditure was attributed this to lack of bank accounts for some projects and late disbursement of funds.

Committee Observations

1830. The Committee observed that-

- The under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury; and
- The over expenditure is due to roll over funds from previous years which was utilized in the financial year.

Committee Recommendations

1831. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

7.4.3.10 Projects Implementation

1832. The projects implementation report availed for audit review indicated that as at 30 June 2016 the Fund had implemented fifty-seven (57) projects with cumulative disbursements of Kshs. 65,706,025 as summarized below:

Sector	Number of Projects Implemented	Amounts Disbursed to 30/06/2016
Education	32	27,244,931
Health	2	6,582,517
Water	10	18,280,000
Roads & Bridges	5	10,956,577
Other Projects - Boda Boda Sheds	1	1,600,000
Emergency	7	1,042,000
Total	57	65,706,025

1833. However, the names and nature of these project activities undertaken, approved budget per project, disbursements, cumulative expenditure and stage of completion of the project were not availed for audit review. Consequently, it had not been possible to ascertain the nature, activities and implementation and completion status of all the projects financed by the Fund.

Submission by the Fund Account Manager

1834. The Fund Account Manager reported that the project had been completed by contractor to satisfaction of committee. Project name, activities and details including disbursements, cumulative expenditure and the status of completion of the projects had been availed for audit review.

Committee Observations

1835. The Committee observed that Project details including disbursements, cumulative expenditure and the status of completion of the projects had not been provided for audit review during auditing. These had however been availed to the auditor for audit verification.

Committee Recommendations

1836. The Committee recommends that the Accounting Officer ensures all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012 on the timely submission of documents.

7.4.3.11 Other Matters on projects as summarised in the table below

S/No.	Project	Activity	Amount (Kshs)	Anomalies Noted
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