

1.	Ngangu Secondary School	Payment for Construction of 2 Classrooms	1,400,000	It was noted that window grills were not properly welded and aligned and window frames appeared weak and window panes were coming off.
2.	Kwa Mnengwa Dispensary	Construction of a Staff House	2,241,380	Floors had cracks, floor paint was flaking and drainage pipes were exposed.
3.	Mwasinenyi Cooling Plant	Construction of Milk Cooling Plant	2,000,000	No signboard to identify the financier.
4.	Mwemba Secondary School	Construction of Classrooms	22,000,000	No classrooms were built. Instead, a laboratory block constructed using the funds disbursed for construction of the classrooms. However, the re-allocation was not supported with approval of the Board, contrary to Section 6(2) of the National Government Constituencies Development Fund Act, 2015 which requires such
5.	Kitivo Primary School	Construction of Classrooms	46,000,000	Roofing had not been done for two classrooms. In addition, backfilling of the foundation was not compacted while the verandah was supported with
	Total		13,641,380	

1837. Consequently, expenditure on projects totaling Kshs.13, 641,380 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1838. The Fund Account Manager submitted that management acknowledged the anomalies on the projects at the time of audit review. However, all issues raised during audit review were implemented as per the scope of works on the approved code list but they noticed some technical issues on contractor side. And later all contractors were given orders to correct all anomalies before any retention payment is done. Also noted in the report was Mwemba Secondary School. The Fund Account Manager reported that the mentioned school did not exist therefore they could not avail the documents as they were not sure if there was an error in the name of the school that had been stated.

Committee Observations

1839. The Committee observed that the projects with anomalies were corrected within the defect liability period and before any retention payment were done. The projects are complete and in use

Committee Recommendations

1840. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager only makes payment for works based on completion certificate issued by the works officer. The projects must be implemented as per the specifications under the BQs and the funds be retained for defect liability period.

CHAPTER EIGHT: KILIFI COUNTY

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

8.1. GANZE CONSTITUENCY

1841. Mr. Peter Mwaighonda, the current Fund Account Manager since July 2019 appeared before the Committee on 1st October, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Ganze Constituency and was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Mr. Christopher Nyerere Otieno, Former Fund Account Manager from 2012 to 2014.
- iv) Mr. Juma N. Buduguh, Former Fund Account Manager from 2015 to 2016.

8.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

1842. The Constituency Fund received a disclaimer of opinion report from the Auditor-General who raised ten audit Matters during examination of financial statements of Ganze Constituency for the year 2013/2014.

8.1.1.1 Compensation to Employees

1843. Included in the statement of receipts and payments for the year ended 30 June 2014 is an amount of Kshs 645,000 in respect of compensation to employees. However, documents availed for audit indicated payments totaling Kshs 864,912 resulting to an unexplained and unreconciled difference of Kshs. 219,912. Consequently, the accuracy and completeness of the employees' compensation expenses of Kshs 645,000 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

1844. Mr. Christopher Nyerere Otieno, Former Fund Account Manager submitted that the correct figure for compensation of employees is Kshs. 864,912.00 as indicated in the documents provided to the auditor. The Kshs. 219,912.00 is an oversight.

Committee Observations

1845. The Committee observed that-

- a. The inaccuracies of the employees' compensation expenses could not be established as there were unexplained variance between the financial statements and documents and audit query is not resolved;
- b. The financial statements for the Constituency were not signed by the Sub- County Accountant (formerly District Accountant) as required in the template issued by the PSASB in line with the PFM Act, 2012; and
- c. The omissions and inconsistencies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub-County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1846. The Committee recommends that-

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

8.1.1.2 Use of Goods and Services:

1847. Included in the statement of receipts and payments for the year ended 30 June 2014 is an amount of Kshs. 4,346,107 in respect of use of Goods and Services. However, no documentary evidence was availed for audit verification to support the balances as reported under note 5 to the financial statements. It was not possible to confirm whether the goods and services were procured and received by the Fund. In addition, no evidence was availed for audit examination to support the adherence to the Public Procurement and Disposal Act, 2005 and its regulations thereof in the procurement of goods and services. In the circumstances, the propriety, validity and accuracy of the expenditure of Kshs. 4,346,107 in respect of use of goods and services for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1848. Mr. Christopher Nyerere Otieno, Former Fund Account Manager submitted that the documentary evidence was not availed for audit verification to support an amount of Kshs. 4,346,107 because this figure comprised part of imprests that were not surrendered of Kshs. 6,105,460 whose documentation was under investigation by EACC. There is always a list of prequalified suppliers and contractors.

Committee Observations

1849. The Committee observed that documentary evidence was not availed for audit verification to support an amount of Kshs. 4,346,107 because this figure comprised part

of un-surrendered imprests of Kshs. 6,105,460 whose documentation was under investigation by EACC.

Committee Recommendations

1850. The Committee recommends that-

- 1) The Accounting Officer should within three months of adoption of this report, follow-up on the status of investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and
- 2) The Accounting Officer should within three months of adoption of this report, get certified copies of documentation of the Ksh 6,105,460 from the EACC and submit them to the Auditor General for audit verification and reporting in the next audit cycle.

8.1.1.3 Transfers to Other Government Units

1851. Included in the statement of receipts and payments for the year ended 30 June 2014 is an amount of Kshs. 38,998,735 for transfers to other Government Units as shown on note 7 to the financial statements. However, no records were availed for audit verification in support of this expenditure. Consequently, the propriety, accuracy and validity of transfers to other Government units amounting to Kshs. 38,998,735 could not be ascertained for the year ended 30 June 2014.

Submission by the Fund Account Manager

1852. The Fund Account Manager submitted that by the time of audit, there was an on-going investigation by EACC and that Payment vouchers amounting to Kshs. 38,998,735 had been taken by EACC.

Committee Observations

1853. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC.

Committee Recommendations

1854. The Committee recommends that-

- 1) The Accounting Officer should within three months of adoption of this report, follow-up on the status of investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and
- 2) The Accounting Officer should within three months of adoption of this report, get certified copies of documentation from the EACC and submit them to the Auditor General for audit verification and reporting in the next audit cycle.

8.1.1.4 Other Grants and Transfers

1855. Included in the statement of receipts and payments for the year ended 30 June 2014 is an amount of Kshs. 82,384,134 in respect of other grants and transfers as shown on note

8 to the financial statements. However, no records were availed for audit verification in support of this expenditure. Consequently, the propriety, accuracy and validity of other grants and transfers amounting to Kshs. 82,384,134 could not be ascertained.

1856.

Submission by the Fund Account Manager

1857. The Fund Account Manager submitted that by the time of audit, there was an on-going investigation by EACC and that payment vouchers amounting to Kshs. 82,384,134 had been taken by EACC.

Committee Observations

1858. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC and audit query is not resolved.

Committee Recommendations

1859. The Committee recommends that-

- 1) The Accounting Officer should within three months of adoption of this report, follow-up on the status of investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and
- 2) The Accounting Officer should within three months of adoption of this report, get certified copies of documentation from the EACC and submit them to the Auditor General for audit verification and reporting in the next audit cycle.

8.1.1.5 Outstanding Imprest

1860. Included in the statement of financial assets and liabilities is outstanding imprest balance of Kshs. 6,095,460 as at 30 June 2014 as disclosed in Note 8 of the financial statements. Included in this outstanding imprest figure is an amount of Kshs. 5,805,460 owed by the Fund Account Manager which had no documentary evidence to show how the imprest was issued. In addition, during the period under review, the Fund Account Manager was issued with ten (10) imprests amounting to Kshs. 13,083,000 without surrendering the previous imprest contrary to the Government Financial Regulations and procedures which states that no additional imprest should be issued to an officer unless the previous one had been surrendered and fully accounted for. Further, the Fund Manager is no longer in the service of the Fund and the entire amount is yet to be surrendered. Additional imprest records availed for audit review indicated that an amount of Kshs. 1,500,000 was outstanding as at 30 June 2014 and had not been included in the figure for the outstanding imprest balance of Kshs. 6,095,460 as at 30 June 2014. Consequently, the accuracy, validity and completeness of outstanding imprest balance of Kshs. 6,095,460 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

1861. The Fund Account Manager submitted that the Board stopped the Officer's salaries immediately it realized that he had outstanding imprests. The concerned Officer is not in service. By the time of audit, there was an on-going investigation by EACC.

Committee Observations

1862. The Committee observed that-

- (i) Multiple imprest were issued to an officer in contravention to Section 71 (2) of the PFM Act, 2012. The officer was no longer an employee of the Fund; and
- (ii) The supporting documents were not provided for audit verification to support the amount because documentation was under investigation by EACC; and

Committee Recommendations

1863. The Committee recommends that-

- 1) The Accounting Officer should within three months of adoption of this report, follow-up on the status of investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and
- 2) The Accounting Officer should within three months of adoption of this report, get certified copies of documentation from the EACC and submit them to the Auditor General for audit verification and reporting in the next audit cycle.

8.1.1.6 Cash and Cash Equivalents

1864. The statement of financial assets and liabilities as at 30 June 2014 reflected bank balances of Kshs. 9,288,744.60. However, the bank reconciliation statement availed for audit review reflected balance as per cashbook of Kshs. 15,385,204.60 resulting to unexplained difference of Kshs. 6,096,460. In addition, the reconciliation statement for the month of June 2014 was prepared using the bank statement that had a balance of Kshs. 18,031,325.60 while the certificate balance reflected an amount of Kshs. 18,156,600.60 resulting in unexplained difference of Kshs. 125,275. Similarly, the cash and cash equivalents includes un-presented cheques totaling Kshs. 63,245 which were stale as at 30 June 2014 but had not been reversed to the cashbooks. Consequently, the accuracy and validity of the bank balance of Kshs. 9,288,744.60 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1865. The Fund Account Manager submitted that the Kshs. 6,096,460 was an amount of the outstanding imprests and Kshs. 125,275 were bank charges which had not been expensed at the time of audit. However, the bank charges had since been expensed. Cheques amounting to Kshs. 63,245 were reversed in the Cashbook.

Committee Observations

1866. The Committee observed that the Fund Account Manager did not maintain an up-to-date bank reconciliation and cashbook contrary to Section 81 (3) of PFM Act, 2012.

Committee Recommendations

1867. The Committee recommends that the Accounting Officer ensures the Fund Account Manager keeps financial and other records that are accurate, reliable, complete in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

8.1.1.7 Statement of Receipts and Payments

1868. The financial statements reflected the statement of receipts and payments, however the surplus for the year had not been indicated as required in the reporting framework and, therefore, the financial statement is not in compliance with the International Public Sector Accounting Standards (Cash Basis).

Submission by the Fund Account Manager

1869. The Fund Account Manager submitted that the surplus for the year had been indicated as Kshs. 54,361,682.82 as required by International Public Sector Accounting Standards (Cash Basis).

Committee Observations

1870. The Committee observed that-

- (i) The Fund Account Manager did not comply with the International Public Sector Accounting Standards (IPSAS) framework in preparation of the financial statements; and
- (ii) The Financial Statements were amended and the surplus indicated.

Committee Recommendations

1871. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

8.1.1.8 Statement of Financial Assets and Liabilities

1872. The statement of financial assets and liabilities balance of Kshs. 15,385,204.60 is not in agreement with the casting balance of Kshs. 15,384,204.60 resulting to an unreconciled and unexplained difference of Kshs. 1,000.

Submission by the Fund Account Manager

1873. The Fund Account Manager submitted that the variance of Kshs. 1,000 was a posting error in the financial statements.

Committee Observations

1874. The Committee observed that the error was corrected in the financial statements and verified by the auditor.

Committee Recommendations

1875. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

8.1.1.9 Transfer to Other Government Entities

1876. The statement of receipts and payments reflected transfers to other Government entities of Kshs. 38,998,735. However, this figure is not in agreement with the total casted balance of Kshs. 20,498,735 as reflected in the note 7 to the financial statements resulting to an unreconciled and unexplained difference of Kshs. 18,500,000. Consequently, the accuracy of the financial statements as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

1877. The Fund Account Manager submitted that the correct figure is Kshs. 38,998,735. However, at the time of preparing the financial statements some projects were listed as other transfers reducing the figure to Kshs. 20,498,735. The financial statement had since been rectified.

Committee Observations

1878. The Committee observed that there were unreconciled and unexplained variation of Kshs. 18,500,000 not explained and corrected by the Fund. This is inconsistent with the provisions of Section 81(3) of the PFM Act, No. 18 of 2012;

Committee Recommendations

1879. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

8.1.1.10 Notes to the Financial Statements

1880. The statement of financial assets and liabilities reflected bank balances of Kshs. 9,288,744.60 referenced as note 12. However, in the notes to the financial statements, note 12 had been omitted.

Submission by the Fund Account Manager

1881. The Fund Account Manager submitted that the Kshs. 9,288,744.60 had since been included in note 12.

Committee Observations

1882. The Committee observed that there was an omission in the notes to the financial statements. This had since been corrected and revised documents presented for audit verification.

Committee Recommendations

1883. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

8.1.1.11 Property, Plant and Equipment-Other Matters

a) Omission of Assets Disclosed in Financial Statements

1884. Comparison of assets schedule in the financial statements note 18.1 and asset inventory maintained revealed some assets were omitted from the financial statements and, therefore, their physical location could not be confirmed. Trailer registration numbers ZC 4746 and ZC4745 were not included in the financial statements though included in the asset inventory.

Submission by the Fund Account Manager

1885. The Fund Account Manager submitted that the assets were at Ministry of Public works yard, Kilifi. The financial statements had since been rectified to include the two (2) trailers.

Committee Observations

1886. The Committee observed that the Fund Account Manager omitted some assets in the financial statements.

Committee Recommendations

1887. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

b) Lack of Ownership Documents

1888. Note 18.1 of the financial statements disclosed non-current assets owned by the Ganze Constituency Development Fund. The assets include three (3) tractors whose registration numbers are KAV 579K, KAV 580K and KAV 583K. Ownership of these tractors could not be confirmed as registration documents were not availed for audit verification. Review of the asset inventory revealed that two (2) trailers registration numbers ZC 4746 and ZC 4745 had no ownership documents. Similarly, a six (6) ton trailer asset number GNZ2/CDC/018/018 whose registration was not indicated had no registration documents and, therefore, its ownership could not be confirmed.

Submission by the Fund Account Manager

1889. The Fund Account Manager submitted that the trailers were bought and registered in 2006 in the name of the then M.P, Hon. Joseph Kingi. The Fund Account Manager had on several occasion written to the M.P requesting for change of ownership documents but all in vain.

Committee Observations

1890. The Committee observed that-

- i. Ownership documents for the assets were not provided for audit review in violation of Section 68 of the PFM Act, 2012; and
- ii. The trailers were bought and registered in 2006 in the name of the then, Member of Parliament, Hon. Joseph Kingi in contravention to CDF Act.

Committee Recommendations

1891. The EACC should within three months of adoption of this report, investigate the circumstances under which public assets were bought and registered in 2006 in the name of the then M.P, Hon. Joseph Kingi.

8.1.1.12 Inaccurate Disclosure of Valuation of Assets at Cost

1892. Examination of assets inventory revealed that three (3) tractor disc plough was acquired in 2006 at cost of Kshs. 275,000 each totaling to Kshs. 825,000. However, note 18.1 to the financial statements indicated that three (3) tractor disk plough were purchased on 23 March 2006 at a cost of Kshs. 2,750,000 resulting to a difference of Kshs. 1,925,000 which had not been explained and supported.

Submission by the Fund Account Manager

1893. The fund account manager submitted that this was a typing error. The correct figure is Kshs. 825,000 for the three (3) disc ploughs.

Committee Observations

1894. The Committee observed that there were inaccuracies in statement of value of assets in asset inventory and in the financial statements

Committee Recommendations

1895. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

8.1.1.13 Failure to Constitute Project Management Committees (PMCs)

1896. Examination of records maintained revealed procurement, payments and implementation of projects was being done by Constituency Development Fund Committee instead of Project Management Committees (PMCs) as stipulated by section 31 of the Constituency Development Fund Act, 2013.

Submission by the Fund Account Manager

1897. The Fund Account Manager submitted that the Constituency Development Fund Committee was implementing the projects since the Project Management Committees had not been trained on their roles and mandate.

Committee Observations

1898. The Committee observed that Constituency Development Fund Committee was doing procurement, payments and implementation of projects instead of Project Management committees (PMCs).

Committee Recommendations

1899. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager adheres to Section 36 of the NG-CDF Act, 2015 on implementation of projects including appointment of project management committees.

8.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

1900. The Constituency received a disclaimer of opinion from the Auditor-General who raised thirteen audit Matters during examination of financial statements of Ganze Constituency for the year 2014/2015.

8.1.2.1 Inaccuracies in the Financial Statements:

1901. The financial statements availed for audit review had figures which were at variance with figures reflected in the notes to the account amounting to Kshs. 226,811,640 as detailed below:

	Financial Statement Item	Amount on financial statement Kshs.	Amount on notes Kshs.	Variance Kshs.	Comment
1	Use of goods and services	7,780,390	7,820,390	40,000	Wrong casting
2	Transfer to other government units	38,905,705	50,701,235	11,795,530	Unreconciled variance
3	Other grants and transfers	43,138,530	31,343,000	11,795,530	Unreconciled variance
4	Cash flow statement-financial activity balance	99,844,321	0	99,844,321	No support schedule availed for audit review
5	Bank balance	20,952,103	48,666,645	27,714,542	Unreconciled variance
6	Direct transfer from CDF Board	75,621,717	0	75,621,717	No support schedule availed for audit review
	Total	286,242,766	138,531,270	226,811,640	

Submission by the Fund Account Manager

1902. Mr. Juma Budugur, the former Fund Account Manager submitted that the financial statement had since been rectified.

Committee observations

1903. The Committee observed that:

- The unreconciled variances and wrong casting of figures had been rectified in the financial statements; and
- Documents supporting the various expenditures were not availed for audit verification.

1904. The financial statements also contained variance amounting to Kshs. 35,734,204 between figures in the financial statement and the supporting schedules as detailed below:

	Item	Financial Statement Figure Kshs	Supporting Schedule Figure Kshs	Unexplained Difference
1	Transfer to secondary schools	20,900,000	10,500,000	10,400,000
2	Transfer to primary schools	3,600,000	10,400,000	6,800,000
3	Water projects	7,712,530	3,573,000	4,139,530
4	Emergency expenditure	4,083,000	4,019,000	64,000
5	Other Grants and transfer	43,138,530	31,343,000	11,795,530
6	Committee meeting allowances	3,731,100	2,445,500	1,285,600
7	Use of goods and services	7,820,390	6,570,846	1,249,544
	Total			35,734,204

Submission by the Fund Account Manager

1905. The Fund Account Manager submitted that the documents supporting the expenditure of Kshs. 35,734,204; Kshs. 11,795,530; and Kshs. 1,285,600 could not be examined by the auditor because they were taken by EACC. The variance of Kshs. 64,000 was an omission.

Committee Observation

1906. The documents supporting the expenditure of Kshs. 35,734,204 had been taken by EACC as confirmed by the NG-CDF Board.

Committee Recommendations

1907. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provides a status report on the matter to the National Assembly within three months after adoption of this report.

8.1.2.2 Other anomalies

1908. A review of the statement of financial assets revealed that opening Fund balances of Kshs. 21,480,664.60 did not correspond with the closing fund balance of Kshs. 149,307,214.55 as per the audited financial statement of 2013/2014 financial year resulting to unreconciled variance of Kshs. 127,826,549.95. The statement of receipts and payments for the year indicates a surplus of Kshs. 38,848,339.40 whereas the statement of financial assets indicates a surplus for the year of Kshs. 78,363,656.40 again resulting to unreconciled variance of Kshs. 39,515,317. Further, the summary statement of appropriation did not include the receipts for the year. Consequently, the

accuracy, completeness and fair presentation of the statement financial assets for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1909. The Fund Account Manager submitted that the balance for the previous year was not brought forward. The financial statement had since been amended. He further indicated that the summary statement of appropriation had since been rectified to include the receipts for the year.

Committee Observations

1910. The Committee observed that inaccuracies during preparation of financial statements was attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1911. The Committee recommends that;

- 1) The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015; and
- 2) The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

8.1.2.3 Other Grants and Transfers

1912. The statement of receipts and payments for the year indicated other grants and transfers balance of Kshs. 43,138,530 which includes an amount of Kshs. 1,930,000 for environmental expenses. However, there was no supporting documentary evidence on how the individual suppliers for the tree seedlings were identified and quantity supplied determined. Further, the distribution list to confirm how the seedlings were distributed was also not availed for audit. Consequently, the propriety of the environmental expenditure of Kshs. 1,930,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1913. The Fund Account Manager submitted that the following tender documents supporting expenditure of Kshs. 1,930,000 were taken away by EACC investigators for scrutiny;

Quotations, tender opening & evaluation minutes, notification of award and delivery notes.

Committee Observations

1914. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC.

Committee Recommendations

1915. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provide a status report to the National Assembly within three months after adoption of this report.

8.1.2.4 Transfers to Secondary Schools

1916. Note 5 to the financial statements reflected transfers to other government units' balance of Kshs. 50,701,235. Included in this is a transfer to secondary schools' balance of Kshs. 20,900,000. However, supporting schedules for an amount of Kshs. 10,400,000 were not availed for audit. Project inspection in respect to Ambassador Kithi Secondary School revealed that the work done was below expectations as the construction was still at foundation level despite the fact that the whole amount of Kshs. 2,500,000 had already been paid.

1917. Further, the analysis of records revealed that the amount that was paid to Ambassador Kithi Secondary School was a re-allocation from Kaembeni Dispensary for which the CDFC Board had not approved as required under Section 10(2) of the CDF Act, 2013. Consequently, the propriety and validity of the transfers to secondary schools' balance of Kshs. 10,400,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1918. The Fund Account Manager submitted that the supporting schedules for the expenditure of Kshs. 10,400,000 were availed to the auditor. The work done for the construction of 5 classrooms commensurate with the allocation of Kshs. 2,500,000. Re-allocation was sought from the Board. However, it took long for the Board to approve the same when there were only 2 temporary classrooms against form 1 to form 4.

Committee Observations

1919. The Committee observed that documentary evidence and supporting schedules for the expenditure were not availed for audit verification in violation of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents; hence audit query is not resolved.

Committee Recommendations

1920. The Committee recommends that-

- 1) The Accounting Officer should ensure that the Fund Account Managers do not re-allocate funds without the approval of the Board as required under the NG-CDF Act 2015; and
- 2) The Accounting Officer should within three months of the adoption of this report, ensure that the Fund Account Manager avails to the Auditor-General the completion certificate for the construction of classrooms for Ambassador Kithi Secondary School.

8.1.2.5 Committee Meeting Allowances

1921. The statement of receipts and payments for the year ended 30 June 2015 reflected committee expenses amounting to Kshs. 3,731,100 whereas supporting schedules availed for audit review indicated an amount of Kshs. 2,445,500, resulting to unexplained nor reconciled variance of Kshs. 1,285,600. Further, the expenditure was not supported by documentary evidence on who attended the meetings, agenda and minutes of the meetings. As a result, it was not possible to confirm the propriety and completeness of the committee meeting allowances expenditure of Kshs. 3,731,100 for the year ended 30 June 2015.

Submission by the Fund Account Manager

1922. The Fund Account Manager submitted that the documents supporting the expenditure of Kshs. 1,285,600 were taken away by EACC investigators for scrutiny.

Committee Observations

1923. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC.

Committee Recommendations

1924. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provide a status report to the National Assembly within three months after adoption of this report.

8.1.2.6 Transfers to Other Government Units

1925. The statement of receipts and payments showed that the CDF management spent a total of Kshs. 38,905,705 in respect of transfer to other government units. Included in this expenditure is an amount of Kshs. 9,791,235 for unspecified projects. The amount was not supported by an approved budget, PMC minutes and details on the location of the projects. The expenditure is as below:

Payee	Date	Voucher No.	Cheque No.	Amount (Kshs.)
Al-Madina Hardware	7/27/2014	290743	2692	2,405,705.00
Mwepe General Supplies	7/24/2014	290742	2690	2,600,000.00

Devens Building Contractors	8/15/2014	290749	2706	185,000.00
Mabati Rolling Mills	7/24/2014	290741	2691	2,000,290.00
Beyond Chance	8/15/2014	290748	2707	2,600,240.00
Total				9,791,235.00

1926. In the circumstances, it was not possible to confirm the propriety and validity of the transfer to other government units' balance of Kshs. 9,791,235 for the year ended 30 June 2015.

Submission by the Fund Account Manager

1927. Mr. Juma, the former Fund Account Manager submitted that the issue was being investigated by EACC and later referred to Court against Mr. Christopher Nyerere Otieno, the former Fund Account Manager whose tenure the query relates to. The matter had been concluded by the courts

Committee Observations

1928. The Committee observed that documentary evidence was not availed for audit verification because the payment vouchers had been taken by EACC. In addition, there was no documentary evidence on the ruling.

Committee Recommendations

1929. The Committee recommends that within three months of adoption of this report, the Accounting Officer should ensure that the Fund Account Manager submits a certified court ruling on the matter to the Auditor-General for audit review.

8.1.2.7 Use of Goods and Services

1930. The statement of receipts and payments indicated an expenditure on use of goods and services balance of Kshs. 7,780,390.40 for the financial year 2014/2015. However, schedules of payment vouchers availed for audit review in support of this expenditure only supported an amount of Kshs. 6,570,846, thus leaving an unexplained and unreconciled variance of Kshs. 1,249,544. Further, the expenditures were done through the use of imprests contrary to Government Financial Regulations. Consequently, the propriety of the expenditure on use of goods and services of Kshs. 6,570,846 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1931. The Fund Account Manager submitted that the schedule of payment vouchers amounting to Kshs. 1,249,544 were availed to the auditor. He further submitted that the situation had changed and there is no use of imprests for procurement of goods/services.

Committee Observations

1932. The Committee observed that documentary evidence and supporting schedules for the expenditure were not availed for audit verification.

Committee Recommendations

1933. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) 2015.

8.1.2.8 Outstanding Imprest

1934. The statement of financial assets indicated an outstanding imprest of Kshs. 3,270,500 as at 30 June 2015. However, note 9 to the financial statements reflected Kshs. 6,095,460 resulting to unreconciled or explained variance of Kshs. 2,824,960. Consequently, the accuracy, validity and completeness of outstanding imprests balance of Kshs. 3,270,500 as at 30 June 2015 and its recoverability could not be confirmed.

Submission by the Fund Account Manager

1935. The Fund Account Manager submitted that the imprests warrants and imprest register were availed to the auditors for audit review. He further submitted that it is an historical issue, and that they were engaging the NG-CDF Board to find a solution.

Committee Observations

1936. The Committee observed that supporting documents including the imprests warrants and imprest register were not availed to the auditors to account for the Kshs. 3,270,500 outstanding imprests. The explanation by the Fund Account Manager was not satisfactory.

Committee Recommendations

1937. The Committee recommends that-

- 1) The Fund Account Manager adheres to the provisions of Section 71 (2) of the PFM Act, No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015; and
- 2) The Accounting officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act 2012 on the timely submission of documents.
- 3) The Accounting Officer institutes administrative action against the Fund Account Manager for failure to adhere to the provisions of the PFM Act and attendant regulations.

8.1.2.9 Cash and Bank Balances

1938. Included in the bank balance of Kshs. 20,952,103 reflected in the statement of financial assets as at 30 June 2015 are unrepresented stale cheques amounting to Kshs. 350,224. Management had not explained why these cheques had not been written back to the cashbook. In addition, included in the bank reconciliation statement was an amount of Kshs. 33,281,440.50 relating to an AIE that was received on 26 June 2015 but not entered in the cashbook. The amount was not included as receipts in the schedule of transfer from CDF board thus understating the amount received by the same amount. It is not clear why the AIE that was received before the end of the year was not posted in the cashbook. Consequently, the accuracy, validity and completeness of the bank balances of Kshs. 20,952,103 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1939. The Fund Account Manager submitted that the cheques amounting to Kshs. 350,224.00 were written back to the Cashbook in the subsequent financial year, 2015/2016. The AIE amounting to Kshs. 33,281,440.50 was posted in the Cashbook and recognized as a receipt in the subsequent financial year, 2015/2016.

Committee Observations

1940. The Committee observed that the Fund Account Manager had reversed the unrepresented cheques and amended the anomalies. However, he had not provided supporting documents for audit verification.

Committee Recommendations

1941. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.1.2.10 Transfers to Other Government Units

1942. The statement of receipts and payments reflected a balance of Kshs. 38,905,705 as transfers to other government units. Records made available for audit revealed that during the financial year 2014/2015 the following expenditures relating to projects totaling Kshs. 22,000,000 were reallocated but without the CDF Board approval as required under Section 10(2) of the CDF Act, 2013.

Project Name	Amount (Kshs.)	Reallocation	Amount (Kshs.)
Mbonga Primary	2,000,000	Katendewa	1,500,000
Mwarandinda Primary	1,000,000	Unspecified project	1,000,000
Bamba Primary	1,000,000	Ganze Community	1,000,000

		Solar Project	
Ganze Boys Secondary	2,000,000	Ganze Tractor Project	2,000,000
Kaembeni Dispensary	2,000,000	Ambassador Kithi	1,500,000
		Mwapula Primary School	1,500,000
Mocks and Cats	1,000,000	Duplicating Machine	1,000,000
Meakini Nursery	1,200,000	Katendewa	1,200,000
Bamba Water Project	5,000,000	Mitangani Secondary School	2,500,000
		Kafitsoni Primary School	1,000,000
Juhudi Primary School	1,500,000		
Ganze Water Project	5,000,000	Shangweni	2,500,000
Ndingilia Dispensary	2,000,000	Bamba Police	
		Mwenge Primary School	1,000,000
	22,200,000		22,200,000

1943. No reasons were given for the re-allocation of the projects. Consequently, the management was in breach of the Law.

Submission by the Fund Account Manager

1944. Mr. Juma, the former Fund Account Manager submitted that the re-allocation for the Kshs. 22,000,000 was sought from the Board. However, conditional approval was granted. CDFC's Minutes requesting for the approval were availed to the auditors for review.

Committee Observations

1945. The Committee observed that the Fund Account Manager reallocated funds without the CDF Board approval as required under Section 10(2) of the CDF Act, 2013.

8.1.2.11 Fixed Assets Register:

1946. Note 18.1 to the financial statements disclosed non-current assets balance of Kshs. 10,145,595 owned by the Ganze Constituency Development Fund. The assets include three (3) tractors whose registration numbers are KAV 579K, KAV 580K, KAV 583K and a tractor Disc plough. However, ownership documents for these tractors were not made availed for audit verification. In addition, and as reported in the previous year, the three (3) disc plough was acquired in 2006 at a cost of Kshs. 275,000 each making a total of Kshs.825, 000. However, note 18.1 to the financial statements indicated that the three ploughs were purchased at a cost of Kshs. 2,750,000 resulting to an unexplained and unreconciled variance of Kshs. 1,925,000. Further, the assets balance of Kshs. 10,145,595 is reflected as exactly the same as the balance for the year 2013/2014. However, audited financial statement for the year 2013/2014 indicated assets value of

Kshs. 886,895 resulting to unexplained or reconciled variance of Kshs. 9,258,700. Consequently, the validity and accuracy of assets value of Kshs. 10,145,595 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1947. Mr. Juma Budugar, former Fund Account Manager submitted that the trailers were bought and registered in 2006 in the name of the then M.P, Hon. Joseph Kingi. The Fund Account Manager further indicated that he had on several occasions written to the M.P requesting for change of ownership documents but all in vain. This was a typing error. The correct figure is Kshs. 825,000 for the three (3) disc ploughs.

Committee Observations

1948. The Committee observed that the issue was carried forward from the previous financial year.

8.1.2.12 Receipts from CDF Board

1949. The statement of receipts and payments reflected receipt from CDF board totaling Kshs. 99,844,321. However, schedule of disbursements from the CDF board indicated that the Fund was given AIEs worth Kshs. 153,884,698, hence resulting in an unreconciled or unexplained variance of Kshs. 20,758,936. Consequently, the completeness of receipts from CDF Board of Kshs. 99,844,321 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

1950. The Fund Account Manager indicated that Ganze NG-CDF received a total of Kshs. 99,844,321.00 from the Board. Copies of A.I. E's were availed to the Auditors for verification.

Committee Observations

1951. The Committee observed that that Ganze NG-CDF received a total of Kshs. 99,844,321.00 from the Board. The explanations and documentation availed for audit review was satisfactory.

Committee Recommendations

1952. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.1.2.13 Budgetary Control and Performance

1953. The Constituency's total allocation for the year under review was Kshs. 133,113,762, against a total expenditure of Kshs. 97,975,952.40, resulting to under expenditure of Kshs. 35,137,809.60 or 26.40%. This variance comprised of under expenditure of Kshs. 46,911,218 or 35.24% and overs of Kshs. 11,773,408 or 8.84%. Further, scrutiny of the expenditure revealed that there was under expenditure on twelve (12) items and over expenditure on three (3) items as analyzed in the table below:

Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Over Absorption (Kshs.)	% Variance
Compensation of Employees	840,000	709,697	130,303		15.51
Use of goods and services	5,964,317	7,820,390.40		1,856,073.40	31
Committee Expenses	3,665,000	3,731,100		66,100.00	1.8
Capacity Building	1,500,000		1,500,000		100
Bursaries	29,006,255	27,750,000	1,256,255		4.3
Transfer to Schools	26,037,931	20,900,000	5,137,931		19.7
Emergency Reserve	5,400,259	4,019,000	1,381,259		25.6
Health Facilities	19,000,000	11,500,000	7,500,000		39.5
Water projects	35,000,000	7,772,530	27,227,470		78
Nursery schools	1,200,000		1,200,000		100
Sports Activities	2,000,000	1,992,000	8,000		0.4
Environmental Activities	2,000,000	1,930,000	70,000		3.5
Constituency Audit	500,000		500,000		100
Mock and cat	1,000,000		1,000,000		100

1954. It is clear from the above statistics that the Fund failed to utilize a single cent of its allocation on capacity building, nursery schools, MOCK and CAT examinations. The Fund utilized Kshs. 9,851,235 on unspecified projects which had not been budgeted for and it was not explained what those unspecified projects were. The over-expenditure and under-expenditure may be attributed to over or unrealistic budgets or activities and programs not undertaken thereby curtailing service delivery to the residents of Ganze Constituency. The management needs to re-focus on its budget making process with a view to paying attention to priority areas.

Submission by the Fund Account Manager

1955. The Fund Account Manager indicated that the under expenditure was due to delay in disbursement of funds from the NG-CDF Board. Copies of A.I. E's received were availed to the Auditors for verification. The Fund Account Manager further explained that the over-expenditure was occasioned by balances brought forward from the previous year that had not been factored in the summary of appropriation.

Committee Observations

1956. The Committee observed that the under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury. The over expenditure is due to roll over funds from previous years which was utilized in the financial year.

Committee Recommendations

1957. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.1.2.14 Project Implementation

1958. The projects status report availed for audit review indicated that a total of Kshs. 84,536,250, including Kshs. 11,198,319 from the previous year, was allocated and disbursed to 45 projects, out of which Kshs. 82,036,250 or 97% had been spent as at 30 June 2015, leaving unspent balance of Kshs. 2,500,000 or 3%. the following table shows the analysis of the project expenditure for projects funded by Ganze Constituency for the year ended 30 June 2015.

No.	Project Name/ Activities	Allocations for 2014/2015	Disbursements for 2014/2015	Cumulative Achievement (%)	Implementation Status
1	Purchase of computers	300,000	55,000	18%	On going
2	Purchase of office furniture/Equipment	0	500,000	0%	Not started
3	Organizing Constituency sports tournament in football, netball and volleyball	2,000,000	2,000,000	100.00%	On-going
4	Organizing of environmental day during which CDFC will be conducting tree planting in the Constituency	2,000,000	1,930,000	80.00%	Completed
5	Construction of two new classrooms-Mbonga pry school	2,000,000	900,000	85.00%	Ongoing
6	Construction of two new classrooms-Mangororo pry school	2,000,000	2,000,000	95.00%	Ongoing
7	Construction of two classrooms	2,000,000	2,000,000	100.00%	Complete in use
8	Construction of two classroom-Mwenzamayo pry school	2,000,000	2,000,000	100.00%	Complete in use
9	Construction of two new classrooms-Bamba pry school	2,000,000	100,000	35.00%	Ongoing
10	Construction of six modern improvised jikos at Bahati primary	600,000	600,000	95.00%	Completed
11	Construction of two classroom-Mwenge pry school	0	1,000,000	45.00%	Ongoing
12	Construction of two classroom-Kafitsoni primary	0	1,000,000	50.00%	Ongoing
13	Construction of two new classrooms-Kirimani primary	2,000,000	2,000,000	100.00%	Ongoing
11	Construction of two classroom-Mwenge pry school	0	1,000,000	45.00%	Ongoing
12	Construction of two classroom-Kafitsoni primary	0	1,000,000	50.00%	Ongoing
13	Construction of two new classrooms-Kirimani primary	2,000,000	2,000,000	100.00%	Ongoing
14	Renovation (walling and roofing of community centre)-Gosheni	0	700,000	50%	Ongoing
15	Construction of two classroom-Palakumi secondary	2,000,000	2,000,000	100.00%	Ongoing
16	Construction of two classroom and roofing of administration block-Mayowe secondary	2,000,000	2,000,000	100.00%	Completed
17	Construction of two classroom-Ganze secondary	2,000,000	2,000,000	50.00%	Ongoing
18	Construction of two classroom-Mitingani secondary	2,000,000	2,000,000	100.00%	Completed
19	Construction of girls' dormitory-Jila secondary	0	2,500,000	75.00%	Ongoing
20	Construction of girls' dormitory-Shangweni sec. school	0	2,500,000	65.00%	Ongoing
21	Construction of two-Ambassador Kiithi memorial	0	2,500,000	100.00%	Ongoing
22	Fees payment for the needy student physical challenged	2,000,000	2,000,000	60.00%	Ongoing
23	Construction of two classroom-Kwa dudu	1,200,000	1,200,000	40.00%	Ongoing

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

	primary				
24	Construction of one classroom-Matolani primary	837,931	837,931	40.00%	Ongoing
25	Refurbishment of three classroom roofing and plastering works-Makonjemare primary	1,200,000	1,200,000	75.00%	Ongoing
26	Construction of one new classroom-Ranch primary	1,200,000	1,200,000	80.00%	Ongoing
26	Construction of one new classroom-Ranch primary	1,200,000	1,200,000	80.00%	Ongoing
27	Completion of one classroom and office-Mwapula primary	0	1,000,000	85.00%	Ongoing
28	Refurbishment of two classroom and office (roofing, flooring and plastering works)-Ganze youth polytechnic	0	745,000	100.00%	Completed
29	Construction of five classrooms-Bamba police station	0	1,500,000	45.00%	Ongoing
30	Walling, plastering and finishing works for the main dispensary building-Migumomiri dispensary	0	745,000	100.00%	Completed
31	Construction of drainage system, comprising of soak pit, septic tank and disposal pit and roofing-Ndigiria dispensary	2,000,000	0	0.00%	Not started
32	Walling plastering and finishing works for the main dispensary-Muyuni dispensary	2,000,000	2,000,000	85.00%	Ongoing
33	Construction of a new dispensary (Outpatient/admin block)-Mwariandinda dispensary	2,000,000	2,000,000	75.00%	Ongoing
34	Walling plastering and finishing works for the main dispensary-mbudzi health center	2,000,000	2,000,000	80.00%	Ongoing
35	Walling plastering and roofing of patient wards-Bandari dispensary	5,000,000	5,000,000	20.00%	Ongoing
36	Plastering roofing and fixing of windows of outpatient unit-Nyali dispensary	2,000,000	2,000,000	45.00%	Ongoing
37	Construction of Boyani A Earth dam at Boyani village	2,000,000	2,000,000	45.00%	Ongoing
38	Construction of Majajani Earth pan	5,000,000	5,000,000	75.00%	Completed
39	Construction of Mwabogo Earth dam	5,000,000	5,000,000	45.00%	Ongoing
40	Construction of Petanguo water pan at petanguo	5,000,000	5,000,000	100.00%	Completed
41	Construction of Kiva cha Mulungu Earth dam	5,000,000	5,000,000	50.00%	Ongoing
42	Construction of Kiva cha Msichana Earth dam	5,000,000	5,000,000	85.00%	Ongoing
43	Renovation of broken water tanks-shafaa malanga water project	0	200,000	100.00%	Completed
44	Rehabilitation of several school	0	2,378,060	100%	
45	Extension of water pipeline to petanguo	0	245,259	100	Complete

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secondary school				
Total	73,337,931	84,536,250		

1959. The following observations were made:

- (a) Out of the 45 Development projects funded by the CDF, 2 projects worth Kshs. 2,500,000 were not implemented. The projects included construction of drainage system at Ndingiria dispensary at a cost of Kshs. 2,000,000 and purchase of office furniture at a cost of Kshs. 500,000.
- (b) A water pan was constructed at Mrima wa Ndege at a cost of Kshs. 5 million but the pan had not benefited the community as there is no adequate water to fill the pan. The choice of the location might have been poor and lack of proper information on how to tap the rain water. The pan may be silted and be of no benefit to the people of Ganze Constituency.
- (c) There was no budget for the specific projects, yet fourteen (14) projects had spent funds amounting to Kshs. 17,513,060. The funds were reallocations that were not approved by the CDF Board. It was observed that various projects were at various stages of completion even though the funds allocated had all been spent. Many of these projects did not have properly constituted PMCs.

1960. From the observations above, it is noted that there was poor planning and implementation of projects. No explanation was provided as to why the two projects were not implemented despite the allocation of funds. Non-adherence to budgeting and lack of budget for specific items lead to unplanned expenditures and re-allocation of funds from other deserving votes.

Submission by the Fund Account Manager

1961. The Fund Account Manager indicated that the funds meant to implement the projects at a cost of Kshs. 2,500,000 were re-allocated. Two dams were built upstream by a private developer/rancher, which drastically reduced the flow of water downstream.

Committee Inspection Visit to the project

1962. Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 where the Committee visited Petanguo Water Pan project and found that:

- i. The water pan is located in Petanguo Centre village, Petanguo sub location in Ganze location of Ganze ward in Kilifi County. The site is located 8km West of Ganze market along Ganze – Bamba road;
- ii. The scope of work undertaken include bush clearing, excavation of core trench, construction of embankment wall, excavation of reservoir, excavation of spillway, excavation of silt trap and fencing; and
- iii. The project is complete and in use.

Committee Recommendations

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

1963. The Committee recommends that:

- 1) The Accounting officer should ensure that PMCs are appointed and properly constituted before projects are initiated for proper implementations in line with section 36 of the NG-CDF Act of 2015, and Regulation 16 of the NG-CDF Regulations, 2016.
- 2) The Accounting Officer should ensure that the Fund Account Managers seek approval for budget re-allocation that is specific for each project.

8.1.2.15 Project Verification

1964. The following observations were made regarding projects costing Kshs. 26,123,060 verified during the audit for the year ended 30 June 2015.

No	Name	Expenditure	Project Details	Observations
1	Palakuni secondary school	2,000,000	Construction of two classrooms	The project is complete and in use
2	Jila Sec. School	2,500,000	Construction of Girls dormitory	Project incomplete. Evidence of cracks at the floor that is still under construction.
3	Shangweni Sec school	2,500,000	Construction of Girls dormitory	The project is still incomplete. No doors windows and plastering
4	Ambassador Kithi Memorial Sec School	2,500,000	Construction of two classrooms	The project is still at the foundation level
5	Ganze Youth Polytechnic	745,000	Refurbishment of two classrooms and office	There was no evidence of any refurbishment being done
6	Bamba police station	1,500,000	Construction of police cells and refurbishment of the existing block	The two cells and an office were done up to the shatter level
7	Ndigeria dispensary	2,000,000	Construction of drainage system, soak pit, disposal pit and roofing	There was no evidence of any work being done during the site visit
8	Chiva Cha Mulungu Earth dam (Mrima wa ndege)	5,000,000	Construction of Earth dam for community use	The dam had no water and workmanship was poor as there is no possibility of holding water in the dam
9	Kiva Cha Msichana Earth dam	5,000,000	Construction of Earth dam for community use	The earth dam was in use and had water in it. There was evidence of soil getting into the dam
10	Education projects	2,378,060	Not specified	No evidence of the projects being undertaken
	Total	26,123,060		

1965. From the above table, it is evident that projects visited were not completed in time and satisfactorily. Poor workmanship of projects and slow pace of completion is a disservice to

the residents of Ganze Constituency and it shows lack of supervision and commitment from the CDFC members with consequences that the citizens of Ganze Constituency may fail to obtain value for the money voted for development of their constituency.

Submission by the Fund Account Manager

1966. The Fund Account Manager submitted that the projects were not completed in time and satisfactorily due to the following reasons - The main Ganze NGCDF Account had been frozen by the NGCDF Board for over three (3) months; there was no Clerk of works at that time to supervise the projects; and the transition from NGCDF Act 2013 to NGCDF Act 2015 also impacted negatively on implementation of projects.

Committee Inspection Visit to the project

1967. Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 where the Committee visited Bamba Police Station and found out that:

- i. The project is located in Bamba location, Mitsemerini sub-location and was an ongoing project.
- ii. The project involved construction of OCS office, construction of gender office, construction of anti-crime office and construction of temporary cells for the offenders and not classrooms as captured by the report.
- iii. At the time of the audit, the project was not complete as the two cells and an office were done up to the shatter level. The project is now complete and in use.

Committee Observations

1968. The Committee observed that-

- (i) The slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury; and
- (ii) NGCDF Board had frozen Ganze NG-CDF Account for over three (3) months.

Committee Recommendations

1969. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

1970. The Auditor General raised nine audit Matters during examination of financial statements of Ganze Constituency for the year 2015/2016.

8.1.3.1 Inaccuracies in the financial statements

1971. The financial statements for the year ended 30 June 2016 submitted for audit review contained the following inaccuracies:

a) Opening Balance-Imprests

1972. The statement of assets as at 30 June 2016 reflected opening outstanding imprests balance of Kshs. 3,129,360 while the audited balance for the year 2014/2015 indicated a sum of Kshs. 3,270,500, resulting to a variance of Kshs. 141,140 which had not been explained.

Submission by the Fund Account Manager

1973. Mr. Juma Budugar, the former Fund Account Manager submitted that this was a posting error. The correct figure for outstanding imprests balance is Kshs. 3,129,360. Availed to the auditor were Cashbook extract; Amended reports; and financial statements for the year ended 30th June 2016.

b) Fund Balance Brought Forward

1974. The statement of assets reflected fund balance brought forward of Kshs. 24,081,464 while the statement of cash flows reflected a balance of Kshs. 24,084,464, resulting to a variance of Kshs. 3,000 which had not been explained nor reconciled.

Submission by the Fund Account Manager

1975. The Fund Account Manager submitted that this was a posting error. The correct figure for outstanding imprests balance is Kshs. 3,129,360. Amended reports and financial statements for the year ended 30th June 2016 had been availed to the auditor.

c) Reversed Cheques

1976. Note 12 to the financial statements for the year ended 30 June 2016 reflected reversed cheques amounting to Kshs. 1,225,710 but whose supporting cashbook entries had not been availed for audit verification. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1977. The Fund Account Manager submitted that the stale cheques comprised of several bursary cheques amounting to Kshs. 1,225,710. These were later replaced with other cheques and List of replaced cheques and Cashbook extract provided to the auditor for review.

Committee Observations

1978. The Committee observed that the financial statements showed inaccuracies and errors and that the omissions and inconsistencies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

1979. The Committee recommends-

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

8.1.3.2 Bank balance

1980. The statement of assets as at 30 June 2016 reflected a bank balance of Kshs. 43,542,908. Further, the bank reconciliation statement as at 30 June 2016 reflected payments in cashbook not in bank statement of Kshs. 3,117,728.40, out of which Kshs. 1,414,557.40 related to stale cheques not reversed in cashbook. In addition, subsequent bank statements showing clearance of the other cheques amounting to Kshs. 1,703,171 were not availed for audit verification. In addition, the reconciliation reflected payments in bank statement not in cashbook of Kshs. 25,688 in respect of bank charges not recorded in cashbook and hence not expensed during the year under review. Consequently, the accuracy, validity and completeness of the bank balance of Kshs. 43,542,908 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1981. The Fund Account Manager submitted that the stale cheques amounting to 1,414,557.40 were reversed in cashbook as at 30 June 2016. The Fund Account Manager submitted to the auditor the:

- i. The Bank statement as at 30 June 2016 showing clearance of the other cheques amounting to Kshs. 1,703,171; and
- ii. Amended reports and financial statements for the year ended 30 June 2016. The bank charges amounting to Kshs. 25,688 were expensed during the time of audit.

Committee Observations

1982. The Committee observed that there were inaccuracies on bank balance as cashbook and bank reconciliation statements were not updated.

Committee Recommendations

1983. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.1.3.3 Cash Balance

1984. the statement of assets as at 30 June 2016 reflected a cash balance of Kshs. 93,562. However, the respective Board of Survey Certificate was not availed for audit review.

Submission by the Fund Account Manager

1985. The Fund Account Manager submitted that the board of survey Certificate was availed to the auditor for verification.

Committee Observations

1986. The Committee observed that the Fund Account Manager had at the time of audit not provided the Board of survey reports to support the cash balance. However, the survey reports were later submitted to the auditor for audit verification and review.

Committee Recommendations

1987. The Committee recommends that the Accounting officer should ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.1.3.4 Outstanding Imprests

1988. The statement of assets as at 30 June 2016 reflected an imprests balance of Kshs. 3,129,360 which had been outstanding for two years, contrary to Regulation 93(5) of the PFM Regulations (National Government) Regulations 2015 which provides that a holder of temporary imprest should account for or surrender the imprest within seven days of return to duty station. Although management had explained that these imprests had since been surrendered, documentary evidence to that effect had not been provided for audit verification. Consequently, the accuracy, completeness and validity of the imprests balance of Kshs. 3,129,360 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1989. The Fund Account Manager submitted that the imprests could not be surrendered because of a pending court case by EACC covering the said period. As a result, the accuracy, validity and completeness of the cash balance of Kshs. 93,562 as at 30 June 2016 could not be confirmed.

Committee Observations

1990. The Committee observed that the supporting documents including the imprests warrants and imprest register were not availed to the auditors to account for the Kshs. 3,270,500 outstanding imprests.

Committee Recommendations

1991. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provide a status report to the National Assembly within three months after adoption of this report.

8.1.3.5 Use of goods and services

1992. The statement of receipts and payments for the year ended 30 June 2016 reflected use of goods and services of Kshs. 4,668,038 as detailed in Note 5 to the financial statements. However, included in this balance were payments totaling Kshs. 2,244,144 reportedly made in respect of the following items but documentary evidence on the expenditure had not been availed for audit review:

Description	Amount (Kshs.)
Utilities, Supplies and Services	104,000
Communication Supplies and Services	311,000
Office and General Supplies and Services	1,769,144
Office Rent	60,000
Total	2,244,144

1993. Further, the use of goods and services balance of Kshs. 4,668,038 included Kshs. 2,345,604 for committee expenses, other allowances of Kshs. 78,290 as disclosed in Note 5 to the financial statements of which payment vouchers, and meeting attendance registers were not availed for audit verification. As a result, the accuracy and propriety of use of goods and services balance totaling Kshs. 2,322,434 for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

1994. The Fund Account Manager submitted that he availed payment vouchers amounting to Kshs. 2,244,144, 2,345,604 & 78,290, and meeting attendance registers to the auditor.

Committee Observations

1995. The Committee observed that supporting documents for Committee Expenses of Kshs. 2,345,604 and allowances of Kshs.78, 290 were not availed for audit.

Committee Recommendations

1996. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with section 43(11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.

8.1.3.6 Transfers from Other Government Entities

1997. The statement of receipts and payments for the year ended 30 June 2016 reflected transfers from other government entities of Kshs. 103,281,441 while records maintained by the National Government Constituencies Development Fund Board reflected a figure of Kshs. 70,000,000, resulting to a variance of Kshs. 33,281,441 which had however not been explained. Further, the statement of appropriation for the year ended 30 June 2016 reflected transfers from Constituencies Development Fund Board of Kshs. 124,233,544 while the statement of receipts and payments reflected a balance of Kshs. 103,281,441, resulting to a variance of Kshs. 20,952,103 which had not been explained. Consequently, the accuracy and completeness of Kshs. 103,281,441 balances on transfers from other government units for the year ended 30 June 2016 cannot be confirmed.

Submission by the Fund Account Manager

1998. The Fund Account Manager submitted that this was an omission error. The error had since been rectified. Availed to the auditor were:

1. Amended reports and financial statements for the year ended 30 June 2016.
2. Copy of summary of appropriation.

Committee Observations

1999. The Committee observed that the omissions and inconsistencies are attributable to lack of adequate capacity. The accounting records of the fund at the Constituencies maintained at the Sub- County Treasuries (formerly District Accountant) who also maintains books of accounts for all national government offices at the Sub-County.

Committee Recommendations

2000. The Committee recommends that:

- 1) The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015; and
- 2) The NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices beginning FY 2022/23 within the 5%

administrative allocation to the Board. This will strengthen maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

8.1.3.7 Compensation of Employees

2001. The statement of receipts and payments for the year ended 30 June 2016 reflected compensation to employees' balance of Kshs. 1,087,151 while the schedule availed for audit review reflected a figure of Kshs. 1,082,868, resulting to a variance of Kshs. 4,283 which however had not been explained. Further, the expenditure of Kshs. 1,082,868 reportedly relates to basic salaries paid to five (5) employees whose designations and job groups were not disclosed for audit review. Consequently, the accuracy and validity of Kshs. 1,087,151 expenditures incurred on compensation of employees for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2002. The Fund Account Manager submitted that the Kshs. 4,283 was an overcast. All the employees had clear job descriptions and designations. Availed to the auditor were:

1. Designation of employees
2. Job group of employees.

Committee Observations

2003. The Committee observed that supporting documents for compensation of employees had not been availed for audit review. The documents were however provided for audit verification and the audit query is resolved.

Committee Recommendations

2004. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable, complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.1.3.8 Other Grants and Transfers

2005. The statement of receipts and payments for the year ended 30 June 2016 reflected other grants and transfers of Kshs. 48,303,955 in respect of which the following observations had been made:

a) Bursaries-Secondary Schools, Tertiary Institutions and Special Schools

2006. Note 7 to the financial statements for the year ended 30 June 2016 reflected bursaries to secondary schools of Kshs. 5,272,000, tertiary institutions of Kshs. 2,379,000 and special schools Kshs. 10,000 all amounting to Kshs. 7,661,000. However, approved applications for the bursaries, records showing how the applicants were vetted,

categorized and identified, the cheques dispatch register and evidence that names of successful applicants were published were not availed for audit verification contrary to CDF Board Circular/Vol1/111 of 13 September 2010.

2007. The circular requires Constituency Development Fund Committees (CDFC) to establish a bursary sub-committee to vet, categorize and identify students in need of bursaries; decide on the awards, verify and ensure all cheques were dispatched to schools/colleges, compile a report to the Committee to ratify the awards and ensure that lists of beneficiaries were published. Further, acknowledgement of receipt of bursaries totaling Kshs. 4,052,030 by the institutions was not availed for audit review.

Submission by the Fund Account Manager

2008. The Fund Account Manager submitted that it availed to the auditor the Bursary awarding criteria, Bursary committee minutes, Cheque's dispatch register, List of successful applicants, and Bursary acknowledgement receipts.

Committee Observations

2009. The Committee observed that the Fund Account Manager had not provided at the time of audit, the Bursary Criteria, Bursary Committee Minutes, Cheque Dispatch register, list of applicants, and bursary acknowledgement receipts. The documents were however provided for verification after audit period.

Committee Recommendations

2010. The NG-CDF Board should develop an overarching bursary policy framework to guide committees' in-line with the needs of the constituency. Each NG-CDF bursary committee to establish criteria and guidelines for identifying, categorizing and awarding of bursaries to needy students.

b) Kivu Cha Mulungu Water Pan:

1339. Note 7 to the financial statements for the year ended 30 June 2016 reflected expenditure totaling Kshs. 35,769,259 incurred on water projects, out of which Kshs. 5,000,000 had been disbursed for construction of Kiva Cha Mulungu water pan. The records availed for audit indicated that the contract had been awarded to a firm at a cost of Kshs. 4,998,000. However, tender advertisement, quotations, tender committee minutes and minutes of tender evaluation and award committee were not availed for audit review. In addition, the project site was verified in April 2017 and found to have no water which management explained was caused by prolonged drought. However, poor design and orientation of the pan appeared to be the major cause of loss of water.

Submission by the Fund Account Manager

2011. The Fund Account Manager submitted that they had availed the Tender advertisement, Quotations, Minutes, Tender evaluation minutes, and Notification of tender award to the auditor for verification.

Committee Observations

2012. The Committee observed that the Fund Account Manager had not provided at the time of audit the tender advertisement, quotations, tender committee minutes and minutes of tender evaluation and award.

Committee Recommendations

2013. The Committee recommends that the Accounting Officer ensures that Fund Account Manager ensures compliance with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act 2012 on the timely submission of documents.

c) Kiva Cha Msichana Water Pan

2014. Note 7 to the financial statements reflected expenditure of Kshs. 35,769,259 for water projects, out of which Kshs. 5,000,000 was disbursed for construction of Kiva Cha Msichana water pan during the year under review. The records availed for audit indicated that the contract was awarded to a firm at a cost of Kshs. 5,136,750. However, tender advertisement, quotations, tender committee minutes, minutes of tender evaluation award committee and progress reports were not availed for audit review.

Submission by the Fund Account Manager

2015. The Fund Account Manager submitted that it availed the Tender advertisement, Quotations, Minutes, Tender evaluation and award, and progress reports to the auditor for verification.

Committee Observations

2016. The Committee observed that the Fund Account Manager had not provided at the time of audit the tender advertisement, quotations, tender committee minutes and minutes of tender evaluation and award.

Committee Recommendations

2017. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

d) Majajani Dam Project:

2018. Note 7 to the financial statements reflected expenditure of Kshs. 35,769,259 for water projects, out of which Kshs. 5,136,000 was disbursed for excavation of Majajani Dam.

Records availed for audit review indicated that the contract sum of the project was Kshs. 5,136,750, and out of this amount, Kshs. 4,676,250 was released to the contractor. However, quotations, tender committee minutes, minutes of tender evaluation and award, engineer's certificates of completion and progress reports were not availed for audit review.

2019. Further, at the time of the project verification in April 2017, the dam had no water and was not fenced yet Kshs. 196,250 out of the total amount paid to the contractor related to fencing. Management explained that water had dried up due to prolonged drought, which implied that the pan's water supply was not reliable. In addition, the project was omitted from the project's implementation status report as at 30 June 2016 availed for audit review.

Submission by the Fund Account Manager

2020. The Fund Account Manager submitted that by the time the audit was being conducted, the records had been taken by EACC.

Committee Inspection Visit to the project

2021. Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 where the Committee visited Majajani Dam and found out that:

- a) This project is situated in Kauma location, Vinagoni sub-location in Ganze Ward and borders Kilifi North Constituency and Ganze Constituency.
- b) The scope of work included Earth pan with a storage capacity of 4000m³, embankment wall of 230m long, crest height of the embankment of 4m and Spillway of 5m wide.
- c) The excavation works undertaken were not as per the specifications of the BQs since the dam could not hold any water.
- d) Despite the payments of Kshs. 196,250 for fencing, works were not undertaken.
- e) There was no value for money for the expenditure of Kshs. 5,136,750 expended on the project given that it is incomplete and not in use.

Committee Observations

2022. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of audit the supporting documents. The documents were however provided for verification after audit period.
- (ii) There was no value for money for the expenditure of Kshs. 5,136,750 expended on the project given that it is incomplete and not in use.

Committee Recommendations

2023. The Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provide a status report to the National Assembly within three months after adoption of this report.

e) Mwaeba-Katofeni Water Project:

2024. Note 7 to the financial statements reflected Kshs. 35,769,259 for water projects, out of which Kshs. 2,000,000 was disbursed for water distribution from the main (Baricho) water pipe. However, the bill of quantities, quotations, procurement committee minutes, minutes of evaluation and award committees, progress reports and engineer's certificates of completion were not availed for audit review. Further, at the time of project verification in April 2017, the taps had no water since meters had not been installed and the line tested.

Submission by the Fund Account Manager

2025. The Fund Account Manager submitted that at the time the audit was being conducted, the records had been taken by EACC.

Committee Observations

2026. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of audit the bill of quantities, quotations, procurement committee minutes, minutes of evaluation and award committees, progress reports and engineer's certificates of completion; and
- (ii) The documents were however provided for verification after audit period.

Committee Recommendations

2027. The Committee observed that-

- 1) The Ethics and Anti-Corruption Commission (EACC) expedites investigations, concludes the matter, and provides a status report to the National Assembly within three months after adoption of this report.
- 2) The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor-General during audit as required under section 9(1)(c) Public Audit Act, 2015.

8.1.3.9 Emergency Projects

2028. Note 7 to the financial statements for the year ended 30 June 2016 reflected Kshs. 186,696 for emergency projects. However, this amount related to purchase of air-tickets but the surrender voucher for the expenditure totaling Kshs. 93,134 was not supported while surrender voucher for the balance of Kshs. 93,562 was not availed for audit verification. Further, expenditure on air-tickets is not categorized as emergency, under Section 8(3) of the National Government Constituencies Development Fund Act, 2015 which defines emergency as an urgent, unforeseen need for expenditure which in the

opinion of the Constituency Development Fund Committee cannot be delayed until the next financial year without harming public interest. Managements claim that relevant documents in support of the expenditure were availed is un-substantiated and further the nature of the emergency had not been disclosed.

Submission by the Fund Account Manager

2029. The Fund Account Manager submitted that it was an emergency because the students had gotten invitation letters within a very short notice and they were from very poor background. Apart from the air tickets, the other monies were used for local travel in Kenya, local travel in India and booking for hostel in India.

Committee Observations

2030. The Committee observed that the Fund Account Manager had not provided air tickets, surrender voucher and authority to travel for audit verification in breach of the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and PFMA Act, No. 18 of 2012 on submission of documents to the Office of the Auditor General. The documents were however provided for verification after audit period and audit query is resolved.

Committee Recommendations

2031. The Committee recommends that the Accounting officer ensures that the Fund Account Manager complies with the provisions of Section 21 (1) and 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.1.3.10 Budgetary Controls and Performance

2032. During the year under review, the Fund had a final budget of Kshs. 187,520,920 and spent Kshs. 80,597,075, resulting to under-absorption of Kshs. 106,923,845 or 57% of the budget as shown below:

Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption Kshs.)	Under Absorption (%)
Employee salaries	2,361,303	1,087,151	1,274,152	54
Use of goods and services	12,752,812	4,668,038	8,084,774	63
Transfers to Other Government Units	68,907,931	26,537,931	42,370,000	61
Other Grants and Transfers	95,153,874	48,303,955	46,849,919	49
Acquisition of Assets	8,345,000	-	8,345,000	100
Total	187,520,920	80,597,075	106,923,845	57

1340. The under-expenditure of Kshs. 106,923,845 indicates that the budget was not implemented in accordance with the provisions of Article 220(1) of the Constitution of

Kenya which requires budgets of national government to contain estimates of revenue and expenditure, differentiating between recurrent and development and proposals for financing any budget deficit for the period to which they apply. Further, Section 35(1) of the PFMA Act, 2012 requires the budget process for the national Government to comprise among other things integrated long term and medium-term planning, and determination of financial and economic policies and priorities at the national level over the medium term and implementation the budget. Therefore, late receipt of funds is not the main cause of the large under expenditure incurred by Ganze Constituency CDF. As a result of the under-expenditure, delivery of goods and services to residents of Ganze Constituency was curtailed.

Submission by the Fund Account Manager

2033. The fund manager submitted that main Ganze NGCDF account had been frozen by the NGCDF Board for over three (3) months. The transition from CDF Act, 2013 to NGCDF Act, 2015 also impacted negatively on implementation of projects.

Committee Observations

2034. The Committee observed that the under-absorption of the budget was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The NGCDF Board had frozen Ganze Constituency Account for over three (3) months.

Committee Recommendations

2035. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.1.3.11 Project Verification:

2036. The projects status report availed for audit review indicated that a total of Kshs. 70,215,840 was allocated and disbursed to 28 projects during the year under review. Out of the total amount disbursed, Kshs. 69,569,395 or 99% had been spent as at 30 June 2016, resulting to unspent disbursements of Kshs. 646,445 or 1%. During projects verification in the month of April 2017, ten (10) projects with a total disbursement of Kshs. 13,600,000 were found to have anomalies as detailed below:

	Project Name	Description	Amount Disbursed (Kshs)	Anomaly noted/Documents not availed for Audit verification
1.	Bahati primary school	Purchase of 6 jikos	600,000	During physical verification, only one modern energy saving jiko was presented for verification. Five jikos were not availed for physical verification.
2.	Mayowe sec. school	Construction of Twin Laboratory	2,000,000	The project was verified in April 2017 and found to have stalled at ring beam level.

	Project Name	Description	Amount Disbursed (Kshs)	Anomaly noted/Documents not availed for Audit verification
3.	Meyuni Dispensary	Completion of building (super walling, plastering, flooring, fitting & painting)	2,000,000	The project was verified and found complete but not handed over to beneficiaries.
4.	Nyari Health Centre	Construction of Nyari Health Centre	1,000,000	The project's estimated cost was Kshs. 14,803,577.80 but had received Kshs. 4,000,000 at the time of the verification. The project was verified in April 2017, and found to have stalled at the reinforced concrete slab level.
5.	Bandari Dispensary	Construction of Dispensary	2,000,000	At the time of project verification in April 2017, the project was almost complete with only ceiling painting work remaining.
s6.	Midoina Dispensary	Construction of 2 one-bedroom staff houses-Plastering & finishing	500,000	The project was verified in April 2017 and found almost complete with only wall painting work remaining.
7.	Migumomiri Dispensary	Construction of Dispensary	1,500,000	The project was verified and found complete but not yet handed over to the County Government. Further, a similar facility funded by the County Government is under construction on the same plot under unclear circumstances.
8.	Ndingiria Dispensary	Construction of Dispensary	1,500,000	When the project was verified in April 2017 only the ceiling board had not been fitted but the contractor was not on site.
9.	Mwarandini a Dispensary	Construction of Dispensary	1,500,000	The project was verified in April 2017. Doors and windows had not been fitted while work on plastering and painting of walls had not been done but the contractor was not on site.
10.	Kaembeni Dispensary	Construction of Dispensary	1,000,000	The project was verified in April 2017. At that time, plastering and painting work had not been done while the ceiling board was yet to be fitted but the contractor was not in site.
Total			13,600,000	

2037. Consequently, the propriety of expenditure totaling Kshs. 13,600,000 incurred by the CDF on projects during the year under review could not be confirmed due to the reasons cited here.

Submission by the Fund Account Manager

2038. The Fund Account Manager submitted that in Bahati primary school, one Jiko had been purchased and the other 5 jikos were in the process of being purchased. In Mayowe sec. school Laboratory, Funds allocated commensurate with the works done. However, the project needs additional funding for completion. Health projects had

become a devolved function. The Fund was in the process of handing-over the projects to the County Government.

Committee Observations

2039. The Committee observed that the under-absorption of the budget was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The NGCDF Board had frozen Ganze Constituency Account for over three (3) months.

Committee Recommendations

2040. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.2 KALOLENI CONSTITUENCY

2041. Mr. Elisha Ade, the current Fund Account Manager since 2018 appeared before the Committee on 30th September, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Kaloleni Constituency and was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Ms. Beatrice Otieno, Accountant NGCDF Board
- iv) Mr. Anthony Munyao, Former Fund Account Manager (August 2014 to Dec. 2017)
- v) Ms. Flora Ndunge, Former, Fund Account Manager (Sept. 2017 to Dec. 2013)
- vi) Mr. Kenneth Amany, Former Fund Account Manager (Dec 2013 to Sept. 2014)

8.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2042. The constituency received a qualified audit opinion from the Auditor General who raised seven audit Matters during examination of financial statements of Kaloleni Constituency for the year 2013/2014.

8.2.1.1 Transfer from the CDF Board

2043. The statement of receipts and payments reflected a balance of Kshs. 99,026, 995 as at 30th June 2014 in respect of transfers from CDF Board. However, audit review of the fund's bank statement revealed that authority to incur expenditure (A.I.E) of the Kshs. 41,865, 588 received on 16 June 2014 was not recorded in the fund's book of accounts. In the circumstance, the accuracy of completeness of transfer of the CDF Board of Kshs. 99,026,955 for the year ended 30 June could not be ascertained.

Submission by the Fund Account Manager

2044. Mr. Kenneth Amany, Former Fund Account Manager submitted a Bank Statements and copies of A.I. E's for financial year 2013/2014 to show that corrections were done.

Committee Observations

2045. The Committee observed that the Fund Account Manager had corrected the errors and the documentation provided for audit verification, hence audit query is resolved.

Committee Recommendations

2046. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.2.1.2 Outstanding Imprest

2047. The statement of assets and liabilities reflected outstanding imprest of Kshs. 894,000 as at 30 June 2014. Audit review of the supporting schedule revealed that the balance relates to cumulative imprest issued on various dates to the Fund Account Manager before surrendering the previous imprest contrary to Government Financial Regulations and Procedures on imprest management. In the circumstance, the propriety of outstanding balance of Kshs. 894,000 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

2048. Mr. Kenneth Amanywa, Former Fund Account Manager submitted that the imprests were surrendered as evidenced by copy of vouchers which were availed to the auditor for review.

Committee Observations

2049. The Committee observed that-

- (i) Multiple imprests were issued on various dates to the Fund Account Manager before surrendering the previous imprest ; and
- (ii) Fund Account Managers are the only ones who could be advanced imprests as government employees at the CDFC

Committee Recommendations

2050. The Committee recommends that the Accounting officer should ensure that Fund Account Managers adhere to the provisions of Regulation 93 of the PFM (National Government) Regulation 2015 on management of imprest.

8.2.1.3 Cash and Cash Equivalents

2051. Included in the statement of financial assets and liabilities is cash and cash equivalents balance of Kshs. 11,941,754 as at 30 June 2014. However, it had not been possible to verify the balance of cash and cash equivalents as the project management committee's returns were not availed for audit review. Consequently, the completeness of the cash and cash equivalents balance of the Kshs. 11,941,754 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

2052. The Fund Account Manager submitted that the NGCDFC had records and copies of bank statements which were provided for audit verification.

Committee Observations

2053. The Committee observed that at the time of the audit, the Fund Account Manager had not provided the project management committee's returns for audit review in contravention of Section 68 of the PFMA, No. 18 of 2012 on the timely submission of

documents. The project management committee's returns had since been provided and audit query is resolved.

Committee Recommendations

2054. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

8.2.1.4 KRA Penalties

2055. Audit review of the April 2014 reconciliation statement revealed that Kenya Revenue Authority deducted Kshs. 4,787,962 from the Fund's Cooperative bank account No. 01120250577700 being penalties on overdue taxes. Additionally, there was no evidence that withholding taxes were being deducted from project contractors and remitted to KRA.

Submission by the Fund Account Manager

2056. The Fund Account Manager submitted that KRA had not yet appointed the constituency as a withholding agent hence it was not possible to deduct and remit taxes. In accordance with Section 25A of the Value Added Tax Act, 2013 Government ministries, Departments and Agencies required to withhold VAT hence appointing them as agents was of great essence. The Fund Accounting Manager requested to be appointed as an agent and since then he had diligently been deducting and remitting taxes. Funds deducted from the account affected the construction of NG-CIDF Rabai Constituency Office that it had benefited from the mother constituency i.e., Kaloleni. After splitting Rabai constituency allocated funds for construction of the office and the Board approved. Issue resolved on 27th February 2020

Committee Observations

2057. The Committee observed that-

- (i) Kenya Revenue Authority deducted Kshs. 4,787,962 from fund's bank account being penalties on overdue taxes which the Fund Account Manager was supposed to withhold; and
- (ii) After being appointed as tax agents, the Fund Account Manager had been deducting and remitting taxes.

Committee Recommendations

2058. The Accounting officer should ensure that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.

8.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2059. The Constituency received an adverse opinion report from the Auditor General who raised seven audit Matters during examination of financial statements of Kaloleni Constituency for the year 2014/2015.

8.2.2.1 Summary statement of Appropriation

2060. The summary statement of appropriations had arithmetic error on totals for final budget. The final budget balance is reflected as Kshs. 162,766,947 whereas the casted balance is Kshs. 92,269,248.31 resulting to neither unexplained nor reconciled variance of Kshs. 70,497,698.69. In addition, the statement did not indicate which votes were adjusted by the total adjustments of Kshs. 41,865,588. In the circumstances, the accuracy of the summary statement of appropriation for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2061. The Fund Account Manager submitted that this was an error in the financial statement. Correction had been made and financial statements had been availed to the auditor for verification.

Committee Observations

2062. The Committee observed that the financial statements had an error which was cleared in the subsequent year.

Committee Recommendations

2063. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.2.2.2 Transfer from the CDF Board

2064. The statement of receipts and payments for the year ended 30 June 2015 reflected a balance of Kshs. 102,316,265 in respect of transfers from the Constituency Development Fund Board. However, according to the disbursements as per the parent Ministry, a total of Kshs. 21,190,706 was disbursed to Kaloleni CDF during the financial year under audit resulting to unreconciled nor explained variance of Kshs. 81,125,561. In the circumstances, the accuracy and the completeness of the balance of transfers from the Constituency Development Fund Board of Kshs. 102,316,267 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

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

2065. The Fund Account Manager submitted that Kaloleni CDF received the following AIE from the CDF Board as follows:

AIE Number	Amount
750124	Kshs.41,864,588.00
759575	Kshs.39,259,973.00
796921	Kshs.10,000,000.00
799042	Kshs.11,190,706.50

2066. The two AIEs that were received amounted to Kshs. 81,125,561 which were for the previous financial year and were received in 2014/15 FY hence were recorded then. The other two amounts which amounted to Kshs. 21,190,706 was the money that was received in 2014/15 and also belonged to that particular financial year. Therefore, it can be confirmed that the whole amount received for the year ended 30th June 2015 was Kshs. 102,316,267.

Committee Observations

2067. The Committee observed that the Fund Account Manager received Kshs. 102,316,267 and therefore there was no variation.

Committee Recommendations

2068. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.2.2.3 Transfers to other Government Units.

2069. The state of the receipts and payments for the year ended 30 June 2015 reflected a balance Kshs.41, 115,772 in respect of transfers to other government units. Included in this is Kshs.21, 982,748 in respect of the transfer to the primary schools. The balance of Kshs.21, 982,748 include various provisions for fifteen [15] projects amounting to Kshs.10, 412,327 which were not accounted for. There was no documentary evidence on how the provisional sums were spent. In the circumstances, the propriety and the validity of transfers to other government units amounting to Kshs. 10,412,327 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2070. The Fund Account Manager confirmed that the transfers amounting to Kshs. 10,412,327 was distributed as follows:

- (a) 16% VAT. An amount of Kshs.5, 304,753 was the total amount that was paid to contractors for them to submit to KRA as VAT. This amount was inclusive of the contractual sum and therefore it was the responsibility of the contractor to submit.
- (b) 3% Income Tax, this amount was deducted and submitted to KRA as income tax.

- (c) 5% PMC. This is the amount that was paid to the PMCs to facilitate their operations.
- (d) Works Officer Provisions, this is the amount that was paid to the works officer to ensure good management of the project. This amount was included to the BQ.
- (e) Contingency, this is the amount that was payable to the contractors for any contingency that would occur in the implementation of the project. This had been well illustrated by the proficiency in the BQs.

Committee Observations

2071. The Committee observed that-

- (i) At the time of the audit, the Fund Account Manager had not provided documentary evidence on how the provisional sums were spent the project; and
- (ii) The documentary evidence had since been provided and reviewed by the auditors.

Committee Recommendations

2072. The Committee recommends that the Accounting officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

8.2.2.4 Other payments

2073. The statements of the receipts and payments reflected a balance of Kshs.4, 787,962 for the year 30 June 2015 in respect of other payments. According to Note 11 to the financial statements, the balance of Kshs.4, 787,962 is Kenya Revenue Authority penalty charged on the Fund's Cooperative Bank Account No. 01120250577700 during the financial year 2013/2014 for non-deduction and remittance of withholding taxes. However, there was no evidence that the expenditure was authorized by the Constituency Development Fund Board as per approved budget. In addition, there was no evidence that the withholding taxes were deducted and remitted to Kenya Revenue Authority. In the circumstances, the regularity of the payments balance of Kshs. 4,787,962 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2074. The Fund Account Manager submitted that the payment of Kshs. 4,787,962 was deducted from the CDF Account No. 01120250577700 on 19/12/2019 there was no negotiation with KRA on how they arrived on that figure therefore this matter had been on going between the CDF Committee, CDF Board and KRA.

Committee Observations

2075. The Committee observed that-

- (i) Kenya Revenue Authority deducted Kshs. 4,787,962 from fund's bank account being penalties on overdue taxes which the Fund Account Manager was supposed to withhold; and
- (ii) After being appointed as tax agents, the Fund Account Manager had been deducting and remitting taxes.

Committee Recommendations

2076. The Accounting Officer should ensure that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.

8.2.2.5 Budget control and performance.

2077. The summary statement of appropriation reflected a final budget of cash Kshs. 162,766,947, however the correct casted budget is Kshs. 92,269,248.31. The actual expenditure for the year was Kshs. 101,538,099 resulting to an overall over expenditure of Kshs. 9,277,050.69 or 10% of the approved budget, further according to the CDF Board Secretariat Circular on Budget Ceilings, Kaloleni CDF was allocated Kshs.120,901,359 for the financial year 2014/15. It was not clear how adjustment of Kshs.41,865,588 was approved.

Submission by the Fund Account Manager

2078. The Fund Account Manager submitted AIEs as received from the Board as per the approved budget ceiling to show that funds were from the previous financial year.

Committee Observations

2079. The Committee observed that over expenditure is due to roll over funds from previous years which was utilized in the financial year, hence audit query is resolved.

Committee Recommendations

2080. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.2.2.6 Committee expenses

2081. Committee expenses were overspent by Kshs.2,702,200 or 107% of the budget. This implies irregular sittings were held.

Submission by the Fund Account Manager

2082. The Fund Account Manager indicated that the committee expenses were not overspend because this vote included committee bench marking which is an expensive item, therefore, all this expenditure is inclusive of committee trainings and other expenses, therefore there were no irregular sittings as implied.

Committee Observations

2083. The Committee observed that:

- (i) The Fund Account Manager did not provide documentation to support expenditure at the time of audit; and
- (ii) The total expenses of Kshs.2, 702,200 included committee trainings and benchmarking that was provided for in the budget.

Committee Recommendations

2084. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with section 43 (11) of NG-CDF Act 2015 on the number of constituency committee sittings including sub-committee meetings.

8.2.2.7 Other payments

2085. Other payments for Kshs.4, 787,962 was without budget provisions. The management did not avail for audit the authority to spend on this vote.

Submission by the Fund Account Manager

2086. Mr. Kenneth Amanya, Former Fund Account Manager submitted that this was a deduction directly by KRA as penalties on overdue taxes not withhold.

Committee Observations

2087. The Committee observed that-

- (i) Kenya Revenue Authority deducted Kshs. 4,787,962 from fund's bank account being penalties on overdue taxes which the Fund was supposed to withhold; and
- (ii) The Fund Account Manager has continued to deduct and remit taxes after the constituency was appointed as tax agents.

Committee Recommendations

2088. The Accounting Officer should ensure that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.

8.2.2.8 Project implementation.

- a) Katsomeni primary school

1339. The school was allocated Kshs. 2,000,000 for the construction of two classrooms. According to project records, the project commenced on 01/08/2014 and was expected to be completed on 02/11/2014. However according to the records, the project was completed on 8th June 2015, thus project was behind schedule by seven months. It is not clear why the project took long to complete. An audit inspection at the school on March 2016, revealed that 9 months after the completion of the classrooms, they were not in use. The management had indicated that they were still waiting for the county government to take over the school. In addition, the land title deed where the classrooms were constructed was not availed for audit review thus casting doubts whether project had been put up on public land.

Submission by the Fund Account Manager

2089. The Fund Account Manager submitted that the project had been completed in time. However, there was a delay in the county government in receiving the project. Project photos and handing over certificate was provided for confirmation.

Committee Observations

2090. The Committee observed that:

- (i) The Fund Account Manager did not provide a title deed for Katsomeni Primary School.
- (ii) The two classrooms have been completed and handed over to the ministry of education as part of the school.

Committee Recommendations

2091. The committee recommends that:

- (i) The Accounting Officer should ensure that all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents; and
- (ii) In line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

b) Maandani Primary School and Gabriel Kahindi Primary School

2092. Each school was allocated Kshs. 2, 000,000 for the construction of 2 classrooms. However, they were no project records indicating the project dates of commencement and completion. It was not possible to determine whether the project was implemented within schedule. In addition, the audit inspection at both schools in March 2016 revealed that 9 months after completion of the classrooms, they were cracks on the

walls and floor thus casting doubt on the quality of works. The residents of Kaloleni Constituency may not have realized value for money spent on the project.

Submission by the Fund Account Manager

2093. The Fund Account Manager submitted that the works officer had been consulted on the same and correction were done. The project photos and completion certificate were provided for verification.

Committee Observations

2094. The Committee observed that-

- (i) At the time of the audit, the Fund had not provided documentary evidence indicating the project dates of commencement and completion dates of the project. The documentary evidence had since been provided and reviewed by the auditor; and
- (ii) The cracks on the walls had been rectified within the defect liability period.

Committee Recommendations

2095. The Committee recommends that:

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

c) Kirumbi Girls Secondary School

2096. The school was allocated Kshs.5, 000,000 for the construction of a dormitory. The project records availed for audit did not indicate the commencement date and completion date although the agreement was signed on 25th 05 2015. According to the available records a total of Kshs.5, 225,315 was spent due to contract variation. However, audit inspection due on March 2016 revealed that although the dormitory had already been occupied by the students, though electrical work had not been done. In addition, the contractor was not on site. It is not clear why the school management approved an incomplete dormitory to be occupied by students which poses a health hazard. The citizens of Kaloleni Constituency may not have obtained value for money on the construction of the dormitory.

Submission by the Fund Account Manager

2097. The Fund Account Manager submitted that the project that was a construction of a dormitory had a variation of over Kshs. 800,000. The money for the variation was not available within that financial year and therefore the school made a decision on occupying the dormitory before it was finally completed. However, when the money for

the following financial year was received the project had been allocated the variation and hence the project had been completed. The manager provided the photos and completion certificate for verification.

Committee Observations

2098. The Committee observed that:

- i) The project's electrical work had not been completed during the period under review given that variation in the contract price was funded in the subsequent financial year;
- ii) The project documentation was provided for verification by the auditor; and
- iii) The electrical works were completed and project is in use.

Committee Recommendations

2099. The Committee recommends that:

- 1) The Accounting Officer ensures that the Fund Account Manager only makes payments for works done based on completion certificate issued by the works officer;
- 2) The Fund Account Managers should ensure that projects are implemented as per the specifications under the BQs and the funds be retained for defect liability period; and
- 3) The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2100. The Constituency received a qualified opinion from Auditor General who raised seven audit Matters during examination of financial statements of Kaloleni Constituency for the year 2015/2016.

8.2.3.1 Unsupported balances

2101. The financial statement for the year ended 30th June 2016, reflected unsupported balances of Kshs.13, 431,806. Consequently, the propriety of expenditure totaling Kshs.13, 431,806 for the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2102. Mr. Kenneth Amanya, Former Fund Account Manager submitted that the vouchers amounting to Kshs.13, 431,806 had been availed for audit verification hence the propriety of the expenditure can be confirmed.

Committee Observations

2103. The Committee observed that the Fund Account Manager did not provide payment vouchers to support the expenditure of Kshs. 13,431,806.

Committee Recommendations

2104. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.2.3.2 Other receipts

2105. Note 2 to the financial statement for the year ended 30th June 2016 reflected nil interest received against a bank balance of Kshs. 40,084,618. However, the same note reflected interest received of Kshs. 60,746 for the year 2014/15 with a closing bank balance of Kshs. 12,117,007, an indication that interest earned on funds held in bank had not been disclosed in the financial statements. Consequently, the accuracy and completeness of the other receipts of Kshs. 80,000 for the year ended June 2016 could not be confirmed.

Submission by the Fund Account Manager

2106. The Fund Account Manager submitted that the receipts of Kshs. 80,000 had been proceeds from rent. The note that captured the Kshs. 6,700 was erroneous since there was no interest earned.

Committee Observations

2107. The Committee observed that Kshs. 60,746 captured as interest earned was erroneous since there was no interest earned on funds held in the bank.

Committee Recommendations

2108. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.2.3.3 Bank Statements

2109. The statement of the financial assets as at 30th June 2016 reflected a bank balance of Kshs. 40,084,618. However, the bank reconciliation statement as at 30th June 2016 for the bank account reflected payments in cashbook not yet recorded in bank statements of Kshs. 17,320,777.25 out of which stale cheques totaled cash Kshs. 10,524,894.25. Further bank statements confirming when cheques totaling cash 6,795,883 were subsequently cleared by the bank were not provided for audit review. In addition, the bank reconciliation statement reflected receipts in bank statements not yet recorded in cashbook of Kshs. 26,000. The management had not explained the reason why these transactions were not reversed in the books of accounts. In addition, the bank balance was understated by undetermined interest income on cash in bank, given that in the year 2014/15 interest on bank balance was Kshs.60, 746 with a closing bank balance of 12,117,007. Consequently, the validity and accuracy of bank balance of Kshs.40, 084,618 as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2110. The Fund Account Manager submitted that the huge stale cheques that amounted to Kshs. 10,524,894.25 was occasioned by a cheque of Kshs. 10,000,000 that was meant for Kaloleni Technical and Vocational College. This cheque went stale for the period that the CDF committee was not operational due to change in the Act. Hence since it had some correction it could not be made in time. However, the same cheque had been banked. The remaining Kshs. 524,897.25 were stale bursary cheque which had been reversed in the books of account. Therefore, the validity and accuracy of bank balance as at 30th June 2016 can be confirmed.

Committee Observations

2111. The Committee observed that-

- (i) The Fund Account Manager had stale cheques which had not been reversed to the cashbook which is contrary to International Public Sector Accounting Standards (IPSAS) framework on preparation of financial statements.

- (ii) The cheques were however reversed and the supporting documents provided to the auditor for audit verification.

Committee Recommendations

2112. The Committee recommends that:

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

8.2.3.4 Cash balance.

2113. The statement of assets as at 30th June 2016 reflected a nil balance but the respective board of survey certificate was not availed for audit review. Consequently, the accuracy of the cash balance could not be confirmed.

Submission by the Fund Account Manager

2114. The Fund Account Manager submitted that the board of survey certificate had been provided for audit verification. Therefore, the accuracy of the nil cash balance as at 30th June 2016 can be confirmed.

Committee Observations

2115. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of audit the Board of survey reports to support the cash balance which is contrary to the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and PFMA Act, No. 18 of 2012 on submission of documents to the Office of the Auditor General; and
- (ii) The survey reports were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

1340. The Committee recommends that the Accounting Officer ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.2.3.5 Acquisition of Assets

2116. The statement of receipts and payments for the year ended 30th June 2016 reflected acquisition of assets figure of Kshs. 2,003,506 which related to renovation of Kaloleni Constituency Office but the respective completion certificate was not availed for audit review. Consequently, the propriety of Kshs. 2,003,506 and the quality of workmanship

of the Kaloleni Constituency Office for the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2117. The Fund Account Manager submitted that the constituency office was renovated and the completion certificate was provided for audit verification.

Committee Observations

2118. The Committee observed that the Fund Account Manager did not provide at the time of audit the completion certificate for the renovation of Kaloleni constituency office.

Committee Recommendations

2119. The Committee recommends that:

- 1) The Accounting Officer should ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents; and
- 2) The Accounting Officer ensures that the Fund Account Manager only makes payments for works done based on completion certificate issued by the works officer; and
- 3) The Fund Account Managers should ensure that projects are implemented as per the specifications under the BQs and the funds be retained for defect liability period.

8.2.3.6 Transfers to primary schools.

2120. Note 6 to the financial statement for the year ended 30th June 2016 reflected transfers to primary school of Kshs.31, 393,294 out of which Kshs 855,407 was disbursed towards construction of 4 classrooms at Muungano Primary School. However, records availed for audit review indicated that the project was completed in 2014/15 at a contract price of Kshs, 3,489,988. The additional expenditure of Kshs.855, 407 was a contract variation but evidence of approval of the variation by the accounting officer was not availed for audit verification. Section 139(1) (a) of the Public Procurement and Assets Disposal Act, 2015 requires the approval of any contract variation by the awarding authority who is the accounting officer. Consequently, the propriety of the expenditure of Kshs.855, 407 incurred on the contract variation on the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2121. The Fund Account Manager submitted that the variation of Kshs. 855,407 was approved by the board and also CDF committee. Approval for the variation was provide for verification.

Committee Observations

2122. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of audit evidence of approval of the contract variation by the Board.
- (ii) The documentations were however provided to auditors for review.

Committee Recommendations

2123. The Committee recommends that the Accounting Officer ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

8.2.3.7 Transfer to secondary schools.

2124. Note 6 to the financial statement for the year ended 30th June 2016 reflected transfers to secondary schools of Kshs. 11,000,000 out of which 5,000,000 was disbursed to Kizurini Secondary School being contribution towards the purchase of a school bus. However tender advertisement, evaluation and award minutes and mechanical engineer's inspection reports were not availed for audit review. Consequently, the propriety of expenditure totaling 5,000,000 incurred on the purchase of the school bus during the year under review could not be confirmed.

Submission by the Fund Account Manager

2125. The Fund Account Manager submitted that the school bus was bought by the school which had received a grant of Kshs. 5,000,000 from Kaloleni CDF. The procurement process was carried out by the school.

Committee Observations

2126. The Committee observed that the Fund Account Manager did not provide at the time of audit the tender advertisement, evaluation and award minutes and mechanical engineer's inspection reports.

Committee Recommendations

2127. The Committee recommends that the Accounting Officer ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.2.3.8 Transfers to Tertiary Institutions

2128. Note 6 to the financial statements for the year ended 30th June 2016 reflected transfers to tertiary institution of Kshs.10, 000,000 being funds disbursed for construction of Kaloleni Technical and Vocational College. However, the part of the phase financed by the funds was not specified, contrary to section 49 of the National Government

Constituencies Development Fund Act, 2015 which provides that the Board may consider part funding of project from other sources so long as the part funding goes to a definite unit or part or phase. Further tender evaluation and award minutes, bill of quantities and certificate of completion and expenditure returns were not availed for audit reviewing. In addition, the title deed for the land which the institute is situated was not availed for audit review. Consequently, the propriety of expenditure of Kshs.10, 000,000 on construction of the college for the year ended 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2129. The Fund Account Manager submitted that the Kshs. 10,000,000 was the CDF contribution toward the construction for Kaloleni Technical and Vocational College. The role of the CDF committee was to transfer their share of Kshs 10,000,000 as per the Circular from the Board. It was not the role of CDF committee to carry out the procurement process hence it was the role of the mother institution.

Committee Observations

2130. The Committee observed that the Fund Account Manager transferred Kshs 10,000,000 as per a circular from the Board. The Board sanctioned this across all Constituencies and CDFCs had no role in the procurement process.

Committee Recommendation

2131. The Committee recommends that the Accounting Officer at all times guides the Fund Account Managers in compliance with the provisions of PFM Act, 2012, and the NG-CDF Act 2015 when providing counterpart funding to the projects.

8.2.3.9 Transfers to Health Institutions

2132. Note 6 to the financial statements for the year ended 30 June 2016 reflected transfers to health institutions of Kshs. 643,844 relating to purchase of maternity equipment for Chalani Dispensary but the delivery goods received notes and the inspection and acceptance committee report were not availed for audit review. Assentation made by the management that all goods and equipment were received were unsupported. Further, a field audit carried out on May 2017, failed to trace and inspect the equipment. Consequently, the propriety of the expenditure totaling Kshs.643, 844 incurred on maternity equipment during the year under review could not be confirmed.

Submission by the Fund Account Manager

2133. The Fund Account Manager submitted that the Kshs 643,844 was the amount transferred to Chalani Dispensary for the purchase of maternity equipment. The procurement process was carried out by the dispensary. The equipment was bought and it is operational.

Committee Observations

2134. The Committee observed that the Fund Account Manager did not provide at the time of audit the delivery goods received notes and the inspection and acceptance committee report which is contrary to the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and PFM Act, No. 18 of 2012 on submission of documents to the Office of the Auditor General.

Committee Recommendations

2135. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

8.2.3.10 Other Grants and Transfers

2136. Note 7 to the financial statement reflected emergency projects expenditure of Kshs. 2,730,000 out of which payments of Kshs. 1,830,000 were not supported with the written opinion of the Constituency Development Fund Committee, contrary to section 8 [3] of the National Government Constituency Development Fund Act, 2015. The section defines emergency as an urgent, unforeseen need for the expenditure for which, in the opinion of the Committee, cannot be delayed until the following financial year without harming the public interest of the constituents. Consequently, the propriety of the expenditure totaling Kshs.1, 830,000 incurred on emergency for the year ended 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2137. The Fund Account Manager submitted that all the emergencies were discussed and approved by the CDF Committee and therefore, the propriety of expenditure totaling Kshs. 1,830,000 for emergency can be confirmed.

Committee Observations

2138. The Committee observed that-
- (i) The Fund Account Manager had not provided at the time of audit minutes of CDFC approving the projects as emergency; and
 - (ii) The documentations were however provided to the auditors for review.

Committee Recommendations

2139. The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.2.3.11 Budgetary controls and performance

2140. During the year under review, the constituency had a final budget of Kshs. 192,463,049 but spent Kshs. 95,584,075 or 50% of the budget, resulting to under expenditure of Kshs. 96,878,974 or 50%. Management attributed underutilization of funds by Kshs. 96,878,974 or 50% to, disbursement of funds by the board late in May and June 2016. As a result of the large ration of under expenditure, delivery of goods and services to residents of Kaloleni constituency was curtailed to a significant extent.

Submission by the Fund Account Manager

2141. The Fund Account Manager submitted that under expenditure was caused by delay in the disbursement of funds by the CDF board.

Committee Observations

2142. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2143. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.2.3.12 Project implementation status.

2144. The project status report availed for audit review indicated that a total of Kshs. 53,296,287 was disbursed to 29 projects. Out of which Kshs. 53,263,287 or 99% had been spent as at 30th June 2016. Further the report indicated all the 29 projects were complete by the year end, however review of the project status report revealed that 20 projects planned and approved to be implemented in the year through allocations totaling to Kshs. 51,711,342 did not receive funding. The situation may have impacted negatively on the delivery of goods and services to the residents of Kaloleni Constituency.

Submission by the Fund Account Manager

2145. The Fund Account Manager submitted that there was late disbursement of funds by the Board.

Committee Observations

2146. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury, hence audit query is resolved.

Committee Recommendations

2147. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.2.3.13 Project Verification -Tree seedlings project.

2148. The project involved purchase and distribution of tree seedlings to various schools within the constituency at a cost of Kshs.2, 400,000. Five schools namely Ndatani Primary School, Baraka Primary School, Mariakani Primary School, Mahenzo Primary School and Walca Primary School were visited and the trees seedlings bought and planted found to have withered. As a result, the residents of Kaloleni Constituency did not get value for money from the project. This is a clear indication that there was lack of communication between the Constituent Committee and school management on how to take care of the seedlings to maturity.

Submission by the Fund Account Manager

2149. The Fund Account Manager submitted that the CDF provided funds for purchase and distribution of seedling to various schools. However, there was no funds for running the project. It is the responsibility of the school to take care of the seedlings. The seedlings in some schools withered as a result of carelessness while other schools took good care of the seedlings, and thus, have not withered. Therefore, the project had value to the residents.

Committee Observations

2150. The Committee observed that it was the responsibility of the school to take care of the seedlings once planted, hence audit query is resolved.

8.3 KILIFI NORTH CONSTITUENCY

2151. Ms. Gladys Ngala, the current Fund Account Manager since March 2020 appeared before the Committee on 30th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Kilifi North Constituency for the financial years 2013/14, 2014/15 and 2015/16. She was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Mr. Yaye Skosi, Former Fund Account Manager (2012 to March 2020)

8.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2152. The Constituency received a qualified opinion from Auditor General who raised seven audit Matters during examination of financial statements of Kilifi North Constituency for the year 2013/2014.

8.3.1.1 Fraudulent withdrawal

2153. Examination of records availed for audit revealed that an amount of Kshs. 2,500,000.00 was withdrawn from the CDF bank account during the year without the management approval. The funds were ear marked for rural electrification project which was never implemented. Although management states that the matter is being investigated by Central Bank of Kenya Anti-Corruption Fraud Unit, the payment had neither been incorporated in these financial statements nor a disclosure made in the notes regarding the contingency loss in line with International Accounting Standards 37. In the circumstances, it had not been possible to confirm that the accuracy and validity of total payment figure of Kshs 42,352,251.25 reflected in these financial statements as at 30th June 2014.

Submission by the Fund Account Manager

2154. Fund Account Manager submitted that the Bahari Constituency was split into two Kilifi North and South. Before the split Bahari CDFC incurred a loss of Kshs 5,249,000.00 from the 2012/13 allocation through fraud and the case is ongoing at the Kilifi law Court being pursued by Opolu and Company Advocates. This was minuted in a joint CDFC meeting held on 18th June 2013 in Kilifi attended by members from the 3 CDFCs. Minutes dated 18th June 2013 had been provided for verification.

2155. The Fund Account Manager further submitted that the actual amount of Kshs 5,249,000.00 was not available for handing over to the new CDFCs, it was only handed over to Kilifi North and Kilifi South CDFC members as a liability. Hence the 2,500,000 liabilities in Kilifi North.

Committee Observations

2156. The Committee observed that the matter was active in Kilifi Law Court.

Committee recommendation

2157. Within three months of adoption of this report, The Accounting Officer should within three months of the adoption of this report, follow up the matter and provide a status report to the Auditor-General for reporting in the next audit cycle.

8.3.1.2 Receipts

2158. During the year ended 30th June 2014, it was observed that the bank accounts of defunct Bahari Constituency Development Fund remained operational throughout the year under review and received a total of Kshs 85,000,000 which was expensed jointly by officials of Kilifi North and Kilifi South CDF management. However, no supporting documents were availed for audit review in support of how funds were used and no authority for accessing the funds from CDF Board was availed for review. Consequently, it had not been possible to confirm the accuracy and validity of receipts of Kshs 45,761,492.00 for Kilifi North CDF for year ended 30th June 2014

Submission by the Fund Account Manager

2159. The Fund Account Manager submitted that the defunct Bahari CDF account was in operation as at 30th June 2014 with signatories from Kilifi North and South CDFs. Through circular Ref No. CDF BOARD/CIRCULARS/VOLI.I/165 of 16th April 2013 from the CDF Board, all Fund Account Managers and secretaries were informed that funds for projects in newly created constituencies will continue to be disbursed through the Bank Account of the original constituency as per the Authority to Incur Expenditure and the projects GFS code lists. NGCDF Board Circular Ref: BOARD/CIRCULARS/VOLI.I/165 of 16th April 2013 from the CDF Board had been provided for verification.

2160. He further submitted that all projects handed over to Kilifi North NGCDF from Bahari CDF were successfully implemented through the Authority to Incur Expenditure (AIE) number A711841, AIE A735934 and GFS code list. The AIE's were for Bahari CDF and projects falling within Kilifi North Constituency were handed over to Kilifi North NGCDF for implementation.

Committee Observations

2161. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of audit the supporting documents in support of how funds were used and evidence of authority for accessing the funds from CDF Board which is contrary to the provisions of

section 68 of the PFMA Act, No. 18 of 2012 on submission of documents to the Office of the Auditor General; and

- (ii) The documentation was however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

- 2162. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.

8.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2163. The Auditor General raised seven audit Matters during examination of financial statements of Kilifi North Constituency for the year 2014/2015.

8.3.2.1 Fraudulent withdrawal

2164. As reported in the financial year 2013/2014, examination of records availed for audit revealed that an amount of Kshs 2,500,000.00 was withdrawn from the CDF bank account during the year without the management approval. The funds were ear marked for rural electrification project which was never implemented. Although management states that the matter is being investigated by Central Bank of Kenya Anti-Corruption Fraud Unit, the payment had neither been incorporated in these financial statements nor a disclosure made in the notes regarding the contingency loss in line with International Public Sector Accounting Standards. In the circumstances, it had not been possible to confirm the accuracy and validity of the brought forward cash and cash equivalent of Kshs 3,409,240.75 as at 30th June 2015.

Submission by the Fund Account Manager

2165. The Fund Account Manager submitted that the Bahari constituency was split into two Kilifi North and South. Before the split Bahari CDFC incurred a loss of Kshs 5,249,000.00 from the 2012/13 allocation through fraud and the case is in court in Kilifi. The actual amount of Kshs 5,249,000.00 was not available for handing over to the new CDFCs, it was only handed over to Kilifi North and Kilifi South CDFC members as a liability. Hence the 2,500,000 liabilities in Kilifi North.

2166. The Fund Account Manager further submitted that the said amount was received by Bahari CDF in 2012/2013. A full report of projects handed over from Bahari CDF and implemented by Kilifi North NGCDF had been provided for verification.

Committee Observations

2167. The Committee observed that matter was active in Kilifi Law Courts and was carried forward from the previous financial year.

Committee recommendation

2168. Within three months of adoption of this report, The Accounting Officer should within three months of the adoption of this report, follow up the matter and provide a status report to the Auditor-General for reporting in the subsequent audit cycle.

8.3.2.2 Budget Control and Performance

2169. The fund was allocated Kshs 132,706,153 by the Constituency Development Fund Board for financial year 2014/2015. The fund had an opening balance of Kshs 45,761,492.00 as per audited financial statements and disbursement due for previous year 2013/2014 therefore the fund had resources amounting to Kshs 178,467,645 available for the year under review. The Fund Account Manager made transfers and payments amounting to Kshs 139,015,430.56 which amounts to 78% utilization of the total available funds of Kshs 178,467,645, thus indicating a 22% underutilization of funds. The unspent money is opportunity lost for a development project or efforts to spur good, locally based implementation of projects that reflect the priorities of the constituents of Kilifi North. The management should ensure that funds allocated to various projects and programmes are used on a timely manner to avoid overlapping of projects and delays in completion of projects to the detriment of the citizens of the constituency of Kilifi North.

Submission by the Fund Account Manager

2170. The Fund Account Manager submitted that the Kilifi North NGCDF received a total of Kshs 178,467,645.00 from the NGCDF Board during the 2014/2015 financial year as follows:

Balance for 2013/2014 financial year		
08.08.14	A 750229	45,761,492.00
Allocation for 2014/2015 financial year		
05.12.14	A750466	33,176,538.25
29.01.15	A796575	14,905,922.95
23.02.15	A796802	14,910,442.30
20.05.15	A796987	39,896,884.00
2.07.2015	A796107	29,816,365.50
Total		132,706,153.00

2171. He further submitted that in FY 2014/2015, the percentage of project utilization as at 30th June 2015 was 78% due to the delay in receipts of the last AIE of Kshs 29,816,365.50.

Committee Observations

2172. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury hence audit query is resolved.

Committee Recommendations

2173. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.3.2.3 Project Implementation

2174. Records availed showed 39 projects with a cumulative budget of Kshs 132,706,153.00 had been approved for implementation in financial year 2014/15. By 30 June 2015, five (5) projects with cumulative approved budget of Kshs 14,000,000.00 had not started as indicated below:

Location	Sub-Project / Activity	Allocation (Kshs)	Disbursement (Kshs)
Chumani	Construction of a school Dormitory	5,000,000	5,000,000
Watamu / Dabaso	Purchase of 10 motor bikes for 2 Chiefs and Assistant Chiefs in Watamu and Dabaso locations	1,500,000	1,500,000
Kilifi	Purchase of a 9-seater Toyota Land Cruiser for Kilifi North CDF	6,500,000	6,500,000
Ngerenya	Electricity installation, construction of a ramp for use by people with disability and extension of the office	1,000,000	1,000,000
Total		14,000,000	14,000,000

2175. Failure to complete projects on a timely manner unnecessarily ties up funds for development and weakens future implementation of projects due to weakening of the shilling and overlapping of project implementation. It is advisable that in future, the management should be proactive in following up the disbursement of the funds in order to complete the project on a timely manner for the benefit of the citizens of the Constituency.

Submission by the Fund Account Manager

2176. The Fund Account Manager submitted that the delay in completion of projects was attributed to late disbursement of funds from the NGCDF Board. However, upon receipt of Kshs 29,816,365.50 which was credited into the Constituency account on 26th June 2015 and the corresponding AIE dated 2nd July 2015, all projects that were incomplete as at 30th June 2015 are now complete and in use.

2177. He further submitted that the project implementation status report for these projects had been provided for verification. Certificates of practical completion and inspection and acceptance certificates had also been provided for verification.

Committee Observations

2178. The Committee observed that-

- (i) The delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury; and
- (ii) All projects that were incomplete as at 30th June 2015 were complete and in use.

Committee Recommendations

2179. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.3.2.4 Project Verification

2180. Project verification during the period under review indicated the following state of affairs on the specific projects:
2181. Among the reasons given for slow or non-implementation of the projects was that funds from the CDF Board were not received in good time, PMCs not having capacity to conduct procurement procedures as required and that most projects completed remain unutilized because other government agencies do not come in to hire staff or equip the projects such the dispensaries. Further, it was noted that some PMCs change the projects from the one approved to new projects because of the need at the time of receiving the funds.
2182. This is an indication of lack of proper consultation with relevant government departments before coming up with projects which require the relevant departments to equip the project and allocation of funds to non-deserving projects at the expense of priority projects.

Submission by the Fund Account Manager

2183. The Fund Account Manager submitted that an updated implementation status report of these projects had been provided for verification. All projects listed were complete and in use except for Dzunguni Ezamoyo Water Project which was not started. Bank statement for Dzunguni Ezamoyo Water Project account had been provided for verification.
2184. The manager further submitted that PMCs were now taken through training on procurement and project management. Management also ensures that relevant technical departments were consulted appropriately before projects were implemented.

Committee Inspection Visit to the project

2185. The Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 where the Committee visited the following projects:

(a) **Construction of Dormitory of 16 Cubicles and Ablution area at St. Thomas Girls Secondary School and made the following findings:**

- The project was started in 2013/14 financial year where Kshs.3, 000,000 was utilized. However, it rolled over to 2014/15 financial year where additional Kshs.8, 000,000 was allocated.
- The dormitory had 16 cubicles with washing area and ablution block are in good condition.

(b) **Construction of a Maternity wing and Placenta pit at Mavueni Dispensary and made the following findings:**

- The project is located in Mnarani Ward and involved construction of a maternity wing and a placenta pit in an existing dispensary.
- The County Government of Kilifi had provided delivery beds and other maternity equipment and is currently in use under the devolved function.

Committee Observations

2186. The Committee observed that-

- (i) All the projects had been implemented except for Dzunguni Ezamoyo Water Project which could not be implemented because it is a devolved function; and
- (ii) Funds were kept lying in the account for too long when they could have been reallocated. The funds for the project were returned from PMC account to the CDF account.

Committee Recommendation

2187. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.3.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2188. The Constituency received a qualified opinion from Auditor General who raised seven audit Matters during examination of financial statements of Kilifi North Constituency for the year 2015/2016.

8.3.3.1 Bank balances

2189. The statement of financial assets as at 30 June 2016 reflected a bank balance of Kshs.18, 810,287.09. However, bank reconciliation statement as at 30 June 2016 presented for audit review reflected unpresented cheques amounting to Kshs. 2,646,024, out of which Kshs. 426,000 relates to stale cheques not reversed in cashbook as at 30 June 2016. Further, bank charges of Kshs. 36, 983.89 were included in the reconciliation statement and therefore omitted in these financial statements and therefore understating the total payments amount of Kshs 94,051,168 by the same amount. Consequently, the accuracy and completeness of the bank balance of Kshs.18, 810,287.09 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2190. The Fund Account Manager submitted that the amount that was un-presented by 30th June 2016 were mostly amounts relating to bursary issued to needy students. The delay in cheque presentation is attributed to students and parents who keep the cheques for a long period of time before they present them to the respective banks. However, the stale cheques were reversed on 01/08/2016, 02/02/2017, 27/02/2017, 11/04/2017 and 07/11/2017. The CDFC had further resolved to ensure that all bursary cheques are delivered to the respective banks on behalf of the students and institutions in good time to solve the problem of un-presented cheques in future.

2191. The Fund Account Manager further submitted that bank charges of 36,983.89 were charged in the cashbook on 28/04/2017 via voucher number 416. Vouchers for bank charges were currently prepared on a monthly basis to avoid accumulation of bank charges. Copies of Bank reconciliation statement for the month of November 2017, cashbook extracts for the month of August 2015, February 2017, April 2017 and November 2017 had been provided.

Committee Observations

2192. The Committee observed that-

- (i) The Fund Account Manager had unpresented cheques amounting to Kshs. 2,646,024, out of which Kshs. 426,000 relates to stale cheques not reversed in cashbook as at 30 June 2016;

(ii) The Fund Account Manager omitted in the financial statements bank charges of Kshs.36, 983.89 and therefore understating the total payments amount by the same amount; and

(iii) The unpresented cheques were later reversed and the bank charges were included in the financial statements.

Committee Recommendations

2193. The Committee recommends that:

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

8.3.3.2 Cash Balance

2194. The statement of financial assets as at 30 June 2016 and cashbook reflected a nil cash balance. However, Board of Survey Report and certificate on cash was not availed for audit review. As a result, the accuracy of the nil cash balance as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2195. The Fund Account Manager submitted that the Board of Survey Report and certificate on cash for 2015/2016 financial year had since been availed to the auditors for verification.

Committee Observations

2196. The Committee observed that-

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

Committee Recommendations

2197. The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.3.3.3 Budgetary Controls and Performance

2198. During the year under review, the Fund had a final budget of Kshs.183, 700, 877.00 but received only Kshs. 70,000,000 (38%) from the National Government –

Constituency Development Board. The Fund had an actual expenditure amounting to Kshs. 94,051,168.10 equivalent to 51% of the budget as detailed below:

Vote Item	Final Budget (Kshs)	Actual on Comparable Basis (Kshs)	Budget Under Utilization Difference (Kshs)	Under Absorption %
Compensation of Employees	5,682,720	1,959,320	3,723,400	66
Use of goods and services	13,443,306	8,788,121	4,655,185	34
Transfers to Other Government Units	83,002,448	41,502,448	41,500,000	50
Other grants and transfers	72,872,402	33,101,279	39,771,123	55
Social Security Benefits	13,800	12,000	1,800	13
Acquisition of Assets	8,700,000.00	8,700,000	0.00	0.00
TOTALS	183,700,877	94,051,168	89,649,709	49

2199. From the above analysis, there was an under absorption of Kshs. 89,649,709 (49%).

The underutilization of the budget implies some development projects earmarked for implementation were not undertaken which affects delivery of goods and services to the citizens of the constituency

Submission by the Fund Account Manager

2200. The Fund Account Manager submitted that the underutilization of the budget is mainly attributed to late disbursement of funds from the NG-CDF Board. As at 30th June 2016, only 47% of the funds had been disbursed from the NGCDF Board hence the delay in project implementation.

Committee Observations

2201. The Committee observed that underutilization was due to late disbursement of funds by the NG- CDF Board and the National Treasury, hence audit query is resolved.

Committee Recommendations

2202. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.3.3.4 Project Implementation

2203. The project status report availed for audit review indicated that a total of Kshs. 96, 844,320.80 was allocated for sixty-three (63) projects while disbursements to these projects totaled Kshs.72, 946,080.10. Further, out of sixty-three (63) projects, nine (9)

projects with total allocation of Kshs. 24,772,649 had not been completed as detailed below:

Project No.	Project Name	Projects Description /Activities	Allocation (Kshs)	Current Status
1	Bursary	Bursary to needy students	10,342,649.70	On going
2	Kizingo Police Post Pmc	Fencing of police post	1,000,000.00	On going
3	Soyo Pry pnc	Tree planting at soyo primary school	530,000.00	Not started
4	East Camar Env Group	Tree planting	400,000.00	Not started
5	Mkenge Social Hall Pmc	Resource centre	3,000,000.00	Not started
6	Konjora Dispensary	Installation of electricity	1,000,000.00	Complete but not in use
7	Mbaraka Chembe Pry Pmc	Construction of class rooms	1,000,000.00	Complete but not in use
8	Chumani Sec Pmc	Construction of class rooms	6,000,000.00	Complete but not in use
9	Chumani Sec Pmc	Construction of class rooms	1,500,000.00	Not started
	Total		24,772,649.00	

2204. From the above, the budget was not fully implemented as envisaged. This had resulted to projects not being implemented as planned, slow and lack of completion of projects to the detriment of service provision to the residents of Kilifi North Constituency.

Submission by the Fund Account Manager

2205. The Fund Account Manager submitted that the budget was not fully implemented due to late disbursements from the National Government Constituencies Development Fund Board. An updated project implementation status report had been provided for verification.

Committee Inspection Visit to the project

2206. Committee resolved to inspect some of the projects to verify information as contained in the audit. The inspection visit was undertaken between 7th to 12th December, 2020 and found that Construction of classrooms at Chumani Secondary School was completed and in use.

2207. The Committee also inspected construction of dormitory funded in F/Y 2017/18 with 16 cubicles, washing area and ablution block and observed that the project is complete and in use with good workmanship.

Committee Observations

2208. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2209. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.3.3.5 Project Inspections

2210. During the year under review, ten (10) projects worth Kshs 23,400,000 were visited for verification and the following state of affairs of the specific projects were observed:

Name	Cost (Kshs.)	Project	Observations
Cowdrey Dispensary	1,000,000	Renovation of dispensary (maternity wing)	The project was complete but the plumbing works and drainage system had not been functioning; there was a leakage and the walls had developed moulds.
Dongo Kundu Dispensary	4,000,000	Construction of a dispensary	The project was complete but was not in use and had been abandoned. The building was in bad state as cracks had started forming through the walls while the floor was peeling off. Further, the dispensary had no equipment nor staff.
Dongo Kundu Dispensary	1,500,000	Installation of power and water works	Installation of power and electricity had not been completed, hence delaying the commissioning of the dispensary.
Mkangagani Primary School	600,000	Construction of a 4No. door pit latrine	The project had been completed and was in use as intended and in great shape although it had not been handed over to the community representatives through a public forum.
Mkangagani Primary School	1,000,000	Renovation of 8No. classrooms	The classrooms had been renovated and were in use as intended although six of the classes the doors had not been placed but they were on a site store
Mkongani Primary Schools	1,500,000	Renovation of 3No. classrooms	The classrooms had been renovated and in use as intended although they had not been handed over to the community through a public forum.
Kararacha Primary School	4,800,000	Construction of 4No. classrooms	The classrooms had been constructed and in use as intended although they had not been handed over to the community through a public forum. The floor is peeling off.
Mbaraka Chembe Primary School	1,000,000	Construction of a toilet block	The toilet block had been constructed and was in use as intended although they had not been handed over to the community representatives through a public forum
F.B Tuva Secondary School	2,000,000	Construction of 2No. classrooms	The project was complete and in use but it had been turned to a staff room thus not used as intended.
Chumani Secondary School	6,000,000	Complete construction of a dormitory	The project was 95% complete and in good condition. One window is not fixed.

2211. The reasons given for slow or non-implementation of the projects was that funds from the CDF Board were not received in good time. However, most projects completed remain un-utilized because other government agencies do not come in to hire staff or

equip the project such as the dispensaries. This is an indication of lack of proper consultation with relevant government departments before coming up with projects which require the relevant departments to equip the project and allocation of funds to non-deserving projects at the expense of priority projects.

Submission by the Fund Account Manager

2212. The Fund Account Manager submitted that the funds from the NGCDF Board were received in phases and on different dates depending on funds availability from the NGCDF Board. Despite this challenge, all projects were implemented to completion upon receipt of funds from the Board. An updated report of these projects had been provided for verification.

2213. The manager further indicated that NG-CDFC members had been trained on project implementation hence there was more consultation with relevant government departments to ensure that completed projects were staffed, equipped and utilized. PMCs had also been discouraged by NGCDFC members from un-necessary changing of project activities.

Committee Observations

2214. The Committee observed that-

- (i) The delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury; and
- (ii) All projects that were incomplete as at 30th June 2015 are now complete and in use.

Committee Recommendations

2215. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.4 KILIFI SOUTH CONSTITUENCY

2216. Mr. George Juma Onesmus, the former Fund Account Manager from 2013 to 2016 appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Kilifi South Constituency and was accompanied by:

- i) Mr. Robert Masese, Chairman, NGCDF Board
- ii) Mr. James Chebii, Ag. Manager Field Financial Services
- iii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iv) Mr. Stephen Charo, Former Fund Account Manager from May 2018 to May 2019.

8.4.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2217. The Auditor General raised seven audit Matters during examination of financial statements of Kilifi South Constituency for the year 2013/2014.

8.4.1.1 Transfer from CDF Board

2218. The statement of receipts and payments as at 30 June 2014 reflected a balance of Kshs. 31, 336,712 as transfer from the CDF Board. However, a review of the Fund's bank statement indicates that the Fund received an amount of Kshs. 47,065,068 on 26th June 2014 from the Constituency Development Fund Board which had not been recorded in the Fund's books of accounts as at 30 June 2014. Consequently, the accuracy and completeness of transfers from the CDF Board amount of Kshs. 31,336,712 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

2219. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the Kshs. 47,065,068 was received on 26th June 2014 but was not receipted in the Cashbook during that year but was receipted in the cashbook on 12th August 2014. The cashbook extract was provided.

Committee Observations

2220. The Committee observed that-

- (i) The Fund Account Manager received an amount of Kshs. 47,065,068 on 26th June 2014 from the Constituency Development Fund Board which had not been recorded in the Fund's books of accounts as at 30 June 2014; and
- (ii) The amount was recorded on 12th August 2014 after the audit and the documentation provided for audit review.

Committee Recommendations

2221. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.4.1.2 Disbursements to the Former Bahari Constituency

2222. The former Bahari Constituency was split into Kilifi South and Kilifi North Constituencies according to CDF Financial Management Guidelines reference CDF Board Circulars/Vol. 1.1/167 dated 17 July 2013, the banks of the parent constituency were to be used for disbursement of funds for the financial year 2012/2013 and the preceding financial years and be closed after all such funds were disbursed to Project Management Committees (PMCs) and on preparation of bank reconciliation statements. According to the bank statement of the defunct Bahari Constituency, a total of Kshs. 91,637,490 was received from CDF Board during the financial year. Further, the bank statement of the defunct fund indicates that a total of Kshs. 93, 473, 256 was disbursed from the bank account during the financial year. However, the funds disbursed to projects in Kilifi South Constituency had not been accounted for in these financial statements.

Submission by the Fund Account Manager

2223. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the former Bahari CDF was an entity on its own with its own books of accounts and all the transactions to Project Management Committees were done from its books of accounts. No funds were transferred to Kilifi South or Kilifi North Constituencies.

Committee Observations

2224. The Committee observed that the former Bahari CDF was an entity on its own with its own books of accounts and all the transactions to Project Management Committees were done from its books of accounts. No funds were transferred to Kilifi South or Kilifi North Constituencies.

Committee recommendations.

2225. The committee recommends that the NG-CDF Board develops clear guidelines on handing over from one constituency to another in cases where a constituency is split. This is to avoid a situation where new constituencies continue to use the bank account of a defunct constituency.

8.4.1.3 Bank Balances.

2226. Included in the statement of financial assets and liabilities as at 30 June 2014 is cash and cash equivalents balance of Kshs. 8,416,956. However, a review of the bank reconciliations indicated that the Fund had received an amount of Kshs. 47, 065,068

which had not been in the reported bank balance as at 30 June 2014. In addition, there was no evidence that the bank balances as at 30 June 2014 for the various Project Management Committees had been included in the Fund's cash and cash equivalents balances of Kshs.8, 416,956. In the circumstances, the accuracy and completeness of Kshs.8, 416,956 as at 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

2227. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the Kshs. 47,065,068 received on 26th June 2014 was recorded in the cashbook on 12th August 2014 hence was recognized as a receipt in the subsequent year. PMC balances were reported as an annex to the statement, however, they do not affect the CDFC cash and cash equivalents balance. The manager provided the projects expenditure reports as at 30th June 2014 showing balances of projects bank account.

Committee Observations

2228. The Committee observed that-

- (i) The Fund Account Manager received an amount of Kshs. 47,065,068 on 26th June 2014 from the Constituency Development Fund Board which had not been recorded in the Fund's books of accounts as at 30 June 2014; and
- (ii) This was however recorded on 12th August 2014 after the audit and the documentation provided for audit review.

Committee Recommendations

2229. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.4.1.4 Outstanding imprest.

2230. The statement of assets and liabilities reflected an outstanding imprest balance of Kshs.302, 000 as at 30 June 2014. However, audit review of the imprest records revealed that the balance relates to multiple imprests issued to one officer on different dates during the year under review that had not been surrendered as at 30 June 2014. In addition, the imprest balance as per the cashbooks provided for audit was Kshs.450, 000 resulting in an unexplained and unreconciled variance of Kshs.148, 000.

2231. Consequently, the validity and accuracy of the outstanding imprest balance of Kshs.302, 000 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

2232. The Fund Account Manager submitted that the outstanding imprest comprised of various imprests totaling to Kshs.450, 000. The amount had been fully surrendered and copies of the relevant surrendering vouchers provided for verification.

Committee Observations

2233. The Committee observed that-

- (i) Multiple imprests were issued on various dates to an officer before surrendering the initial issued ones, which is contrary to the provisions of Section 71 (2) of the PFMA Act, No. 18 of 2012; and
- (ii) Fund Account Managers are the only ones who could be advanced imprests as government employees at the CDFC.

Committee Recommendations

2234. The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager adheres to the Regulation 93 of PMF (National Government) Regulations 2015 on management of imprests.

8.4.1.5 Transfers to Other Government Entities and Other Grants and Transfers

2235. During the year under audit, the Constituency Development Fund Committee made payments amounting to Kshs.18, 228,754 being transfer to other Government entities of Kshs.12, 630,000 and other grants and transfers of Kshs.5, 598,754. However, contrary to Section 33 of the CDF Act 2013, the Project Management Committees did not provide for audit project expenditures reports. In the circumstances, the accuracy, propriety and regularity of the transfers to other Government entities amounting to Kshs.12, 630,000 and other grants and transfers amounting to Kshs.5, 598,754 could not be ascertained.

Submission by the Fund Account Manager

2236. The Fund Account Manager presented that:

- a) Kshs.12, 630,000 were transfers made to different learning institutions (both primary and secondary schools) within Kilifi South Constituency. Summary of the project's expenditure, payment voucher and completion certificates had been provided for verification.
- b) Kshs.5, 598,754, comprised of moneys paid in respect of bursaries to different learning institutions. A summary report and acknowledgement receipts had been provided for verification.

Committee Observations

2237. The Committee observed that-

- (i) At the time of the audit, the Fund had not provided the project expenditures reports returns for audit review in contravention of

Section 68 of the PFMA Act, No. 18 of 2012 on the timely submission of documents; and

- (ii) The project management committee's returns had since been provided.

Committee Recommendations

2238. The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.4.1.6 Unremitted Taxes.

2239. Bank reconciliation statement as at 30 June 2014 reflected outstanding cheques amounting to Kshs.928, 959 which includes Kshs. 88,172 in respect of PAYE, which had not been remitted to Kenya Revenue Authority. In addition, there was no evidence of deducting withholding taxes upon payment to contractors and remittance of the same to Kenya Revenue Authority. Consequently, the Fund in is contravention of the Income Tax Law.

Submission by the Fund Account Manager

2240. The Fund Account Manager submitted that KRA took long to issue Kilifi South CDF with a KRA PIN. However, immediately it was issued with one, a PAYE cheque totaling to Kshs. 204,000 was made to KRA. The manager further submitted that the Funds were disbursed to Project Management Committee as grants and payment were made at the Project Management Committee level where the PMCs were not withholding tax agents but only the Sub-County Accountant.

Committee Observations

2241. The Committee observed that Kenya Revenue Authority had not issued Kilifi South CDF with a KRA PIN at the time of audit review. The Constituency paid the PAYE as soon as it was issued with a KRA PIN hence the audit query is resolved.

Committee Recommendations

2242. The Accounting Officer to ensure that the Fund Account Manager and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance

8.4.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2243. The Auditor General raised seven audit Matters during examination of financial statements of Kilifi South Constituency for the year 2014/2015.

8.4.2.1 Bank balances

2244. Included in the statement of financial assets is bank balance of Kshs.25, 037,783 as at 30 June 2015. However, a review of the bank reconciliation statement as at 30 June 2015 revealed that included in this were unpresented cheques amounting to Kshs. 6,023,294. This include stale cheques totaling to Kshs.409, 912 which had not been reversed in the cashbook. In addition, a bank deposit of Kshs. 22,000 and bank charges of Kshs.1, 100 were not recorded in the cashbook hence excluded in these financial statements. Consequently, the accuracy and completeness of bank balance of Kshs. 25,037,783 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2245. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the stale cheques had been reversed. Bank charges and bank deposits had also been posted in the cashbook. The Cashbook extract was provided for audit verification.

Committee Observations

2246. The Committee observed that the stale and unpresented cheques were later reversed and replaced and omitted deposits and payments recorded in the cashbook after the audit review.

Committee Recommendations

2247. The Committee recommends that-

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

8.4.2.2 Transfers to other Government Entities

2248. The statement of receipts and payments reflected an amount of Kshs.149, 441,350 for the year ended 30 June 2015 in respect of transfers from other Government entities.

However, according to the disbursements as per the Parent Ministry, Kshs. 114,098,716 was disbursed during the financial year resulting to unexplained nor reconciled variance of Kshs.35, 342,634. In the circumstances, the accuracy and completeness of transfers from other government entities of Kshs. 149,441,350 for the year ended could not be confirmed.

Submission by the Fund Account Manager

2249. The Fund Account Manager submitted that the actual amount disbursed by the parent Ministry and received by the constituency in the financial year 2014/2015 was Kshs.149, 441,350. Out of it, Kshs.47, 005,068 was for the previous financial year allocation 2013/2014 but received within financial year 2014/2015.

Committee Observations

2250. The Committee observed that the actual amount received by the Constituency was Kshs.149, 441,350 for the year ended 30 June 2015 and the variance was as a result of roll-over of funds occasioned by late disbursements from the previous financial year.

Committee Recommendations

2251. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.4.2.3 Other Grants and transfers.

2252. Statement of receipts and payments reflected a balance of Kshs.71, 513,738 for the year ended 30 June 2015 in respect of other grants and other transfers. Included in the balance of other grants and transfers of Kshs.71, 513,738 is expenditure of Kshs.8, 709,622 on emergency projects. Included in the emergency projects is expenditure amounting to Kshs. 2,360,000 as indicated:

Activity	Amount
Construction of fishermen rescue shade	1,500,000
Construction of chief's office-Pingilikani	110,000
Purchase of furniture	150,000
Purchase of fishermen rescue boat-Mtwapa	300,000
Purchase of fishermen rescue boat-Kikambala	300,000

2253. However, there was no evidence that the expenditure was requested and approved by the Constituency Development Fund Committee. It was not clear how projects were classified as emergency. This is contrary to Section 12 (3) of the CDF Act 2013 which defines emergency as urgent and unforeseen need for expenditure which cannot be delayed until the next financial year without harming the public interest of constituents.

In the circumstances, the propriety and regularity of other grants and other payments amounting to Kshs.2, 360,000 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

2254. The Fund Account Manager submitted that the projects were community-based projects that were requested by the community and at the discretion of the CDFC qualified for emergency funding. However, measures had been put in place to ensure emergency fund were spent for projects emergency in nature. The requests and CDFC minutes were provided for audit verification.

Committee Observations

2255. The Committee observed that the Fund Account Manager utilized Kshs. 2,360,000 from emergency funds on projects which do not qualify to be considered emergency as provided under Section 12(3) of the Constituency Development Fund Act 2013.

Committee Recommendations

2256. The Committee recommends that the Accounting Officer should ensure that all the Fund Account managers and CDFC adhere to the provisions of section 8 of the NG-CDF Act of 2015 on emergency projects.

8.4.2.4 Budget Controls and Implementation

2257. According to summary statement of appropriation, Kilifi South CDF had a budget of Kshs.167, 806,805 compared to financial year 2013/2014 budget of Kshs.78, 341,780 representing 114% rise. However, according to the Constituencies Development Funds Board's circular on budget ceiling for the financial year 2014/2015. Kilifi South CDF was allocated Kshs. 112,736,282. It is not clear how additional Kshs. 55,070,523 was approved.

Submission by the Fund Account Manager

2258. The Fund Account Manager submitted that the final budget of Kshs. 167,806,805 constitute; current years' allocation, balance brought forward and amount due from the Board for the previous years. This is so since the financial reporting for constituency is on cash basis.

Committee Observations

2259. The Committee observed that The Fund's budget was Kshs. 167,806,805 which included allocation for 2014/15, balance brought forward and amount due from the board for the previous years.

Committee recommendations.

2260. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.4.2.5 Project Implementation

2261. According to project implementation status report as at 30th June 2015, the following eight (8) projects with a total of Kshs. 17,891,380 did not receive disbursement during the year under review as shown in the following table:

No	Activity	Project Activity	Financial Year	Allocation
1.	Rea Secondary School	Construction of 1 classroom and supply of 30 lockers	2014/2015	1,450,000
2.	Shariani Secondary School	Purchase of a school bus	2014/2015	5,000,000
3.	Mwembeswere Lubando road-Utalii College	Grading of 4km road (Kshs. 1,000,000) and CDF office beach road (Kshs.1,000,000)	2014/2015	2,000,000
4.	Shariani Vipingo Secondary Road	Grading of 1.5km road	2014/2015	1,000,000
5.	Shariani Chief's office	Renovation of chief's office	2014/2015	700,000
6.	Majengo Primary School	Construction of 2No. new classrooms	2013/2014	3,000,000
7.	Vipingo Health Centre	Construction of two fabricated staff houses	2013/2014	2,241,380
8.	Mikanjuni Primary School	Construction of 2No. new classrooms	2013/2014	2,500,000
	Total			17,891,380

2262. The management had attributed non implementation to delayed funding from the Constituency Development Fund and had indicated that the school bus for Shariani Secondary School and renovation of chief's office were undertaken in financial year 2015/2016. However, funds for the remaining six (6) were re-allocated to other projects due to among other reasons lack of land or the projects were planned and budgeted before land issue were sorted out and it also an indication of poor project co-ordination at the County level. In addition, a review of the project expenditure status report revealed that nine (9) projects with total disbursements of Kshs. 16,780,000 had not commenced as at 30th June 2015 and as detailed below:

No.	Project	Financial Year	Disbursement
i.	Chije Primary School	2013/2014	480,000
ii.	Kireme Girls Secondary School	2013/2014	1,200,000
iii.	Mitulani Primary School	2013/2014	1,200,000
iv.	Shariani Primary School	2014/2015	1,000,000

v.	St, Martin Primary School	2014/2015	50,000
vi.	Dzitsoni Primary School	2014/2015	700,000
vii.	Mbuyuni Secondary School	2014/2015	1,450,000
viii.	Msumarini Secondary School	2014/2015	7,500,000
ix.	Vipingo Tailoring Workshop	2014/2015	2,500,000
	Total		16,780,000

2263. This implies that the funds were lying idle. Non-implementation of development projects affects delivery of goods and service to the public and the intended goals of the projects may take long to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

2264. The Fund Account Manager submitted that the projects were identified and requested by the community. The delay in implementation was attributed to delay in disbursement of funds by CDF Board. However, some Projects were awaiting approval by the NG-CDF Board for re-allocation and change of activity during the time of audit.

2265. The Fund Account Manager also submitted that after the valuer gave the estimates for the Mikanjuni Primary School and Majengo Primary School pieces of land, the sellers changed to a high price and it was unrealistic to purchase the land above the valuer's estimated price. Therefore, the CDF re-allocated the funds.

2266. He also submitted that during the time of audit the projects had not been implemented. However, they were currently complete and in use.

Committee Observations

2267. The Committee observed that at the time of audit, some projects were awaiting approval by the NG-CDF Board for re-allocation of funds and change of activity due to challenges on identification of appropriate land for the construction of the schools.

Committee recommendations

2268. The Committee recommends that;

- 1) The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and
- 2) In line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that deserving/priority

projects are selected, appropriate budget is provided, and quality works are produced.

8.4.2.6 Project Inspection

2269. Inspection of projects implemented during the year under review indicated the following state of affairs of the following specific projects: -

No.	Project Name	Cost (Kshs)	Project Activity	Observations
1.	Tunzanani Health Centre	2,241,380	Construction of one fabricated house	Although the house was built the dispensary had since ceased operation.
2.	Lampada Club-Mtwapa Elite Road	1,000,000	Laying of cabro	Barriers had been erected on both ends of the road by a hotelier which contravenes Section 22(1) of the CDF Act 2015 that requires projects to be community and benefits were available to a widespread cross section of the inhabitants of a particular area
3.	Shariani Market Street Lighting	1,000,000	Street lighting at Shariani market	Although the project had been completed, power had been disconnected due to unpaid bills.

2270. Although the management had indicated that the health center and street lights shall be handed over to the County Government once the new Constituency Development Fund Committee had taken over public funds were going to waste and the intended purpose of the projects may take long to realize which affect service delivery to the residents. Further, the audit inspection revealed that most of the projects implemented were not branded. Although the management had attributed this to acts of vandalism of the signs, it was difficult to confirm whether the Constituency Development Fund, County Government or any other government agency, undertook the projects.

Submission by the Fund Account Manager

2271. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the projects were up and working and the branding was re-done. The photos and status of the project were provided for verification.

Committee Observations

2272. The Committee observed that the projects had been completed, branded and are in use.

Committee Recommendations.

2273. The Committee recommends that the Accounting officer should ensure that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project.

8.4.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2274. The Constituency received a qualified opinion from Auditor General who raised seven audit Matters during examination of financial statements of Kilifi South Constituency for the year 2015/2016.

8.4.3.1 Bank Balances

2275. The statement of financial assets reflected bank balance of Kshs.63, 359,909 as at 30 June 2016. However, audit review of the bank reconciliation statement as at 30 June 2016 revealed that included in the unrepresented cheques amounting to Kshs.5, 042,474 were stale cheques totaling Kshs.603, 707 which had not been reversed in the cashbook as at 30 June 2016. In addition, the bank reconciliation statement as at 30 June 2016 included receipts totaling Kshs.100, 000 which had not been recorded in the cashbook for more than six months. Although the management had indicated that the cashbook was subsequently updated, it was not explained clearly why this was done after year end. Further, the bank reconciliation statement reflected cheque reversals totaling Kshs.285, 000 and bank charges of Kshs.30, 594.96 as reconciling items. It was not clear why these were treated as reconciling items. Consequently, the accuracy and completeness of bank balance of Kshs.63, 359,909 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2276. Mr. George Juma Onesmus, the former Fund Account Manager submitted that the cheques were stale due being held for long by the students/guardians before making payment to the necessary learning institution. However, all the stale cheques as at 30th June 2016 were reversed as at 31st December 2016. The receipts of Kshs.100, 000 and bank charges of Kshs. 30,594.96 were posted in the cashbook. A bank reconciliation statement and cashbook extract as at 31st December 2016 had been provided for verification.

Committee Observations

2277. The Committee observed that the stale and unrepresented cheques were later reversed and replaced and omitted deposits and payments were later recorded in the cashbook.

Committee Recommendations

2278. The Committee recommends that:

- 1) The Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3)

of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015;and

- 2) The Accounting Officer to ensure that the Fund Account Manager maintain a register detailing all the cheques issued for bursaries.
- 3) The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

8.4.3.2 Unremitted Taxes

2279. According to the statement of receipts and payments, a total of Kshs.82, 805,335 was disbursed as transfers to other government units of Kshs. 37,920,000 and other grants and transfers of Kshs. 44,885,335 during the period under audit. Included in the disbursements of Kshs. 82,805,335 were transfers totaling to Kshs.56, 982,760 to undertake various construction projects. However, there was no evidence of withholding taxes being deducted from contractors and remitted to Kenya Revenue Authority contrary to Regulation 4(1) of Income Tax Rules 2001, which provides that a person who makes payment of or on account of any income which is subject to withholding tax shall deduct tax there from in the amount specified. As a result, the management did not comply with income tax requirements and possible fines and penalties accruing due to non-compliance had not been provided for in this financial statement. Consequently, the management was in breach of the law and effects of non-compliance with the Income Tax Act, Cap. 470 could not be ascertained for the year ended 30 June 2016.

Submission by the Fund Account Manager

2280. The Fund Account manager submitted that the funds were disbursed to Project Management Committee as grants and payment were made at the Project Management Committee level where the PMCs were not withholding tax agents but only the Sub-County Accountant.

Committee Observations

2281. The Committee observed that the Fund Account Manager was not deducting and withholding taxes on payments made by PMCs in breach of Regulation 4(1) of income Tax Rules 2001.

Committee Recommendations

2282. The Committee recommends that-

- 1) The Accounting Officer should ensure that the Fund Account Managers and PMCs comply with tax laws requirements and ensure taxes are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance; and

- 2) The Accounting officer to ensure that the Fund Account Manager sensitises PMCs on the tax laws obligations and ensure compliance.

8.4.3.3 Budgetary Control and Performance

2283. According to the National Government Constituencies Development Fund Board's appropriation, during the financial year 2015/2016, NGCDF-Kilifi South was allocated Kshs.119, 010,969 representing 5.5% rise compared to the 2014/2015 budget of Kshs.112, 736,282. The summary statement of appropriations: recurrent and development reflected final budget figure of Kshs.154, 348,752 where Kshs.139, 520,779 being 90% of the total budget was allocated to projects (other government units and other grants). During the financial year the NGCDF-Kilifi South received Kshs.129, 310,969 from National Government Constituencies Development Funds Board representing 83.78% of the final budget. The CDF overall budget for the year under review was Kshs. 154,348,752 against total expenditure of Kshs. 90,944,843 resulting to under absorption of Kshs. 63,403,909 or 41% as summarized below:

Budget Item	Final Budget	Expenditure (Kshs)	Unspent Balance (Kshs)	% Of utilization
Compensation of Employees	4,524,825	1,934,456	2,590,369	43
Use of goods and services	10,303,148	6,205,062	4,098,086	61
Transfers to Other Government Units	72,250,000	37,920,000	34,330,000	52
Other grants and transfers	67,270,779	44,885,335	22,385,444	67
Total	154,348,752	90,944,843	63,403,909	41

2284. The following observations were made from the above summary:

- (i) The Fund Account Manager incurred total under-expenditure of Kshs.63, 403,909 representing 41% of the budget as per the summary statement of appropriation. This implies that the public funds were lying idle at the expense of the deserving areas.
- (ii) The underutilization of the funds may have negatively impacted on the delivery of goods and services to the citizens of Kilifi South or may be an indication of over budgeting in the NGCDF hence need to re-evaluate the budgeting process to focus on priority areas as guided by public participation in budget making process.
- (iii) In addition, the CDF underspent by 52% and 67% on transfers to other government units and other grants and transfers respectively which represents project funds not disbursed for implementation. The under-expenditure adversely affected public service delivery to the residents of Kilifi South Constituency contrary to values and principles of public service as provided for under Article 232(1) (c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services to citizens.

Submission by the Fund Account Manager

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

2285. The Fund Account Manager submitted that the Kshs. 63,403,909 was funds not received from the Board and bank balance. The under expenditure was a result of delay in disbursement of funds from the NG-CDF Board secretariat.

Committee Observations

2286. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2287. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.4.3.4 Project Implementation

2288. According to the project implementation status report as at 30th June 2016, the following twenty (20) projects allocated total budget of Kshs. 25,950,000 were not implemented during the period under review:

No.	Name of project	Project Activity	Allocation (Kshs)
1.	Bundacho Secondary School	Construction of a new laboratory	2,500,000
2.	Vwecvvesi Polytechnic Social Hall	Renovation of social hall-doors and windows fixing, plastering and painting	1,000,000
3.	Mtomondoni Secondary School	Completion of 4 classrooms on 1 st floor	3,800,000
4.	Mwarakaya Secondary School	Construction of a new laboratory	2,500,000
5.	Dzitsoni Secondary School	Construction of a new dormitory	2,500,000
6.	Mtepeni Primary School	Construction of 2No. 3door pit latrines.	700,000
7.	Sirini Primary School.	Construction of 2No. 3door pit latrines	700,000
8.	Mapawa Primary School	Re-roofing of 4 classrooms	900,000
9.	Ngamani Primary School	Re-roofing of 4 classrooms	900,000
10.	Kitsoeni Primary School	Re-roofing of 4 classrooms	900,000
11.	Pingilikani Primary	Re-roofing of 6 classrooms	1,200,000

	School		
12.	Bodoi Primary School	Re-roofing of 6 classrooms	1,200,000
13.	Kizingitini Primary School	Construction of 1No. classroom	1,300,000
14.	Gongoni Primary School	Demolition of condemned classroom and construction of a new one	1,500,000
15.	Tunzanani Primary School	Re-roofing of 4 classrooms	900,000
16.	Chengoni Primary School	Construction of 2No. 3 door pit latrines	700,000
17.	Junju Primary School.	Re-roofing of 2 classrooms	400,000
18.	Karimbani Primary School	Re-roofing of 11 classrooms	450,000
19.	Mwarakaya Primary School	Re-roofing of 11 classrooms, office and administration block	1,000,000
20.	Mwezang'ombe Primary School	Re-roofing of 3 classrooms, office and administration	900,000
	Total		25,950,000

2289. The Fund Account Manager had attributed non-implementation of the projects to delayed funding from NG-CDF secretariat whereby the last AIE of Kshs.60, 010,969 was received in July 2016. Non-implementation of development projects affects service delivery to the public and purposes for which the projects were initiated may take long to be realized. In addition, it casts doubt on the effectiveness of the project monitoring and evaluation carried out by the National Government Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

2290. The Fund Account Manager submitted that the projects were not implemented within the financial year under review due to delay in disbursement of funds from the NG-CDF Board secretariat. The last A.I.E of Kshs. 60,010,969 was received on July 2016. However, the projects were implemented in the subsequent financial year.

Committee Observations

2291. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury, and audit query is resolved.

Committee Recommendations

2292. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.4.3.5 Project Inspection

2293. Audit inspection of projects during the month of March 2016 indicated the following state of affairs of the following specific projects:

No.	Project Name	Project Allocation (Kshs)	Project Activity	Observations
1.	Secondary School Computers	800,000	25 computers distributed to Ng'ombeni Girls Lusaigani Boys and Dindiri Secondary	The computer memory was too low, at 78mb and could not perform the expected functions
2.	Baharii Primary School	1,500,000	Construction of one classroom	The project was not branded considering the County Government had also implemented similar project in the school
3.	Mwapa Health Centre	4,200,000	Completion of paediatric ward	Not branded
4.	Vipingo Central Primary School	1,400,000	Construction of 4No. 3 door pit latrines	Not branded
5.	Vipingo Central Primary School	1,500,000	Construction of 1 classroom	Not branded

2294. Although the management had indicated that branding of the projects is underway, it was not possible to confirm whether the projects were undertaken by the CDF, County Government or any other government agency. Further, there was no evidence that Kilifi South NG-CDF handed over the devolved projects including health facilities, water, roads and street lighting to the County Government of Kilifi. Failure to hand over projects to the County Government could affect their maintenance and sustainability adversely.

Submission by the Fund Account Manager

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

2295. The Fund Account manager submitted that the projects which had not been branded at the time of audit had since been branded.

Committee Observations

2296. The Committee observed that-

- (i) The projects, which had not been branded, had been branded; and
- (ii) The observation on project no. 1 was withdrawn by the Auditor-General during the meeting.

Committee Recommendations.

2297. The Committee recommends that the Accounting officer should ensure that all projects undertaken by NG-CDF are properly branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project.

8.5 MAGARINI CONSTITUENCY

2298. Mr. Yare Skosi, the current Fund Account Manager from April 2020 appeared before the Committee on 1st September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Magarini Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Mr. Stephen Charo, Former Fund Account Manager from Dec. 2013 to Nov. 2017.

8.5.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2299. The Auditor General raised seven audit Matters during examination of financial statements of Magarini Constituency for the year 2013/2014.

8.5.1.1 Environmental Expenses

2300. Included in the statement of receipts and payments for the year ended 30 June 2014 is other grants and transfers amounting to Kshs. 24,208,032.26 which includes an amount of Kshs. 1,956,122.26 for environmental expenses without support documents to show how the individual suppliers for tree seedlings were sourced and what quantities they were supposed to supply. There was no evidence to confirm how the seedlings were distributed. It was therefore not possible to confirm the propriety of the expenditure of Kshs. 1,956,122.26 for the year ended 30 June 2014.

Submission by the Fund Account Manager

2301. Mr. Stephen Charo, Former Fund Account Manager submitted that the supporting documents for the Kshs. 1,956,122.26 environmental expenses to show how the individual suppliers were sourced, the quantities and how the seedlings were distributed had been provided for verification.

Committee Observations

2302. The Committee observed that at the time of audit, the supporting documents on environmental expenses were not provided for audit review. No information to show how the individual suppliers for tree seedlings were sourced and what quantities they were supposed to supply. There was no evidence to confirm how the seedlings were distributed. The documents were later provided to auditors for review and verification.

Committee Recommendations

2303. The Committee recommends that:

- 1) The Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents; and
- 2) The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor-General during audit as required under section 9(1)(c) of the Public Audit Act, 2015.

8.5.1.2 Transfer to secondary schools

2304. Note 5 to the financial statements indicate transfers to secondary schools' balance of Kshs. 24,491,227.80 which includes an amount of Kshs 7,014,073.40 for construction of a twin laboratory at Marafa Secondary School. The original contract price was Kshs. 5,900,722.80 which was later revised to Kshs 7,014,073.40, giving rise to a variation of Kshs. 1,113,350.60 (18.86%). However, the minutes of the tender committee approving the variation on the contract were not availed for audit review. Further, Urembo Construction was awarded a tender to construct a dormitory at Mapimo Girls Secondary School at a cost of Kshs. 2, 900,000. However, no documentation was availed for audit review to show how the tender was awarded thus contravening the Public Procurement and Disposal Act, 2005. Consequently, it was not possible to confirm that the tendering process complied with the Public Procurement and Disposal Act, 2005.

Submission by the Fund Account Manager

2305. Mr. Stephen Charo, Former Fund Account Manager submitted that the variation at Marafa Secondary School for extra works was caused by the need to turn the original plan (science laboratory) to a twin laboratory in order to cater for the increased number of students. The variation for the project was approved through a minuted resolution of the tender committee. The variation was done through CDFC after receiving a report from the works officer. It is supported by the following documents;

- i) CDFC minutes
- ii) Report from the Public Works Department.

2306. The Fund Account Manager further indicated that the documents for the construction of a dormitory at Mapimo Girls' Secondary School at Kshs 9000,000 had been availed for audit which included; Tender documents, Awarding letter, CDFC minutes and the Code List.

Committee Observations

2307. The Committee observed that supporting documents and minutes of tender committee approving variation of the contract were not provided for audit review. No documentations were availed for audit review to show how the tender was awarded. However, the documents were later provided to auditors for review and verification.

Committee Recommendations

2308. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor-General during audit as required under section 9(1)(e) of the Public Audit Act, 2015.

8.5.1.3 Compensation of Employees

2309. Review of the staff records for the year under review indicated that an expenditure of Kshs. 1,005,723.84 was paid in regard to compensation to employees during the year under review. However, it was revealed that staff employed at the CDF office were not recruited competitively and procedurally as there was no advertisement and formal application for five (5) staff members employed during the year. There was no indication of interviews conducted to determine their suitability. This is in contravention of Article 232 (1) (i) of the Constitution which provides that the values and principles of public service include affording adequate and equal opportunities for appointment, training and advancement at all levels of public service.

2310. Further, section 5 (2) of the Employment Act, 2007 states that an employer shall promote equal opportunity in employment and strive to eliminate discrimination in any employment policy or practice. Section 5 (3) (b) of the Employment Act, 2007 further emphasizes that there shall be no discrimination in respect of recruitment, training, promotion, terms and conditions of employment. Consequently, it was not possible to confirm the propriety of the expenditure on compensation to employees amounting to Kshs. 1,005,723.84 incurred for the year ended 30 June 2014 and that the management was in breach of the Constitution and Employment Act, 2007.

Submission by the Fund Account Manager

2311. The Fund Account Manager submitted that the staff were competitively recruited as evidenced through advertisements at the local chiefs' office, receipt of application letters, selection and interviewing of applicants. The Fund Account Manager provided as evidence the following documents relating to the staff recruitment:

- i) Advertisements
- ii) Application letters
- iii) Interview score list
- iv) Letters of appointments
- v) CDFC minutes.

Committee Observations

2312. The Committee observed that the Fund Account Manager had not provided documents to support recruitment of staff. The documents were however submitted after the review period;

Committee Recommendations

2313. The Committee recommends that:

1. The Accounting Officer ensures that all Fund Account Managers avail supporting documents to the Auditor during audit as required under section 9(1)(c) of the Public Audit Act, 2015; and
2. The Accounting officer ensures that All Fund Account Managers comply with the provisions of the Constitution and Employment Act, 2007 when recruiting or terminating staff.

8.5.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2314. The Auditor General raised seven audit Matters during examination of financial statements of Magarini Constituency for the year 2014/2015.

8.5.2.1 Cash & Cash equivalents

2315. The reconciliation made available indicated that the un-presented cheques amounted to Kshs. 18,460,303. However, cheques amounting to Kshs. 1,441,660 were stale. Among the stale cheques included NHIF and NSSF statutory deductions which accrue penalties if not paid in time. Further the bank reconciliation statement reflected receipts in bank not recorded in cashbook of Kshs. 950,000 and payments in bank statement not recorded in cashbook of Kshs. 1, 007 made up mainly of bank charges.

Submission by the Fund Account Manager- (Unrepresented cheques of Kshs. 18,460,302.80)

2316. Mr. Stephen Charo, Former Fund Account Manager submitted that the stale cheques comprised of project cheque (Mkono Wa Jongoo Primary School Kshs. 1, 400, 000) several bursary cheques amounting to Kshs. 20,000 and stale statutory deduction cheques amounting to Kshs. 21,600. These were later replaced as follows

CHQ No	Amount	Project	Replacement CHQ No	Amount
3610	1,400,000	Mkono Wa Jongoo Pry Sch	5098	1,400,000
4073	200,000	Bursary	4768	20,000
NSSF/NHIF	21,600.00	NHIF/NSSF		21,600.00
Total				1,441,600

Committee Observations

2317. The Committee observed that-

- The Fund Account Manager had unrepresented and stale cheques which had not been reversed to the cashbook as at 30th June 2015;
- Bank deposit and bank charges had not been recorded in the cashbook as at 30th June 2015; and
- The stale and unrepresented cheques were later reversed and replaced, and omitted deposits and payments recorded in the cashbook.

Committee Recommendations

2318. The Committee recommends that:

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

8.5.2.2 Marereni Police Station

2319. The statements of receipts and payments reflected grants and transfers of Kshs. 78,469,714.45. This includes security expenditure of Kshs. 5,700,000. Documents availed for audit revealed although Kshs. 5,000,000 was transferred to PMC. The amount had not been used due to dispute raised by the security department on the site for the police post. The security department stated that a police station could not be within a 16 kilometers radius of another police station. The money therefore remained idle in the PMC account.

Submission by the Fund Account Manager

2320. The Fund Account Manager submitted that the dispute raised by the security department on the site for the police post was resolved and the project implemented to completion. The project is complete and in use.

Committee Observations

2321. The Committee observed that-

- (i) The dispute raised by the security department on the site for the police post was resolved and the project implemented to completion; and
- (ii) The project is complete and in use.

Committee Recommendation

2322. The committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.5.2.3 Budgetary Control and Performance.

2323. The fund had an overall expenditure of Kshs.176, 217,001 resulting to an overall under absorption of Kshs.43, 481,844.34 or 20%.

Submission by the Fund Account Manager

2324. Mr. Stephen Charo, Former Fund Account Manager submitted that the underutilization of the budget was a result of funds disbursed by the CDF Board very late into the month of June 2015.

Committee Observations

2325. The Committee observed that underutilization of the budget was occasioned by late disbursements of funds by the CDF Board.

Committee Recommendations

2326. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.5.2.4 Project implementation status

2327. A review of the project status reports indicates that 3 out of 51 projects were not complete and one project – Kadzandani electrification had not started and the amount set aside for this project was reallocated. No reason was given for not starting the project.

Submission by the Fund Account Manager

2328. The Fund Account Manager submitted that the project (Kadzandani electrification project) was taken over by Kenya Rural Electrification Authority (REA) and its allocation reallocated. Reallocation schedules and CDFC minutes were provided for verification.

Committee Observations

2329. The Committee observed that Kadzandani electrification project was taken over by Kenya Rural Electrification Authority and funds were reallocated to other projects.

Committee Recommendations

2330. The Committee recommends that in line with Section 46(I) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.5.2.5 Project inspection

2331. The project inspection revealed that two of the completed projects amounting to Kshs. 9,700,000 were not in use and other two projects amounting to Kshs. 5, 800,000 were also completed although the records on how the projects were funded were not availed for audit review therefore it was not possible to ascertain whether the value for money on the two projects worth Kshs. 5,800,000 was obtained for the people of Magarini Constituency.

Submission by the Fund Account Manager

2332. The Fund Account Manager submitted that the two projects were Galana Teachers Training College allocated (Kshs 8,000,000) and Magarini Hill Secondary School (Kshs. 1,700,000). The two projects were completed and put into use.

Committee Observations

2333. The Committee observed that the two projects that were inspected were Galana Teachers Training College which was allocated (Kshs 8,000,000) and Magarini Hill Secondary School (Kshs. 1,700,000). The two projects were completed and put into use.

Committee Recommendations

2334. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.5.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2335. The Auditor General raised seven audit Matters during examination of financial statements of Magarini Constituency for the year 2015/2016.

8.5.3.1 Bank Balance

2336. The statement of financial assets as at 30th June 2016 reflected a bank balance of Kshs 80,476,069.89. However, the bank reconciliation statement as 30th June 2016 included receipts in the bank statement not recorded in the cashbook of Kshs 4,432,590.00 dating back to 2014, bank charges of Kshs, 58,946.50 and stale cheques of 1,000.00. The management had not explained why these transactions had not been recorded in the cashbook.

Submission by the Fund Account Manager

2337. Mr. Stephen Charo, Former Fund Account Manager submitted that this was an omission error. The error of not recording Kshs 4,432,590.00 in the cashbook dating back to 2014 had since been corrected in the cashbook as shown in the Cashbook extract as at 30 June 2016. Bank charges of Kshs, 58,946.50 were recorded and stale cheques reversed and financial statements amended.

Committee Observations

2338. The Committee observed that omitted deposits and payments were later recorded in the cashbook.

Committee Recommendations

2339. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.5.3.2 Cash Balance

2340. The statement of financial assets as at 30th June 2016 reflected nil cash balance. However, the board of survey report was not availed for audit review. Consequently, the accuracy and completeness of cash and cash equivalent of Kshs 80,476,069.81 as at 30th June 2016 could not be ascertained.

Submission by the Fund Account Manager

2341. The Fund Account Manager submitted that the board of survey report was not available at the time of audit review. The board of survey report had been availed for review.

Committee Observations

2342. The Committee observed that-

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

Committee Recommendations

2343. The Committee recommends that the Accounting Officer ensures that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.5.3.3 Transfer to other Government Units

2344. The statement of receipts and payments for the year ended 30 June 2016 contained various payments totaling Kshs. 50,586,573. Included in this figure are transfers to secondary schools' amount of Kshs.31, 000, 000 and transfers to tertiary institutions amounting to Kshs.7, 500,000 as detailed in note 6 to the financial statements. However, a perusal of project files revealed that the Constituency Development Fund Committee (CDFC) used request for quotation for works four (4) projects above Kshs 500,000 contrary to National Treasury Legal Notice No. 106 of 2013 threshold matrix for class C entities:

- 1. Kaembeni Secondary School plus desks Kshs. 5,110,240
- 2. Kibokoni Secondary School-Girl's hostel Kshs. 8,154,361
- 3. Majenjeni Secondary School – Twin Lab Kshs. 7,853,242
- 4. Waresa TTI Kshs. 10,000,000

All totalling to Kshs 38,669,779

2345. Further, management did not avail for audit review prequalification and tender documents to show how the process of identifying, evaluating and awarding of contract was done to support an expenditure of Kshs 10,000,000 transferred to Waresa TTI for construction of a technical training institute which was a joint project of Magarini NG-CDF and the National Government. In addition, no project file was availed for audit verification to confirm whether the project design and construction met the specifications. The inspection of the project revealed that the project had stalled since March, 2016 after the demise of the contractor. Consequently, the regularity of the expenditure of Kshs. 38,669,799 as funding for various project for the year ended. 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2346. Mr. Stephen Charo, Former Fund Account Manager submitted that the use for quotation for projects above Kshs 500,000 contrary to National Treasury legal notice No. 106 of 2013 threshold matrix for class C entities was used on three projects and not four projects.

1. Kaembeni Secondary School plus desks Kshs. 5,110,240
2. Kibokoni Secondary School-Girl's hostel Kshs. 8,154,361
3. Majenjeni Secondary School – Twin Lab Kshs. 7,853,242.

2347. The Fund Account Manager further submitted that the mistake had since been corrected and Magarini Constituency Development Fund Committee (CDFC) now use tenders instead of quotations for all projects above Kshs 500,000.

2348. He also submitted that for Waresa Technical Training Institute the procurement was done by the mentoring institution (Godoma Technical Training Institute). The Fund Account Manager further submitted that the Magarini Constituency Development Fund Committee (CDFC) was provided with a copy of the LSO and respective certificate of works. Magarini NGCDFC transferred the funds to Godoma Technical Training Institute on the basis of public works payment certificates. The mentoring institution (Godoma Technical Training Institute) was responsible for making payments to the contractor. The project had been given to another contractor and is now over 60% complete.

Committee Observations

2349. The Committee observed that-

- (i) The Fund Account Manager breached Section 105 of the Public Procurement and Asset Disposal Act, 2015 by selecting suppliers through request for quotations above the maximum of Kshs. 500,000; and
- (ii) The transfer of Kshs 10,000,000 had been sanctioned by the NG-CDF Board.

Committee Recommendations

2350. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.

8.5.3.4 Acquisition of Assets.

2351. The Statements of receipts and payments for the year ended 30th June 2016 reflected acquisition of assets of figure of Kshs. 7,245,411. However, Fixed Assets register reflected movements of Kshs 7,160,944, resulting to neither unexplained nor unreconciled variance of Kshs. 84,467. As a consequence, the accuracy and

completeness of acquisition of assets of Kshs. 7,245,411 for the year ended 30 June 2016 could not be ascertained

Submission by the Fund Account Manager

2352. The unexplained nor unreconciled variance of Kshs. 84,467 in the acquisition of assets as at 30 June 2016 was a result of a casting error. This casting error had since been corrected in the asset register as at 30 June 2016. Copy of asset register as at 30 June 2016 had been provided.

Committee Observations

2353. The Committee observed that the financial statements were amended and variations corrected and relevant documentations were later presented for review and verifications.

Committee Recommendations

2354. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.5.3.5 Budgetary Controls and Performance

2355. The Constituency had a budget of Kshs. 201, 241,502 compared to the 2014/2015 budget of Kshs. 219, 698,845 representing a decrease of Kshs.18, 457,343 or 8%. The Fund had an actual expenditure of Kshs. 120,765,432 resulting to an overall under absorption of Kshs. 80,476,070 or 40% as detailed in the table below:

Vote Item	Final Budget (Kshs)	Actual Receipt/ Expenditure (Kshs)	Under Absorption (Kshs)	% Under Absorption
Compensation of Employees	4,282,098	2,340,721	1,941,377	25.3%
Use of goods and services	21,517,158	14,689,118	6828,040	48.99%
Transfers to Other Government Units	83,048,642	50586573	32462069	60.1%
Other grants and transfers	80,893,605	45,903,609	34,989,996	31.7%
Acquisition of Assets	11,500,000	7245411	4254589	61.3%
Total	201,241,503	120,765,432	80 476 070	40%

2356. From the table below the financial performance analysis, there was an under absorption of Kshs.80, 476,070 or 40% of the final budget. The underutilization of the budget implies development projects earmarked for implementation were not undertaken which affects delivery of goods and services to citizens of Magarini Constituency.

Submission by the Fund Account Manager

2357. Mr. Stephen Charo, Former Fund Account Manager submitted that the overall under absorption of Kshs. 80,476,070 or 40% was caused by the transition from the CDF Act, 2013 to National Government Constituencies Development Fund Act, 2015. During the transition period the NGCDF Board froze the disbursements of funds to all constituencies until the Gazettement of the NGCDFCs. Magarini NGCDFC was gazetted on 23 June, 2016. The inaugural meeting was held on 29th June, 2016 a day before the close of the financial year. The funds were therefore disbursed to the constituency after the close of the financial year 2015/2016. This caused under absorption.

Committee Observations

2358. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2359. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies

8.5.3.6 Project Implementation

2360. According to the project implementation status report, fifty-one (51) projects with an approved budget of Kshs.157, 759,658 were budgeted for by Magarini CDF as at 30 June 2016. Thirty-two (32) out of fifty-one (51) projects were completed and put in use while nineteen (19) projects with a total budget of Kshs. 40,500,000 had not started and were still waiting for funds from the National Government Constituency Fund Board

Submission by the Fund Account Manager

2361. The Fund Account Manager presented that they agree that project implementation and service delivery was affected during the year under review by caused by the transition from the CDF Act, 2013 to National Government Constituencies Development Fund Act, 2015. However, all the pending projects had been satisfactorily implemented together with the current projects.

Committee Observations

2362. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury and audit query is resolved.

Committee Recommendations

2363. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.5.3.7 Project Inspection

2364. A total of twelve (12) projects with a budget of Kshs. 47, 700,000 were inspected during the month of March 2017. Six (6) of the projects visited were complete and in use while five (5) projects with allocation of Kshs.14,700,000 had outstanding issues as detailed in the table below:

Project Description	Allocation per proposal as approved	Expenditure in 2015/2016 (Kshs)	Amount Outstanding as at 30 th June	Current Status
Mjanaheri Secondary school	Completion of two classrooms		600,000.00	Complete and in use
Kaembeni Secondary School	Construction of four classrooms with desks	4,000,000.00	1,250,000.00	Waiting for funds
Waresa Secondary School	Construction of two new classrooms with desks		3,000,000.00	Waiting for funds
Kibokoni Secondary School		5,000,000.00	3,000,000.00	Waiting for funds
Waresa Technical Training Institute	Constituency contribution towards National Government project - Construction of one workshop	10,000,000.00	5,000,000.00	Waiting for funds
Adu Police Station	Construction of 10 rooms staff quarters		3,000,000.00	On-going Not Started
Hawa Wanje Police Post	Construction of new police post		2,000,000.00	Not Started/reallocated to Marereni police station

Bura Chiefs Office	Construction of new chief's office		1,000,000.00	Not Started/completed
Gandini Assistant Chiefs Office	Construction of new chief's office		1,000,000.00	Not Started/completed

2365. These projects had not been completed as at 30 June 2016. This is an indication of lack of focus in the budget making mechanism and therefore there is need for the management to prioritize projects with a view to undertaking the projects which will be completed within the year and improve the standards of living for the citizens of Magarini Constituency.

Submission by the Fund Account Manager

2366. The Fund Account Manager submitted that the delays in completion of the projects was due to late disbursement of funds, and that projects were completed and handed over to the community.

Committee Observations

2367. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury and that projects are complete and in use.

Committee Recommendations.

2368. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies

8.6 MALINDI CONSTITUENCY

2369. Mr. George Juma, the current Fund Account Manager from January, 2020 to date appeared before the Committee on 2nd October, 2020 to respond to the audit Matters raised in the report of the Auditor General for Malindi Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Mr. Nelson Alfayo, Former Fund Account Manager from Dec. 2013 to Nov. 2016.

8.6.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2370. The Auditor General raised seven audit Matters during examination of financial statements of Malindi Constituency for the year 2013/2014.

8.6.1.1 Un-presented Cheques amounting to Kshs 4,514,507

2371. Unpresented cheques amounting to Kshs 4,514,507 but some of the cheques remained un-presented since year 2005 and no explanation had been given for not reversing the amount to the cashbook. The accuracy and validity of the cashbook balance of Kshs. 32,405,597 as at 30th June, could not be confirmed.

Submission by the Fund Account Manager

2372. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the amount of Kshs 4,514,507 was as a result of expenditures incurred just at close of the financial year ended 30th June 2014 and had since been cleared. Included in the cashbook balance were unclaimed bursary cheques issued to needy students and the amount had since been reversed in the cashbook. The Fund Account Manager submitted that the balance in the cashbook was accurate and valid since the transaction was correctly posted in the cashbook. Unpresented cheques amount in the bank could not invalidate the figures in the cash as long as they had been correctly posted.

Committee Observations

2373. The Committee observed that the corrections had since been made and the audit issue is resolved.

Committee Recommendations

2374. The Committee recommends that-

- 1) The Accounting Officer to ensure that the Fund Account Manager maintain a register detailing all the cheques issued for bursaries;
- 2) The NG-CDF Board should consider allowing direct bank debits to beneficiary

institutions to increase efficiency in disbursement and reduce cases of stale cheques;

- 3) The Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015; and
- 4) The Accounting Officer ensures that the Fund Account Manager complies with the provisions of PFM Regulation (NG) 2015, Regulation 90(1) on preparation of bank reconciliation statement.

8.6.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2375. The Auditor General raised seven audit Matters during examination of financial statements of Malindi Constituency for the year 2014/2015.

8.6.2.1 Mzizima Water Project FY 2014/2015

2376. During the year under review, the fund closed the bank account operated at KCB and transferred all funds to Equity Bank. During this process, outstanding and stale cheques were either replaced or reversed. However, a cheque of Kshs 1,800,000 issued on August, 2013 for Mzizima Secondary School for construction of class rooms was instead issued to Mzizima Water Project, a project that was not initially approved by the Board and that the water project had also been moved to Kilifi North CDF. There was no evidence of reallocation of funds by the CDF Board to move funds from Mzizima Secondary School to Mzizima Water Project. In the absence of approval from the CDF Board, the validity and propriety of payment of Kshs 1,800,000 to Mzizima Water project for the year ended June 2015 could not be ascertained.

Submission by the Fund Account Manager

2377. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the project was handed over to Kilifi North CDF for implementation. However, the community, through a public baraza (13/10/2014) wrote to Malindi -CDF requesting for the funding of Mzizima Water project given the harsh water condition at the area at that time. The project was implemented by Kilifi North CDF and was complete and in use. The transaction is valid since it passed through the cashbook.

Committee Observations

2378. The Committee observed that-

- (i) The Fund Account Manager reallocated Kshs. 1,800,000 meant for Mzizima Secondary School for construction of class rooms to Mzizima Water Project without the approval by the NG-CDF Board; and
- (ii) The project was implemented by Kilifi North CDF and was complete and in use.

Committee Recommendations

2379. The Committee recommends that-

- 1) The National Government Constituencies Development Fund Board should within three months of the adoption of this report, take administrative action

against the Fund Account Manager for reallocating funds without the approval of the Board contrary to section 10 (2) of the CDF Act, 2013; and

- 2) The Accounting Officer ensures that All Fund Account Managers comply with the provisions of section 6(2) and section 31 of the NG-CDF Act, 2015.

8.6.2.2 Galana Water Project

2380. The Project Management Committee comprised of CDFC members and locals were not involved in the management of the project contrary to Section 35(2) of the CDF Act, 2013 which states that a community shall maintain an elected committee to represent the interest of the community during and after the implementation of the project.

Submission by the Fund Account Manager

2381. The Fund Account Manager presented that the project was very technical and hence the Project Management Committee (PMC) could not efficiently implement and manage the project. There was fear amongst them that PMC could not achieve the intended goal hence the CDFC implemented the project. The community was involved during the identification stage and implementation of the project.

Committee Observations

2382. The Committee observed that the project was managed and implemented by the CDFC and not PMC as required by the provisions of the CDF Act.

Committee Recommendations

2383. The committee recommends that the Accounting Officer should ensure that Fund Account Managers comply with the provisions of the law as relates to project management and implementation.

8.6.2.3 Tender

2384. Quotations were issued instead of tendering despite the amount of the project being Kshs 4,301,883.20 contrary to Public Procurement and Asset Disposal Regulations, Regulation 6(1). A site visit to the project showed that the project had stalled despite the fact that the contractor had been paid. The BQ indicated that three (3) water kiosks would be constructed but none was constructed at the time of project visit

Submission by the Fund Account Manager

2385. The Fund Account Manager presented that the normal tender was done by inviting potential bidders. During audit visit the project was on going. The three water kiosks were completed and the project is in use.

Committee Observations

2386. The Committee observed that the project tender was awarded through quotations instead of open tender contrary to provisions of the Public Procurement and Disposal Act, 2005.

Committee Recommendations

2387. The Committee recommends that-

- 1) The NG-CDF Board should within three months of the adoption of this report, investigate the award of the contracts to determine the irregularities and takes action against the Fund Account Managers and any other officers involved in the procurement process and report to the National Assembly; and
- 2) The accounting Officer ensures that All Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.

8.6.2.4 Budget Control and Performance

2388. During the year under review, it was noted that the fund had a budget of Kshs. 156,418,242. The fund made transfers and payments amounting to Kshs. 115,184,280 which constitute 74% of budgeted funds. This resulted in under absorption of Kshs 41,233,963 or 26%. The idle funds could have been used to enhance the well-being of the community if all projects were efficiently implemented. The Fund Account Manager did not explain the reasons for the underutilization. The citizens of Malindi Constituency failed to receive crucial goods and services on idle funds resulting in underdevelopment.

Submission by the Fund Account Manager

2389. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the Transfers to Other Government Units for the year in question was 29,959,466,70 and actual expenditure was 39,042,225.75 translating to a 130% utilization rate which surpass the budgeted funds for that financial year. This means that there were no idle funds and the wellbeing of the community was far much met.

2390. The Fund Account Manager also submitted that the underutilization of funds in question as a result of the delay of disbursement of funds from the CDF Board. The funds were received after the close of the financial year on 30th June 2015. The committee ensured constituents received crucial goods and services. This is evidenced by the following:

- (a) Transfer to other Government units 130%
- (b) Other grants and transfers 81%.

Committee Observations

2391. The Committee observed that the underutilization of funds was a result of the delay of disbursement of funds from the CDF Board. The funds were received after the close of the financial year on 30th June 2015.

Committee Recommendations

2392. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.6.2.5 Project Implementation

2393. Records availed for the audit showed that 52 projects with a cumulative budget of Kshs. 102,316,235.75 and emergency allocation of worth Kshs 5,400,259 all totaling to Kshs 107,716,495 had been approved for implementation in the Financial Year 2014/2015. However, by 30th June, 2015, nine (9) projects with a cumulative approved budget of Kshs 36,600,000 had not been started.

2394. Slow implementation of development projects affects:

- (i) Service delivery;
- (ii) The intended purpose of the project may take longer to be realized; and
- (iii) Casts doubt on the effectiveness of the project monitoring and evaluation team.

Submission by the Fund Account Manager

2395. The Fund Account Manager presented that the non-implementation of projects in question was a result of the delay of disbursement of funds from the CDF Board. The funds were received after the close of the financial year 30th June 2015 and it was not possible to implement the projects.

Committee Observations

2396. The Committee observed that the non-implementation of projects in question as a result of the delay of disbursement of funds from the CDF Board.

Committee Recommendations

2397. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.6.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2398. The Auditor General raised seven audit Matters during the examination of financial statements of Malindi Constituency for the year 2015/2016

8.6.3.1 Presentation of Financial Statements

2399. A review of financial statements availed for audit revealed the following presentation anomalies:

- i). The numbering of the notes in the statement of receipts and payments and the statement of assets were not consistent with the actual notes as detailed below.
- ii). Accounting Policy No 1 on page 9 to the financial statements states that figures had been rounded to the nearest shilling. However, the figures in the financial statement had not been rounded off.

Submission by the Fund Account Manager

2400. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the anomaly had been noted and Financial Statements adjustments were done for verification.

Committee Observations

2340. The Committee observed that the anomalies have since been corrected and revised statements presented for audit verification.

Committee Recommendations

2341. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.6.3.2 Bank Balance

2342. The statement of financial assets as at 30 June 2016 reflected a bank balance of Kshs. 32,244,655.75. However, the bank reconciliation statement as at 30 June 2016 presented for audit review reflected un-presented cheques amounting to Kshs. 819,102.05 out of which the sum Kshs 442,889.25 relates to stale cheques not reversed in cashbook as at year-end. In addition, subsequent bank statements were not availed for audit to confirm when cheques amounting to Kshs 376,752.20 outstanding as at 30 June 2016 were cleared. Further, from the books of account, receipts in the bank but not in the cashbook of Kshs. 1,320.20 had remained outstanding since 15 October 2014 and bank charges of Kshs 58,927 were not recorded in the cashbook.

Submission by the Fund Account Manager

2343. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the un-presented cheques of Kshs 819,102.02 resulted from bursary cheques which were issued just at the close of the financial year and the amount was cleared in the cashbook. All stale cheques/uncleared cheques amounting to Kshs. 442,889.25 had been reversed and cleared.

Committee Observations

2344. The Committee observed that the stale and un-presented cheques were later reversed and replaced and omitted deposits and payments recorded in the cashbook after the audit period.

Committee Recommendations

2345. The Committee recommends that:

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

8.6.3.3 Unaccounted Transfers

2346. A review of bank statements revealed that two transactions of Kshs. 2 million each were done on 11th December 2015, where funds were transferred from the CDF main account to CDF Office Project Management Committee. However, a review of the PMC bank account statements for the period availed did not reflect this amount. It was not therefore possible to ascertain where the funds amounting to Kshs. 4 million were transferred to.

Submission by the Fund Account Manager

2347. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the payments were done on 11 December, 2015 and posted to the cashbook. However, at the time of audit verification, the cheques had not been presented to the bank. The item had been cleared in the bank.

Committee Observations

2348. The Committee observed the Fund Account Manager did not produce support documents such as bank deposits or PMC statements to indicate that the money had been deposited into the account.

Committee Recommendations

2349. The Committee recommends that within three months of the adoption of this report, the Accounting Officer ensures that the Fund Account Manager submits to the Auditor-General for audit review and reporting in the subsequent audit cycle, evidence of cheque clearance for the payments.

8.6.3.4 Outstanding Imprests

2350. The statement of assets as at 30 June 2016 reflected outstanding imprests Kshs 468,000 which had not been supported with a schedule. Further, the imprests warrant a book, supporting approvals and imprest register/ ledger and surrender vouchers were not made available for audit review. Consequently, the propriety and accuracy of the imprests balance of Kshs 468,000 as at 30 June 2016 could not be confirmed.

Submission by the Fund Account Manager

2351. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the payment Vouchers for a financial year were normally kept and held in one file for easy access and accountability. The voucher in question was also in the file folder among other vouchers. In regard to the imprest warrant, the said warrant had been in the warrant book at the time of audit. However, the imprest in question had been cleared.

Committee Observations

2352. The Committee observed that-

- (i) During the audit review period, the Fund had not submitted imprests warrant a book, supporting approvals and imprest register/ ledger and surrender vouchers for audit verification; and
- (ii) The documents were later submitted to the auditors for review and verification.

Committee Recommendations

2353. The Committee recommends that the Accounting officer ensure that Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No. 34 of 2015 and Section 68 of the PFM Act, 2012 on the timely submission of documents.

8.6.3.5 Failure to Remit Statutory Deductions

2354. The statement of receipts and payments reflected compensation of employee's figure of Kshs. 2,024,816. Included in this amount are statutory deductions amounting to Kshs. 290,300. However only Kshs. 9, 600 was remitted to the statutory bodies, resulting in unremitted statutory deductions of Kshs. 280,700.

Submission by the Fund Account Manager

2355. The Fund Account Manager presented that the un-cleared amount was as a result of some staff not registering with the respective institutions. However, the amount had been reversed and remittance is done.

Committee Observations

2356. The Committee observed that the following registration by the employees with the respective statutory bodies, the funds had been remitted.

Committee Recommendations

2357. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with statutory deduction requirements and ensure statutory deductions are withheld/deducted and remitted on time to avoid possible fines and penalties accruing due to non-compliance.

8.6.3.6 Irregular Termination of Employees' Contracts

2358. The employment contract of four employees was terminated by the Constituency Member of Parliament vide letter dated 19 April 2016. This was irregular as only the CDF Committee had the authority to terminate an employee's contract.

Submission by the Fund Account Manager

2359. The Fund Account Manager submitted that the issue was presented to the NG-CDF Board for adjudication and direction for resolution was provided.

Committee Observations

2360. The Committee observed that the issue had been adjudicated and resolved by the NG-CDF Board.

Committee Recommendations

2361. The Committee recommends that the Accounting Officer ensures that All Fund Account Managers comply with the provisions of the Constitution and Employment Act, 2007 when recruiting or terminating staff.

8.6.3.7 Transfer to other Government Units

2362. The statement of receipts and payments for the year ended 30 June 2016 reflected transfers to other government units amounting to Kshs 8,979,014 as detailed in note 6 of the financial statements. Included in the balance is expenditure in respect of transfers to secondary schools amounting to Kshs 1,000,000 paid to the Project Management Committee for construction of administration block at Barani Secondary School. The work was to be completed by 7th August 2016 but the project stalled at the lintel stage and no work had been carried out since April 2016 as all funds allocated to the project amounted to Kshs. 3.5 million were spent and paid to the contractor. The fund had allocated Kshs. 2.5 million to the project in the financial year 2014/2015 and Kshs. 1 million in financial year (2015/2016) under review. Records availed for audit reveal no additional funds were allocated in the financial year 2016/2017 hence the project will not be completed despite Kshs. 3.5 million of public funds having been spent.

Submission by the Fund Account Manager

2363. The Fund Account Manager presented that the project had since been completed and in use. The project did not stall as such but it was because the CDFC tenure came to an end hence could not continue with the implementation of the project but to wait for a new board to be in place. Additional funding was allocated to the school of Kshs. 4.5M, FY 2017/18 to allow for the completion of the project. The project is complete and in use.

Committee Observations

2364. The Committee observed that the CDFC tenure ended hence could not continue with the implementation of the project. The project had since been completed and in use.

Committee Recommendations

2365. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.6.3.8 Security Projects

2366. A review of documents availed for audit indicated that the fund applied request for quotations for Kakuyuni Administration Police posts projects of Kshs. 7,992,636 thus exceeding the threshold matrix of Kshs 6 million sets by the First Schedule of the Public Procurement and Disposal Regulations 2006 as amended in 2013. The validity and propriety of the expenditure amounting to Kshs. 7,992,636 incurred on projects during the year under review could not be confirmed.

Submission by the Fund Account Manager

2367. The Fund Account Manager presented that the project had been implemented at a time when the area was experiencing a high level of insecurity and outcry from the public arising from criminal activities. The Committee, therefore, used a restricted method given that there was urgency as the police officers did not have anywhere to stay and insecurity and killings became rampant within the area and managing time and risk associated with the insecurity activities. Procurement documents were available for verification.

Committee Observations

2368. The Committee observed that the project tender was awarded through a request for quotations instead of open tender in contravention of the Public Procurement and Asset Disposal Act, 2015.

Committee Recommendations

2369. The Committee recommends that-

- 1) The NG-CDF Board should within three months of the adoption of this report, investigate the award of the contracts to determine the irregularities and takes action against the Fund Account Managers and any other officers involved in the procurement process and report to National Assembly; and
- 2) The accounting Officer ensures that Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.

8.6.3.9 Emergency

2370. The statement of receipts and payments reflected other grants and other payments of Kshs. 33,668,569 as disclosed under Note to the Financial Statements. Included in this figure are payments of Kshs. 3,841,800 in respect of emergency projects. Records availed revealed that a contractor was paid Kshs. 1,200,000 for the emergency grading works on road C103-Malindi Baolala (Sala Gate) road and another contractor was paid Kshs. 2,000,000 for construction of Malindi CDF/MP office civil works and storm water drainage works through single-sourcing.

Submission by the Fund Account Manager

a) Malindi Baolala (Sala Gate) Road C103 Kshs 1,200,000

2371. The Fund Account Manager submitted that the road was impassable as a result of heavy rains because it was a murram. It required immediate light grading and murram patching. The contractor was identified through restricted tendering from among prequalified contractors.

b) Malindi CDF/MP office civil works and storm water drainage works Kshs 2,000,000

2372. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the location of the official site was on a low-level area and during the rainy season the area gets flooded hence necessitating the construction of the office. This was also as a result of adjacent development by neighboring institutions i.e., DCC's office raised their ground level through murraming. KPLC and Municipal Council of Malindi constructed a boundary wall hence interfering with the water channel. Therefore, water was clogging at the CDF site area affecting the construction works and hence there was an urgent need to secure the site

2373. The Fund Account manager also submitted that the construction of the tarmac road from Total petrol station rounder about to the new stage blocked the water and resulting water clogging at the site area. Given the above, there was an urgent need to raise the ground level for the works to continue. In regard to the above, a contractor was identified through a restricted method from a list of prequalified contractors.

Committee Observations

2374. The Committee observed that-

- (i) The project tender was awarded through single sourcing, contrary to section 102 of the Public Procurement and Asset Disposal Act, 2015; and
- (ii) The projects were treated as emergency projects while they do not qualify as emergency projects as per the CDF Act, 2015.

Committee Recommendations

2375. The Committee recommends that-

- 1) The NG-CDF Board should within three months of the adoption of this report, investigate the award of the contracts to determine the irregularities and takes action against the Fund Account Managers and any other officers involved in the procurement process and report to the National Assembly; and
- 2) The Accounting Officer ensures that the Fund Account Manager complies with provisions of Public Procurement and Asset Disposal Act, 2015 and its Regulations.

8.6.3.10 Acquisition of Assets

2376. The fund spent a total of Kshs 6,050,000 to acquire land as follows: Kshs 5,000,000 was paid to the land vendor and Kshs 1,050,000 was paid to a single-source consultant to verify the land details. Records availed did not provide information on how the piece of land and the vendor were identified. A perusal of payment details revealed that the land was acquired and paid for before valuation. The fund had not acquired ownership

documents and the matter was under investigation by Ethics and Anti-Corruption Commission (EACC). Examination of documents availed for audit indicated that construction of the office commenced before the land sale agreement was signed.

Submission by the Fund Account Manager

2377. Mr. Nelson Alfayo, Former Fund Account Manager submitted that it considered the following factors when identifying the parcel of land and consultant.

- Proximity to other government offices
- Proximity to access road
- Proximity to utilities like electricity and water
- Security

2378. The Fund Account Manager also submitted that the consultant was sourced through restricted tendering, through the pre-qualified list of contractors. Normal procurement procedures were followed to identify the consultant.

Committee Observations

2379. The Committee observed that:

- i. The Fund Account Manager acted in breach of the Public Procurement and Asset Disposal Act, 2015 on the procurement method used; and
- ii. The Fund had not acquired ownership documents and the matter was under investigation by EACC.

Committee Recommendations

2380. The Committee recommends that-

- 1) The Accounting Officer follows up with the Ethics and Anti-Corruption Commission (EACC) on the status of the investigation on the matter and reports to the National Assembly within three months after the adoption of this report; and
- 2) The Accounting Officer ensures that Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.

8.6.3.11 Budgetary Control and performance

2381. The fund was allocated Kshs 126,114,546 and in addition to an opening balance of Kshs. 43,593,563 as per the audited financial statements for the 2014/15 financial year. The fund had resources amounting to Kshs. 169,708,108 available for use for the year under review. Out of allocation amounting to Kshs. 126,114,546 for the year, only Kshs. 63,000,000 (50%) was disbursed by the CDF Board. During the year, the fund made transfers and payments amounting to Kshs. 74,255,866 or 44% of funds available

and therefore the fund did not utilize Kshs. 95,452,242 or 56% of the resources available. The management did not execute the budget as planned and the development agenda of the constituency was not met.

Submission by the Fund Account Manager

2382. Mr. Nelson Alfayo, Former Fund Account Manager submitted that the underutilization of funds was due to delay of disbursements of funds from the CDF Board. The funds were disbursed just at the close of the financial year-end.

Committee Observations

2383. The Committee observed that underutilization of funds was due to delay of disbursements of funds from CDF Board.

Committee Recommendations

2384. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.6.3.12 Project Implementation

2385. During the year under review, disbursement to projects budgeted in the year 2015/16 was Kshs 30,559,014.40 and further, the total cost of projects carried forward from the previous year (2014/15) amounted to Kshs. 21,556,768. Project verification during the year under review indicated the following state of affairs.

8.6.3.13 Construction of Building and Other Civil Works Projects.

2386. The following are the construction of Building and Other Civil Works Projects:

a) **Kasimbiji Primary School**

Accumulated cost Kshs: 1,990,055

Project: Construction of Administration block

Observation: Building completed and in use, however, the building had developed cracks on the wall.

b) **Name: Langobaya Primary School**

Accumulated cost Kshs: 4,700,000

Project: Renovation of 12 classroom roofs and painting

Observation: although the works were certified as complete, a site visit revealed that the work was not completed and the painting was poorly done. Only external walls of some classes were painted.

c) **Name: Barani High School**

Accumulated cost Kshs: 7,595,334

Project: Construction of Administration block

Observation: The project stalled at the lintel level due to underfunding. The contractor left the site over a year ago. Only funded up to Kshs 3,500,000.

d) **Name:** CDF Office

Accumulated cost Kshs: 23,750,101.84

Project: Fund and Constituency office, office furniture.

Observation: complete and in use.

e) **Name:** Security lights

Accumulated cost Kshs: 5,000,000

Project: Installation of street lights

Observation: No signage, street lights installed at Majengo road not functional.

f) **Name:** Kakuyuni AP Post

Accumulated cost Kshs: 7,992,635.88

Project: Construction of staff houses and office

Observation: No signage. Work done differs from bills of quantities availed.

g) **Name:** Malindi Police Line

Accumulated cost Kshs: 1,998,593

Project: Painting

Observation: Complete and in use.

h) **Name:** Mere AP Post

Accumulated cost Kshs: 4,923,000

Project: Renovation of Staff Houses

Observation: Works amounting to Kshs 981,610 had not been done. Some fittings not fitted, doors and windows not replaced.

i) **Name:** Weru Technical Institute

Accumulated cost Kshs: 4,000,000

Project: Co-funded with Ministry of Education

Observation: Technical Institute completes and waiting for the supply of equipment.

Submission by the Fund Account Manager

2387. The Fund Account Manager submitted that the projects were complete and in use as per the following status report:

a) **Name:** Kasimbiji Primary school Ksh. 1,990,005 Cracks on walls

This was a result of the nature of the soil around the area. A standard BQ was used disregarding the uniqueness of the soil type hence the cracks. This has since been rectified and the building repaired.

b). Name: Langobaya Primary School Accumulated Cost: 4,700,000

During the time of visit by the auditors, the works were still ongoing. However, the work is completed and the building is in use.

c) Name: Barani High school

The project is complete and in use.

d) The NG-CDF office, Malindi: The office is complete and is in use

e) Security lights – Ksh. 5,000,000

The signage was erected but vandalized during the by-election period in Malindi Constituency. The lights were officially handed over to the county government for maintenance.

f) Name: Kakuyuni AP Post: The project is complete and is in use. Signage in place.

g) Malindi Police station: The project is complete and is in use.

h) Mere AP Post: The project is complete and in use.

i) Weru Technical institute: The project is complete and is in use.

Committee Observations

2388. The Committee observed that-

- (i) The projects which had not been completed had since been completed and in use; and
- (ii) The projects which had defects were repaired and corrected within the defect's liability period.

Committee Recommendations

2389. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.6.3.14 Verification of Road Projects

2390. Audit verification of Roads carried out in April 2017 revealed that no signposts were erected on all the road projects undertaken by the Malindi Constituency Development Fund even though the signposts were part of the works as sums in respective the contract and the cost of erecting the signposts. The management paid for road works totaling 49kms in length but only 27 kilometers were executed. 22 km of road worth Kshs 2,280,537 were not worked on. The Fund Account Manager did not explain the reason for the variance in between distances paid and actual work done which resulted in the nugatory expenditure of Kshs 2,820,537.

Submission by the Fund Account Manager

2391. The Fund Account Manager submitted that the signage were erected but vandalized due to political activities. On the kilometers done, the amounts were allocated by the CDRC without involving KeRRA engineers due to the short time availed for proposal preparation.

2392. He further submitted that during the implementation, KeRRA realized several aspects that were not factored that could compromise the quality of the work hence causing the difference. The amount allocated to the project was insufficient to complete the work as advised by KeRRA and so murram patching on the critical areas was done to completion on the remaining part of the project.

Committee Observations

2393. The Committee observed that during the initiation stage of the project, the Fund did not involve KERRA which violates Section 46(1) of the National Government Constituency Development Fund Act, 2015 which requires the Fund to consult with the relevant Government departments to ensure that cost estimates for the projects are realistic.

Committee Recommendations

2394. The Committee recommended that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.7 RABAI CONSTITUENCY

2395. Ms. Flora Ndunge Mutua, the current Fund Account Manager since 2013 appeared before the Committee on 1st October, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Rabai Constituency and was accompanied by:

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations

8.7.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

2396. The Auditor General raised seven audit Matters during the examination of financial statements of Rabai Constituency for the year 2013/2014.

8.7.1.1 Transfer to other Governments units and Cash and Cash Equivalent

2397. Statement of receipt and payments reflected Kshs.16, 984,366 as expenditure on transfer to other Government units. However, projects expenditure reports availed for audit review indicate, out of the total amount of Kshs. 12,911,414 was still in the project management committee bank accounts as at 30th June 2014. Therefore, the transfer to other government units' figure of Kshs.16, 984,366 is overstated by Kshs.12, 911,414 while at the same time the cash equivalent balance of Kshs. 41,659,368.20 is understated by the same amount of Kshs. 12,911,414 as at 30th June 2014.

2398. Consequently, the validity and accuracy of the expenditure on transfer to other Governments units and cash equivalents balance of Kshs. 16,984,366 and Kshs.41, 659,368 respectively as at 30th June 2014 could not be confirmed.

Submission by the Fund Account Manager

2399. The Fund Account Manager submitted that the funds disbursed to PMC remain in the PMC account during the period of implementation in line with section 31 (6) of CDF Act, 2013 that provides that funds remain allocated to a project as approved. Therefore, transfer to other Governments units and cash equivalents balance of Kshs.41, 659,368 respectively as at 30th June 2014 is correct as stated.

Committee Observations

2400. The Committee observed that funds disbursed to PMC remain in the PMC account during the period of implementation in line with Section 31 of the CDF Act, 2013 which provides that funds remain allocated to a project as approved.

Committee Recommendations

2401. The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, the Fund Account Manager and PMCs should consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that deserving/priority projects are selected, appropriate budget is provided, and quality works are produced.

8.7.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

2402. The Auditor General raised seven audit Matters during the examination of financial statements of Rabai Constituency for the year 2014/2015.

8.7.2.1 Bank Balances

2403. The statements of financial assets reflected the balance of Kshs.17, 803,932 as at 30 June 2015. However, a review of the bank reconciliation statement as at 30th June 2015 revealed that included in the unrepresented cheques amounting to Kshs.1, 763,238 were stale cheques amounting to Kshs.5, 000 which had not been reversed in the cashbook. In addition, bank charges amounting to Kshs.15, 422 were not recorded in the cashbook hence omitted from these financial statements.

Submission by the Fund Account Manager

2404. The Fund Account Manager submitted that the non-reversal and not expensing of Kshs. 15,422 stale cheques and Kshs. 5,000 bank charges respectively were an omission. The amount was reversed on 21/09/2015. Bank charges were expensed vide payment voucher no.451 of Kshs. 75, 814.50 on 30/06/2016.

Committee Observations

2405. The Committee observed that-

- (i) The Fund Account Manager had stale and unrepresented cheques which had not been reversed to the cashbook and unrecorded bank charges; and
- (ii) The unrepresented cheques were reversed and bank charges recorded and the supporting documents had since been provided and reviewed by the auditor.

Committee Recommendations

2406. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.7.2.2 Transfers from CDF Board

2407. The statement of receipts and payments reflected an amount of Kshs.99, 898,256 for the year ended 30th June 2015 in respect of transfers from the CFDC Board. However, according to the disbursement as per the parent ministry, a total of Kshs. 137,574,475 was disbursed to Rabai CDF during the financial year under review resulting in an unexplained and unreconciled variance of Kshs.37,676,219.

Submission by the Fund Account Manager

2408. The Fund Account Manager indicated that the transfer from CDF Board for the year ended 30/06/2015 amounted Kshs. 99,898,256 as evidenced by the A.I.E and bank statement.

Committee Observations

2409. The Committee observed that the exact amount transferred to the Rabai CDF was Kshs. 99,898,256 and therefore there was no variation.

8.7.2.3 Budget Control and Performance

2468. According to the year, 2014/15 approved budget, the Constituency Development Fund had a total budget of Kshs. 141,457,621 compared to the 2013/2014 financial year budget of Kshs. 52,077,517 which represents an increase of 172%. The Fund had a total expenditure of Kshs. 124,508,341 resulting to an under expenditure of Kshs. 16,849,282 or 12% as shown below:

Vote	Budget	Expenditure	Underutilization	% Under-utilization
Compensation to employees	2,012,800	1,059,850	952,950	47
Use of goods	4,289,249	2,267,748	2,021,501	47
Committee Expenses	6,007,609	4,059,370	1,948,239	32
Transfers to other government units	44,222,025	39,221,924	5,001,101	11
Other grants and transfers	60,361,661	55,746,587	4,615,074	8
Social Security	40,000	28,800	11,200	28
Acquisition of assets	21,724,277	22,124,061	(399,784)	102
Other payments	2,800,000	0	2,800,000	0
Total	141,457,621	124,608,340	16,849,282	12

2469. From the above analysis, the under expenditure was Kshs. 16,849,282 or 12 % of the total budget. Included the balance of Kshs. 16,849,282 was the allocation of the Kshs. 2,800,000 which had not been utilized as at the end of the financial year. The management had explained the amount was for the strategic plan and audit fees which had not been paid. This implies that public funds could have been lying idle at the expense of other deserving areas. The underutilization of the funds may have impacted negatively on the delivery of goods and services to the citizens of Rabai or may be an indication of over budgeting in CDF hence need to re-evaluate the budgeting process to

focus on more priority areas as guided by the Public Participation in budget marking process

Submission by the Fund Account Manager

2470. The Fund Account Manager submitted that the under expenditure of Kshs.16, 849,282(12%) was a result of late disbursement of funds from the NG CDF Board. The funds were however received on 22nd April 2015.

Committee Observations

2471. The Committee observed that under expenditure of the funds was due to late disbursement by the NG- CDF Board and the National Treasury.

Committee Recommendations

2472. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.7.2.4 Project Implementation

2473. According to the project implementation status report as at June 30 2015, the following nine (9) projects with a total budget of Kshs. 18,776, 318 did not receive disbursement during the financial year as shown below:

No	Project Name	Sub project activities	Financial Year	Allocation Kshs.
1	Rabai Secondary School	Purchase of school Bus	2014/15	5,000,000
2	Mwawesa water project	Fixing water pipes	2014/15	1,413,794
3	ACK Bishop Lawrence Dena	Construction of 3 no classrooms and an office	2014/15	4,000,000
4	Kawala primary School	Construction of 2 no classrooms	2014/15	2,100,000
5	Chonyi Primary School	Construction of 2no classrooms and an office	2014/15	2,725,000
6	Chiferi primary school	Flooring and plastering	2014/15	418,965.50
7	Mleji primary School	Flooring and plastering	2014/15	418,965.50
8	Kaliang'ombe primary school	Fitting water gutters and water tank	2014/15	399,593
	Strategic plan	Prepare a five years strategic plan for Rabai Constituency	2014/15	2,300,000
	Total	18,776,318		

2474. The management had attributed the non –disbursement to delayed funding from the CDF Secretariat and had indicated that the school bus for the Rabai Secondary School will be purchased in the financial year 2015/2016 while funds for the other projects

were reallocated to projects which were being implemented in the financial year 2015/16. It was not clear why funds for approved projects were reallocated. This may cast doubt on public participation in the identification of the priority projects to be implemented.

2475. In addition, a review of the project expenditure status report reveals that six (6) projects with a total disbursement of Kshs. 6,117,123 had not commenced as at 30 June 2015 as detailed below:

No	Project Name	Financial Year	Disbursement Kshs.
1	Chiferi primary School	2014/15	418,965
2	Chonyi primary school	2014/15	2,725,000
3	Kawala primary school	2014/15	2,100,000
4	Mleji primary school	2014/15	418,965
5	Makobeni primary school	2014/15	54,600
6	Rev. Canon Kuri Sec.Sch	2014/15	399,593
Total	6,117,123		

2476. This implies that public funds were lying idle. Non- implementation of development projects affects the delivery of goods and services to the public and the intended purpose of the project may take longer to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFC)

Submission by the Fund Account Manager

2477. The Fund Account Manager submitted that the projects stated had not been funded due to the late disbursement of funds from the Board. The projects were however implemented in the subsequent year after receipt of funds. The projects whose funds were reallocated were the following: -

NO	Project Name	Status
1.	Rabai Secondary School	Bus purchased and handed over to the school
2.	Mwawesa Water Project	Co-funded project the other party withdrew
3.	ACK Bishop Lawrence Dena	Management of the primary and secondary schools had disputes
4.	Kawala Primary School	Typing error of Kawala primary instead of Kawala secondary school
5.	Chonyi Primary School	one of 2no classrooms and an office was done to completion and handed over school
6.	Chiferi Primary School	Flooring and plastering were done to completion and handed over

NO	Project Name	Status
		to school
7.	Mleji Primary School	Flooring and plastering were done to completion and handed over to school
8.	Kaliang'o-mbe Primary School	Donors (Coins for Kenya) implemented the same project
9.	Strategic plan	Prepare a five years strategic plan for Rabai Constituency was done and launched

2478. Projects totaling to Kshs. 6,117,123 had since been completed.

Committee Observations

2479. The Committee observed that delay in the implementation of the projects was due to late disbursement of funds by the CDF Board and the National Treasury and the projects are complete and in use.

Committee Recommendations

2480. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.7.2.5 Project inspection

2481. Inspection of projects implemented during the year under review indicated the following state of affairs of the specific projects: -

a) Composition of project management committees

2482. Audit review of the composition of the Project Management Committee revealed that the Constituency Development Fund Committee members were also members of the Project Management Committees. This was contrary to section 31(1) of the CDF Act, 2013 which requires projects to be implemented by the project management committee in each case, with the assistance of the relevant department of the Government while the role of members of the constituency Development committee and the Board is monitoring the implementation of projects as per section 31(1) of the CDF Act, 2013. Although the management had explained that CDFC members were incorporated in PMCS for capacity building, it is not clear which of the roles was being achieved. This may compromise the role of oversight expected to be undertaken by the Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

2483. The Fund Account Manager submitted that the CDFC passed a resolution to involve CDFC members in specific PMCs for one year for capacity building in preparation of

monthly and KRA returns in the FY year 2013/14. Rabai has hived off Kaloleni Constituency and was therefore implementing projects for the first time. The CDFC members were withdrawn thereafter.

b) Rev. Canon Kuri Secondary School- Construction of 4no. Toilets

2484. The project was for the construction of 4 no. Toilets at the school at a cost of Kshs. 350,000. Audit inspection at the school revealed that the size of the toilets constructed was smaller than the standard toilets considering it is expected to service a large population. More funds may be needed to build more toilets which could be costly in the long run.

Submission by the Fund Account Manager

2485. The Fund Account Manager submitted that Rev. Canon Kuri Secondary School 4no. Toilets were constructed as per BQ and drawing from the public works officer.

Committee Observations

2486. The Committee observed that-

- (i) The CDFC passed a resolution to involve CDFC members in specific PMCs for a period of one year for capacity building in preparation of monthly and KRA returns in the FY year 2013/14; and
- (ii) The construction of the toilets was as per the BQ and drawing from the public works officer.

Committee recommendations

2487. The Committee recommends that the Accounting Officer ensures compliance with the NG-CDF Act 2015 on the composition of the PMCs and the CDFCs.

8.7.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

2488. The Auditor General raised seven audit Matters during the examination of financial statements of Rabai Constituency for the year 2015/2016.

8.7.3.1 Bank statements.

2489. The statement of asset reflected a bank balance of Kshs. 22,044,819 as at 30 June 2016. However, the cashbook and bank reconciliation statement as at 30 June, 2016 reflected a balance of Kshs. 21,764,633 resulting in a variance of Kshs. 280,186 and which was reflected in the bank reconciliation statement as an under-cast. Although the management indicated that the error was subsequently corrected, the cashbook was not availed for verification. Consequently, the accuracy and completeness of the bank balance of Kshs. 22, 044,819 as at 30th June 2016 could not be confirmed.

Submission by the Fund Account Manager

2490. The Fund Account Manager submitted that the corrected cashbook had since been availed to the auditor for review. Cashbook extract and bank reconciliation were provided for verification.

Committee Observations

2491. The Committee observed that the variance of Kshs. 280,186 which was reflected in the bank reconciliation statement as an under cast was subsequently corrected and the supporting documents were later provided to auditors for review

Committee Recommendations

2492. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.7.3.2 Cash Balances

2493. The statement of financial assets reflected a nil cash balance as at 30 June 2016. However, an audit review of the Cashbook revealed a cash balance of Kshs. 549, 000 as at 30 June 2016. It was not clear how the balance was accounted for in these financial statements. Consequently, the accuracy, validity and completeness of nil cash balance as at 30 June 2016 could not be ascertained.

Submission by the Fund Account Manager

2494. The Fund Account Manager presented that Kshs. 549, 000 was as a result of mis-posting of imprest whereby imprest surrendered during the financial year totaling to Kshs. 289,000 was recorded in July (FY2016/2017) and Kshs. 260,000 imprests issued in July (FY2016/2017) and was recorded in June (FY 2015/2016). The cashbook had since been corrected. The board of survey certificate had been availed to the auditor for review.

Committee Observations

2495. The Committee observed that the miss-posting error of Kshs 549,000 had since been corrected and the cashbook extract was shared with the auditor for verification. The board of survey certificate had been availed to the auditor for review.

Committee Recommendations

2496. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager keeps accurate, reliable and complete financial and other records in line with accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, 2012 and Regulation 100 and 101(4), PFM (National Government) Regulations 2015.

8.7.3.3 Budgetary Controls and Performance

2497. Records available from National Government Constituencies Development Fund Board indicated that during the Financial Year 2015-2016, Rabai Constituency was allocated Kshs. 123,603,484 compared to the 2014/2015 budget of Kshs. 99,989,256 representing 24% rise. The summary statement of appropriations: recurrent and development reflected a final budget figure of Kshs. 123,603,484 where Kshs. 87,726,524 being 71% of the total budget was allocated to projects that is transferred to other government units totaling Kshs. 36,230,449.

2498. The National Government Constituency Development Fund (NG-CDF) – Rabai Constituency received an allocation of Kshs. 105,799,552 being 86% of the budget for the financial year under review. The CDF overall budget for the year under review was Kshs.101, 679,665 resulting to under absorption of Kshs.21, 923,819 or 18% as summarized below.

Budget line	Final budget (Kshs)	Expenditure (Kshs)	Under absorption (Kshs)	Under absorption %
Compensation of employees	1,840,130	1,541,860	298,270	16%
Use of goods and service	11,303,281	7,413,408	3,889,873	34%

Budget line	Final budget (Kshs)	Expenditure (Kshs)	Under absorption (Kshs)	Under absorption %
Transfer to other Government units	56,428,075	51,496,075	4,932,000	9%
Other grants and transfers	47,115,775	36,230,449	10,885,326	23%
Acquisition of assets	3,616,223	2,697,873	918,350	25%
Other payments	3,300,000	2,300,000	1,000,000	30%
Total	123,603,484	101,679,665	21,923,819	18%

2499. The following were observations from the above summary:

- (i) The Fund Account Manager had a total under-expenditure of Kshs. 21,923,819 representing 18% of the budget. This implies that public funds were lying idle at the expense of other deserving areas. The underutilization of the funds may have impacted negatively on the delivery of goods and services to the citizens of Rabai constituency or may be an indication of over-budgeting hence there is a need to re-evaluate the budgeting process to focus on more priority areas as guided by public participation in the budget-making process.
- (ii) In addition, the CDF under spent by 23% on other grants and transfers which represents project funds not disbursed for implementation. This may affect public service delivery to the residents of Rabai. The constituency which is contrary to values and principles of public service as provided for under Article 232(1) (c) of the Constitution requires the responsive, prompt, effective, impartial and equitable provision of services.

Submission by the Fund Account Manager

2500. The Fund Account Manager stated that the under expenditure of Kshs. 21, 923,819(18%) was occasioned by late disbursement of funds from the CDF Board with Kshs. 55, 799,552 AIE dated 27 May 2016.

Committee Observations

2501. The Committee observed that underutilization of the funds was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

Committee Recommendations

2502. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.7.3.4 Project Implementation

2503. According to the implementation status report as at 30 June 2016, the following five (5) projects with a total budget of Kshs.14, 532,000 were not fully implemented during the period under review.

No	Name of project	Project Activity	Approved budget	Disbursement as at 30/06/2016
1	Mikahani Secondary School	Construction of a science laboratory	7,500,000	7,500,000
2	Jimba Secondary School	Construction of an office	1,500,000	1,500,000
3	Ziro Primary School	Construction of 2 No. classrooms	2,500,000	2,500,000
4	Benyoka Primary School	Construction of 2 No. classrooms	2,550,000	2,550,000
5	Buni Primary School	Purchase of 105 No. desks	482,000	482,000
	Total		14,532,000	14,532,000

2504. Although the management had attributed non-implementation to delayed funding from the NGCDF Secretariat where the last AIE of Kshs.55, 799,552 was received on 27th May 2016, non-implementation of development projects affects goods and service delivery to the public and the intended purpose of the projects may take longer to be realized. In addition, it also casts doubt on the effectiveness of project monitoring and evaluation carried out by the National Government Constituency Development Fund Committee (CDFC).

Submission by the Fund Account Manager

2505. The Fund Account Manager submitted that five (5) projects had since been completed and handed over.

Committee Observations

2506. The Committee observed that delay in implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects have since been implemented and in use.

Committee Recommendations

2507. The Committee recommends that the National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies.

8.7.3.5 Project Inspection

2508. Out of 15 projects inspected in March 2017, five (5) projects with a total cost of Kshs. 14,952,489 were found to have issues as indicated below: -

NO.	Project	Project Activity	Amount	Observations
1	Mwatsama Primary School	Construction of 2 No. classrooms	2,452,489	Not branded despite a provision of Kshs.50,000 in the Bills of Quantities
2	Gandani Primary School	Construction of 3 classrooms and an office	5,600,000	Not branded despite a provision of Kshs 50,000 in the Bills of Quantities
3	Benyoka Primary School	Construction of two classrooms	2,550,000	The class floor had cracks
4	Boyani Primary School	Construction of 1 No. classroom	600,000	Not branded
5	Masaani Primary School	Construction of two classrooms	3,750,000	Floor had cracks
	Total		14,952,489	

Committee Observations

2509. The Committee observed that the defects on the constructions were corrected within the defect liability period. Further, the projects which had not been branded were branded.

Committee recommendations.

2510. The committee recommends that the Accounting officer ensures that all projects undertaken by NG-CDF are properly branded including the year of funding, and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project.

CHAPTER NINE

9.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

2511. During the examination of these reports, the Committee made the following general observations and recommendations which cut across the twenty-six (26) constituencies in the Counties of Mombasa, Kilifi, Kwale, Taita Taveta, Lamu and Tana River for financial years 2013/2014, 2014/2015 and 2015/2016.

9.1 Bookkeeping, Preparation & Accuracy of the Financial Statements

2512. The Committee observed that the bookkeeping and preparation of financial statements is a big challenge in almost all the Constituency Offices. Further, the Fund Account Managers faced challenges in submitting supporting documents to the auditors in time because the documents are usually in the custody of the Sub-County Accountants (formerly District Accountants). The Sub-County Accountants are required to sign the financial statements as per the templates issued by the Public Sector Accounting Standard Board. However, they did not undertake this responsibility and more often than not, did not cooperate with the Fund Account Managers during the audit to ensure timely submission of documents for audit review.

2513. The delays in the preparation of complete financial statements are also attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The Sub-County Treasuries (formerly District Accountant) in charge of maintaining books of accounts for all national government offices at the Sub-County is also maintaining accounting records and various supporting documents of the fund at the Constituencies.

2514. The Committee recommends that:

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

9.2 Compliance to Reporting Standards and Accuracy of the Financial Statements

2515. The Committee observed that Fund Account Managers experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in the preparation of financial statements. The Committee also observed that the PSASB reviews the IPSAS Standards periodically to take into account emerging issues and conform to best accounting practices. The Committee found that some Fund

Account Managers experienced challenges in the application of these standards while preparing financial statements as evidenced by the audit Matters.

2516. The Committee recommends that:

- 1) The NG-CDF Board should conduct continuous capacity building on financial reporting standards for Constituency Committees and the PMC to improve the quality of reporting and enhance compliance; and
- 2) The NG-CDF Board should consider employing qualified Accountants for the Constituency Offices beginning FY 2022/23 within the 5% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

9.3 Standardization of the NG-CDF Construction Projects

2517. The Committee observed that there were inconsistencies in design, costs, and quality of similar projects across the constituencies in the Coastal region. This creates a challenge in determining the value for money since the cost of construction and the designs are not similar. Further, there is no policy guidelines and cost estimates provided by the NG-CDF Board to guide the CDF Committees and PMCs in undertaking similar projects in their Constituency.

2518. The Committee recommends that:

- 1) The NG-CDF Board fast tracks the recruitment of independent quantity surveyors and architects to address the inconsistencies in the projects across the constituencies;
- 2) The Accounting officer ensures that all projects undertaken by NG-CDF are branded (including the year of funding) and photographs taken during handing over by the contractor and commissioning as evidence of ownership of the project; and
- 3) Within three months of the adoption of this report, the NG-CDF Board initiate the development of an overarching policy guideline that include designs and cost estimates for NG-CDF projects.

9.4 Late Disbursement and Underutilization of Funds

2519. The Committee observed that there was underutilization of funds in different constituencies due to late disbursement of funds by the NG- CDF Board and the National Treasury hence roll over of Funds from subsequent years due to late receipts.

2520. The Committee recommends that:

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

9.5 Re-Allocation of Funds without Approval of the NG-CDF Boards

2521. The Committee observed that some Fund Accounts Managers implemented projects and re-allocated funds without seeking prior approval from the NG-CDF Board. This was in contravention of section 6(2) and section 31 of the NG-CDF Act, 2015. The Act provides reallocation of funds during the financial year must at all-time be with the approval of the NG-CDF Board.

2522. The Committee also noted that some National Government Constituencies Development Fund Committees had not engaged the services of a Clerk of Works as provided in the NG-CDF Board guidelines.

2523. The Committee recommends that:

- 1) The NG-CDF Board takes administrative action against Fund Account Managers that reallocated funds without the approval of the Board contrary to Section 6 of the NG-CDF Act, 2015.
- 2) The Accounting Officer ensures that all the Fund Account Managers enforce compliance with section 6(2) and section 31 of the NG-CDF Act, 2015; and
- 3) The Accounting Officer ensures that all Fund Account Managers and PMCs consult and involve relevant Government departments during initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015.

9.6 Guidelines on the use of Emergency Funds

2524. The Committee observed that some of the projects funded using emergency funds did not meet the threshold set out in Section 8 of the NG-CDF Act, 2015.

2525. The Committee recommends that within three months of the adoption of this report, the NG-CDF Board issues guidelines to all the Constituencies and PMCs clarifying the use of the emergency funds .

9.7 Compliance with Audit Cycle Timelines

2526. The Committee observed that there were delays by the Fund Account Managers in preparation of the financial statement and submission to the Office of the Auditor-General. The Accounting Officer, the Fund Account Manager and the Sub –County Accountants (formerly District Accountants) are required to work jointly in preparation and signing of the financial statement. However, there seems to be poor coordination between the Fund Account Manager and the Sub –County Accountants who is not an employee of the NG-CDF Board.

2527. The Committee further observed that some Fund Account Managers did not avail some documents that were subject of examination by the Auditor-General for verification at the time of audit. The documents not availed for audit-included cashbooks, bank statements, payment vouchers, project completion certificates, procurement records and Bills of Quantities. These are accountable documents, which are under the custody of the Sub –County Accountants at the Sub-County Treasuries.

2528. The Committee recommends that:

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

9.8 Bursary Fund Allocations and Disbursements

2529. The Committee observed some incidences of delays in disbursement of bursaries to beneficiary institutions, non-presentation of issued bursary cheques to institutions and cancellation of issued bursary cheques.

2530. The Committee recommends that:

- 1) Within three months of the adoption of the report, the National Government Constituencies Development Fund Board reviews the 2010 *Guidelines* on Issuance of Bursaries to Beneficiaries;
- 2) The NG-CDF Board should develop an overarching bursary policy framework to guide Constituencies in line with the needs of the constituency. Each NG-CDF bursary committee to establish criteria and guidelines for identifying, categorizing and awarding bursaries to needy students; and
- 3) Within three months of the adoption of this report, the National Government Constituencies Development Fund Board should consider adopting electronic funds transfer in the disbursement of bursaries.

9.9 Non-remittance of Statutory Deductions

2531. The committee observed that some Fund Account Managers failed to file and remit various statutory deductions, such as NHIF and NSSF, as required by the law. The Funds paid penalties for non-compliance.

2532. The Committee recommends that:

- 1) The Accounting Officer should ensure that All Fund Account Managers comply with the National Social Security Fund Act, 2013 and the National Health Insurance Fund Act No 9 of 1998; and
- 2) The Accounting Officer in liaison with the KRA should put in place sensitization programmes on taxation for the Fund Account Managers and the PMCs with the aim of enhancing tax compliance.

Signed:

29/11/2021 Date:

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 DEC 2021	
DAY: Thursday PM	
TABLED BY:	Member SFA Committee
CLERK OF THE ASSEMBLY:	B. Inzoga

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

**THE SPECIAL FUNDS ACCOUNTS COMMITTEE
ADOPTION SCHEDULE**

We, the undersigned Members of the Special Funds Accounts Committee, today 29/10/2016 do hereby affix our signatures to this **ELEVENTH REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE TWENTY-SIX CONSTITUENCIES IN THE COUNTIES OF MOMBASA, TAITA TAVETA, KILIFI, KWALE, TANA RIVER AND LAMU** to affirm our approval and confirm accuracy, validity and authenticity: -

NAME	SIGNATURE
1. Hon. Kathuri Murungi, M.P. - Chairperson	
2. Hon. William Chirchir Chepkut, M.P. - Vice- Chairperson	
3. Hon. Justus Kizito Mugali, M.P.	
4. Hon. Shakeel Shabbir Ahmed, CBS, M.P.	
5. Hon. (Dr.) Robert Pukose, M.P.	
6. Hon. Dennitah Ghati, HSC, M.P.	
7. Hon. Erastus Kivasu Nzioka, M.P.	
8. Hon. Alfred Agoi Masadia, M.P.	
9. Hon. Marwa Kitayama Maisori, M.P.	
10. Hon. Esther M. R. Passaris, OGW, M.P.	
11. Hon. Mwambu Mabongah, M.P.	
12. Hon. Geoffrey Omuse, M.P.	
13. Hon. Mark Lomunokol, M.P.	
14. Hon. Mohamed Ali, M.P.	
15. Hon. Faith Gitau, M.P.	
16. Hon. Jared Okelo, M.P.	
17. Hon. Mohamed Ali Lokiru, M.P.	
18. Hon. (Dr.) Enock Kibunguchy, MP	
19. Hon. Koske Gideon Kimutai, M.P.	