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REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

THE REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE ON ITS
CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE
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 report was tabled in the House in the 12th Parliament by the Special Funds Accounts
Committee)*

THE NATIONAL ASSEMBLY PAPER (A/D)	
DATE: 25 APR 2023	TUESDAY
TABLED BY:	Chairperson, Select Committee on Decentralized funds Accounts Committee
CLERK-AT THE TABLE:	Inzogu mwale

Directorate of Audit, Appropriations & Other Select Committees
National Assembly
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ABBREVIATIONS AND ACRONYMS

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

ANNEXURES

- Annexure I - Committee Minutes
- Annexure II - 11th Report of the Special Funds Accounts Committee of the 12th Parliament tabled in the House on 2nd December, 2021

CHAIRPERSON'S FOREWORD

Oversight over national revenue and expenditure is amongst the roles of the National Assembly as stipulated under Article 95 (4) (c) of the Constitution of Kenya, 2010. Further, Article 226(2) of the Constitution provides that an Act of Parliament shall provide for the designation of an Accounting Officer in every public entity at the national level who is accountable to the National Assembly for its financial management. In addition, Article 229(8) mandates this House to debate and take appropriate action on audit reports from the Auditor-General.

In fulfillment of these constitutional provisions, the National Assembly's Standing Order Number 205B established the Decentralized Funds Accounts Committee, whose mandate is to examine reports of the Auditor-General for the National Government Constituencies Development Fund, among other funds. The Committee, which was established in the Thirteenth (13th) Parliament, received a backlog of audited reports dating back from the financial year 2013/14 from the two hundred and ninety (290) constituencies.

The predecessor Committee, Special Funds Account Committee, in the 12th Parliament prepared the 11th report on the Audited Financial Statements for the National Government Constituencies Development Fund (NG-CDF) for Twenty-Six (26) Constituencies in the Counties of Mombasa, Kilifi, Kwale, Taita Taveta, Lamu and Tana River for the Financial Years 2013/2014, 2014/2015 and 2015/2016 after receiving evidence from the Chief Executive Officer of the National Government Constituencies Development Fund and the Fund Account Managers. The Special Funds Accounts Committee tabled its report on 2nd December 2021. However, it was not debated by the 12th Parliament.

For this reason, the Decentralized Funds Accounts Committee (DFAC), which is the successor of the SFAC in its 7th sitting held on 28th February 2023, resolved to revive the matter by considering the report with a view to present it to the 13th Parliament for consideration and adoption.

The Committee considered the report in three (3) sittings that were held on 28th February 2023, 16th March 2023, and 11th April 2023. The report highlights what was previously examined and tabled before the House by the Special Funds Accounts Committee in the 12th Parliament. The Committee reviewed the queries, observations, and recommendations from each constituency.

In its sitting held on Tuesday, 11th April 2023 the Decentralized Funds Committee unanimously adopted the report without amendments.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it to enable it to operationalise its mandate. The Committee further extends its appreciation to the Office of the Auditor- General for the services they offered to it.

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

On behalf of the **Decentralized Funds Accounts Committee**, and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present to this House the **Report of the Decentralized Funds Accounts Committee (DFAC) on its consideration of the Reports of the Auditor General on the 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 report was tabled in the House in the 12th Parliament by the Special Funds Accounts Committee)

HON. GIDEON MULYUNGI, M.P.

CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

1.0 ESTABLISHMENT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

1. The Decentralized Funds Accounts Committee is a Select Committee established pursuant to Standing Order 205B of the National Assembly as a split Committee from the extensive mandate of the Special Funds Accounts Committee in the Thirteenth (13th) Parliament.
2. The Decentralized Funds Accounts Committee is established in furtherance of the provisions of Article 124 of the Constitution as it undertakes its role of oversight in accordance to Article 95 (4) (c) of the Constitution.

1.2 FUNCTIONS OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

3. In accordance with Standing Order 205B, the mandate of the Committee is to examine the reports of the Auditor General on the accounts of :
 - a) The National Government Constituencies Development Fund;
 - b) The National Government Constituencies Development Fund Board;
 - c) The National Government Affirmative Action Fund; and
 - d) The National Government Affirmative Action Fund Board
4. The Committee is further guided by various legal provisions as contained in various Acts of Parliament which include:
 - a) The Constitution of Kenya, 2010;
 - b) The Standing Orders;
 - c) Public Audit Act, 2015;
 - d) Public Finance Management Act, 2012 and its regulations;
 - e) Public Procurement & Asset Disposal Act, 2015 and its regulations;
 - f) National Government Constituency Development Act, 2015 and its regulations; and
 - g) Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016.

1.3 COMMITTEE MEMBERSHIP

5. The Committee was constituted during the First Session of the 13th Parliament in October 2022, and comprises of the following Honourable Members: -

- i. Hon. Gideon Mutemi Mulyungi, M.P. - **The Chairperson**
- ii. Hon. Gertrude Mwanyanje Mbeyu, M.P. - **The Vice Chairperson**
- iii. Hon. Joseph Kahangara Mburu, M.P.
- iv. Hon. Benjamin Mejjadonk Gathiru, M.P.
- v. Hon. David Mboni Mwalika, M.P.
- vi. Hon. Innocent Momanyi Obiri, M.P.
- vii. Hon. Abdi Barre Hussein, M.P.
- viii. Hon. Adhe Guyo Wario, M.P.
- ix. Hon. Caroline Jeptoo Ng'elechei, M.P.
- x. Hon. Dorothy Muthoni, Ikiara, M.P.
- xi. Hon. Jackson Lentoijoni, Lekumontare, M.P.
- xii. Hon. Joyce Osogo, Bensuda, Atieno, M.P.
- xiii. Hon. Martin Wanyonyi Pepela, M.P.
- xiv. Hon. Reuben Kipngor, Kiborek, M.P.
- xv. Hon. Stephen Mogaka, M.P.

1.4 COMMITTEE SECRETARIAT

6. The Secretariat facilitating the Committee comprises the following officers:

- i. Mr. Muyodi Emmanuel - Clerk Assistant II
- ii. Ms. Sylvia Ocharo - Clerk Assistant III
- iii. Mr. John Mutinda - Clerk Assistant III
- iv. Mr. Clinton Sindiga - Legal Counsel II
- v. Ms. Elizabeth Kibati - Research Officer III
- vi. Mr. Wilson Mwangi - Fiscal Analyst III
- vii. Mr. Calvin Karung'o - Media Relations Officer III
- viii. Ms. Zainabu Wario - Serjeant-at-Arms II
- ix. Ms. Esther Mbatha - Protocol Officer III
- x. Mr. Muchiri Mwangi - Audio Officer III

1.5 OVERVIEW OF THE REPORT

7. This report highlights what was previously examined and tabled before the House by the Special Funds Accounts Committee in the 12th Parliament. The Committee reviewed the queries, observations, and recommendations from each constituency proposing cause of action in response to audit queries raised by the Office of the Auditor General.
8. The SFAC in its 11th Report made specific observations and recommendations arising from audit queries regarding Eleven (11) Constituencies, namely Likoni, Kisauni, Nyali, Jomvu, Bura, Lamu West, Taveta, Mwatate, Ganze, Kilifi North and Malindi. It recommended the investigation of some issues by competent investigative agencies, such as the EACC and the DCI against specific officers. In addition, the National Government Constituencies Development Fund (NG-CDF) Board was tasked to follow up on some issues mentioned in the report.
9. In Fifteen (15) constituencies, namely, Mvita, Chagamwe, Msambweni, Lunga Lungu, Matuga, Kinango, Garsen, Galole, Lamu East, Wundanyi, Voi, Kaloleni, Kilifi South, Magarini and Rabai the Committee made observations and recommendations that relate to policy issues, non-compliance with existing laws (for example PFM Act, No. 18 of 2012, Public Audit Act, 2015 amongst other regulations) and non-adherence to the International Public Sector Accounting Standards (IPSAS) framework, etc.
10. The section on general observations and recommendations captures issues regarding book-keeping, preparation & accuracy of the financial statements, compliance to reporting standards and accuracy of the financial statements, standardization of projects, late disbursement and underutilization of funds, compliance with audit cycle timelines, non-remittance of statutory deductions, guidelines on the use of emergency funds and re-allocation of funds without approval. The report makes recommendations to address the issues raised.

Twenty-Six (26) Constituencies:

Mombasa County

- (1) Likoni Constituency
- (2) Kisauni Constituency
- (3) Mvita Constituency
- (4) Nyali Constituency
- (5) Chagamwe Constituency
- (6) Jomvu Constituency

Kwale County

- (7) Msambweni Constituency
- (8) Lunga Lunga Constituency
- (9) Matuga Constituency
- (10) Kinango Constituency

Tana River County

- (11) Garsen Constituency
- (12) Galole Constituency
- (13) Bura Constituency

Lamu County

- (14) Lamu East Constituency
- (15) Lamu West Constituency

Taita Taveta County

- (16) Wundanyi Constituency
- (17) Taveta Constituency
- (18) Voi Constituency
- (19) Mwatate Constituency

Kilifi County

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

2.0 CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF NGCDF FOR VARIOUS CONSTITUENCIES

Specific Observations and Recommendations

11. Eleven (11) constituencies namely Likoni, Kisauni, Nyali, Jomvu, Bura, Lamu West, Taveta, Mwatate, Ganze, Kilifi North and Malindi contained specific observations and recommendations arising from audit queries that need to be forwarded to the responsible agencies i.e., National Government Constituencies Development Fund (NG-CDF) Board, Ethics and Anti-Corruption Commission (EACC) and Directorate of Criminal Investigations (DCI) for further action.
12. Below are the specific observations and recommendations that were observed during the examination of the audit reports.

1. MOMBASA COUNTY

2.1 LIKONI CONSTITUENCY

Audit Matters in the Financial Year 2013/2014

1.0 Outstanding Imprests

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

Committee Observations

14. The Committee observed that there was an outstanding Imprest amounting to Kshs 92,000 whose holder (now deceased) stopped being in the employment of the Fund making recovery uncertain and the audit query is not resolved.

Committee Recommendations

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

2.0 Other Payments to Project Contractors

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

Committee Observations

17. The Committee observed that:

- (i) The Fund Account Manager paid Kshs. 1,973,162 to Project Implementing Contractors directly.
- (ii) The Fund Account Manager provided a satisfactory explanation to the Committee.

Committee Recommendations

18. The Committee recommends that:

- (i) The Accounting Officer should within three months of the adoption of this report, institute disciplinary action against the then Fund Account Manager for violation of the laid down procedures on payments of projects as per the CDF Act, 2013 repealed; and
- (ii) The Accounting Officer ensures that, at all times, all the Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents for Audit.

Transfer to Other Government Units

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

Committee Observations

20. The Committee observed that: -

- (i) At the time of the audit, the Fund did not provide supporting documents for Kshs. 26,222,944 spent on various schools and health projects. However, the Fund Account managers submitted documents that were not relevant to the matter during the examination of the Accounts by the Committee.
- (ii) The Fund Account Manager provided supporting schedules for the school projects after the audit period.
- (iii) Quotation documents for the health projects had not been provided for audit hence the issue was unresolved.

Committee Recommendations

21. The Committee recommends that: -

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

Audit Matters in the Financial Year 2015/2016

1.0 Other Grants and Transfers

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

a) Bursaries

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

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

Committee Observations

25. The Committee observed that: -

- (i) At the time of the audit, the Fund Account Manager had not provided for audit review the bursary applications, criteria of awards, approved applications, and evidence of receipts by the beneficiaries for audit review.
- (ii) The supporting documents were however later availed and verified by the auditors.
- (iii) The difference of Kshs. 371,000 purported to have been a replacement of cheques some of which related to the previous financial year were not verified and hence the audit query remains unresolved.

Committee Recommendations

26. The Committee recommends that:

- (i) **The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015, and Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents.**
- (ii) **Within three months of the adoption of this report, the Accounting Officer ensures that the Fund Account Manager submits to the Auditor General, evidence of replacement of cheques totaling Kshs 371,000 failure to which the Accounting**

Officer surcharges the Fund Account Manager and reports to the Auditor General.

2.2 KISAUNI CONSTITUENCY

Audit Matters in the Financial Year 2013/2014

1.0 Payments to other government units and other grants and transfers

27. The statement of receipts and payments included payments amounting to Kshs. 36,353,005.35 and Kshs. 58,854,651.80 being transfers to other government units and other grants and transfers respectively. The money was disbursed by the Constituency Development Fund Committee to be used on various projects by the beneficiary institutions. However, there were no records maintained of all the receipts, disbursements, actual expenditure, and unspent balance per project in line with Section 33 of the CDF Act, 2013 which requires the fund manager to maintain records relating to receipts, disbursements, actual expenditure, and balance as per each project.
28. Under the circumstance, it was not possible to confirm the validity and accuracy of the payments amounting to Kshs. 36,353,005 and Kshs. 58,854,651.80 in respect of transfers to other government units and other grants respectively.

Committee Observations

29. The Committee observed that:

- (i) The Fund Account Manager did not maintain a record of receipts, disbursements, actual expenditure, and unspent balance per project.
- (ii) Supporting documents for the expenditure had not been provided for review during the time of the audit.
- (iii) The supporting documents provided and reviewed by the auditor submitted by the Fund Account Manager all dated 2015 were inadmissible since they could not explain matters for FY 2013/2014.

Committee Recommendations

30. The Committee recommends that:

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

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

2.0 Bank Balances

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

Committee Observations

32. The Committee observed that: -

- (i) The Fund Account Manager had stale cheques which had not been reversed to the cashbook, unrecorded payments, and deposits that had been outstanding for more than a year.
- (i) The Fund Account Manager had misplaced the bank slips required in cashbook preparation.
- (ii) The Bank statements submitted as evidence of bank reconciliation were of the subsequent financial year, as such they could not be sufficient response to the query.

Committee Recommendations

33. The Committee recommends that:

- (i) The Accounting Officer ensures that all Fund Account Managers prepare accurate financial records that are reliable, complete, and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 100 and 101(4); and
- (ii) Within three months of the adoption of this report, the Accounting Officer ensures that the Fund Account Manager provides to the auditors authenticated bank slip

copies or certified bank statements to support the reconciliation of the receipts of the outstanding deposit of Kshs 300,000.

2.3 NYALI CONSTITUENCY

Audit Matters in the Financial Year 2014/2015

1.0 Transfer to Other Government Units

a) Bamburi Health Centre

34. Included under note 7 to the financial statements was a transfer to health institutions of Kshs. 6,294,132, included in this was a conditional grant amounting to Kshs. 4,482,759 for the construction of a prefabricated staff house at Bamburi Health center. However, the audit inspection at the health center revealed that although funds were disbursed to the project in December 2014, no work had commenced. Information availed indicated that the County Government had not yet approved the project and the officer in charge of health centres appeared not to be aware of the project.
35. It was not clear how the CDFC expected to implement a project in the institution without the involvement of the institution's administration. The intended goal of the project would therefore take longer to realize. Consequently, the validity of transfers to other Government units of Kshs. 24, 873,788 for the year ended 30th June 2015 could not be confirmed.

Committee Observations

36. The Committee observed that: -

- (i) Kshs 4,482,759 for the construction of a fabricated staff house at Bamburi Health center was disbursed to the project in December 2014, but no work had commenced at the time of the audit.
- (ii) The request for reallocation of an amount of Kshs. 4,482,759.00 was made on February, 2019 to the Board, 5 years after the money was allocated as a conditional grant from the Ministry of Health.
- (iii) The Fund initiated the project without consultations with the County Government considering that Health is a devolved function.

Committee Recommendations

37. The Committee recommends that:

- (i) The Accounting Officer ensures that the Fund Account Manager and PMCs involve the public in the identification and submission of projects as required by Section 27 of the National Government Constituency Development Fund Act, 2015; and
- (ii) Within three months of the adoption of this report, the Accounting Officer ensures that the Board approves the request for reallocation of Kshs. 4,482,759.00 that was made in February 2019 to the Board.

Audit Matters in the Financial Year 2015/2016

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

1.0 Committee Expenses

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

Committee Observations

40. The Committee observed that: -

- (i) The Fund Account Manager paid committee allowances amounting to Kshs. 708,000 to Constituency Development Fund (CDFC) members on 29 February 2016, yet the submitted payment voucher was dated 26th September 2016.
- (ii) Payment details and schedule for the payment of Kshs. 708,000 had not been provided for audit.

Committee Recommendations

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

2.4 JOMVU CONSTITUENCY

Audit Matters in the Financial Year 2014/2015

1.0 Other Grants and Transfers

a) Mikindani Street Lighting Project

42. Statement of receipts and payments reflected other grants and transfer payments amounting to Kshs. 56,415,655 which includes a payment of Kshs. 6,454,900 relating to Mikindani street lighting. A review of the project file revealed that the Fund used restricted tendering which contravened Section 73 of the Public Procurement and Disposal Act, 2005, and which allows restricted tendering when there is competition for contract whereby because of the complex or specialized nature of the goods, works or services is limited to prequalified contractors and there were only a few known suppliers of the goods, works or services as may be prescribed in the regulations. Further, the award of the project was to Romulas Enterprises which was not prequalified. It was also noted that the Fund made a payment of Kshs. 4,500,000 to the contractor, three (3) days after signing the contract and failed to deduct withholding tax.

Committee Observations

43. The Committee observed that: -

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

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

Committee Recommendations

44. The Committee recommends that:

- (i) The Ethics and Anti-Corruption Commission investigates the award of the contracts for breach of the Public Procurement and Disposal Act 2005 and the Public Procurement and Asset Disposal Regulations 2006 on the limits on the procurement threshold; and
- (ii) The NG-CDF Board takes administrative action against the Fund Account Manager and any other officers involved in the procurement process within three months of the adoption of this Report.

2. TANA RIVER COUNTY

2.5. BURA CONSTITUENCY

Audit matters in the Financial Year 2014/2015

1.0 Unauthorized Withdrawals

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

Committee Observations

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

Committee Recommendations

47. The Committee recommends that: -

- (i) The NG-CDF Board, should within three months upon adoption of this report, investigates the unauthorized expenditure and report to the relevant authorities for prosecution of those found culpable; and
- (ii) 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.

3. LAMU COUNTY

2.6 LAMU WEST CONSTITUENCY

Audit Matters in the Financial Year 2014/2015

1.0 Transfer to other Government Units

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

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

49. The management indicated that vouchers were taken by the Ethics and Anti-Corruption Commission (EACC) during the investigation of the Fund. In addition, according to the supporting schedules availed for audit review, disbursement to Mkunumbi Secondary School was indicated as Kshs. 3,518,689 while payment voucher No.9 of 21/09/2014 reflected an amount of Kshs. 3,681,689 leading to the unexplained not reconciled variance

of Kshs. 163,000.00. Consequently, the propriety, accuracy, and completeness of transfers to other government units amounting to Kshs. 17,296,006 could not be confirmed.

Committee Observations

50. The Committee observed that: -

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

Committee Recommendations

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

2.0 Other Grants and Transfers

a) Water

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

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

Committee Observations

54. The Committee observed that:

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

Committee Recommendations

55. The Committee recommends that:

- (i) Within three months of adoption of this report, the EACC investigates the procurement and implementation of the contract, awarded to M/S Myself Cluster SH Group, for the rehabilitation of the Lake Kenyatta Water Dam Project; and
- (ii) 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.

4. TAITA TAVETA COUNTY

2.7 TAVETA CONSTITUENCY

Audit Matters in the Financial Year 2014/2015

1.0 Emergency Funds

56. Included in the other grants and transfers amount of Kshs. 15,170,000 was an emergency expenditure of Kshs. 4,570,000 for the year ended 30th June 2015. However, included in this amount was Kshs. 250,026.40 spent on the painting of Taveta Sub-County Commissioner's Office and Kshs. 740,000 spent on bursaries for which the authority of the Board as per Section 10(2) of the CDF Board Act, 2013 were not availed for audit review. Further, according to Section 12(3) of the CDF Board Act, 2013, emergency refers to an urgent, unforeseen need for expenditure for which it was in the opinion of the committee that it could not be delayed until the next financial year without harming the public interest of the constituents. Painting of the office and paying bursaries were not emergencies within the context of this law.
57. Consequently, the expenditure of Kshs. 990,026.40 treated as an emergency for the year ended 30th June 2015 was not supported and did not comply with the law.

Committee Observations

58. The Committee observed that: -

- i) The Fund used Kshs. 250,026.40 emergency funds on the painting of Taveta Sub County Commissioner's Office and Kshs. 740,000 spent on bursaries for which the authority of the Board as per Section 10 (2) of the CDF Board Act, 2013 were not availed for audit review.
- ii) The activities did not qualify to be emergency according to Section 12(3) of the CDF Board Act, 2013.
- iii) The audit query is not resolved.

Committee Recommendations

59. The Committee recommends that within three months of the adoption of this report, the Accounting Officer takes appropriate administrative action against the Fund Account Manager who reallocated the emergency funds without the Board's approval in contravention of Section 10(2) and 12(3) of the Constituencies Development Fund Act, 2013.

2.8 MWATATE CONSTITUENCY

Audit Matters in the Financial Year 2014/2015

1.0 Committee Meeting Allowances and Expenses

60. The statement of receipts and payments reflected committee meeting allowances and expenses of Kshs. 5,707,000. Included in this figure is Kshs. 5,457,700 relating to sitting and transport allowances paid to Constituency Development Fund Committee (CDFC) members. However, quotations for hire of taxis, daily motor vehicle work tickets for vehicles used, minutes of meetings held, reports produced during the meetings, dates the projects visited by the Monitoring and Evaluation Committee members were not availed for audit verification. Consequently, the propriety of expenditure totaling Kshs. 5,457,700 on committee meeting allowances and expenses for the year ended 30 June 2015 could not be confirmed.

Committee Observations

61. The Committee observed that:

- (i) The Fund Account Manager did not provide documentation on committee meeting allowances and expenses.
- (ii) The documents were taken by EACC who were investigating fraud cases in the Constituency office.
- (iii) The audit issue is unresolved.

Committee Recommendations

62. The Committee recommends that:

- (i) The Ethics and Anti-Corruption Commission (EACC) should expedite investigations, conclude the matter, and provide a status report to the National Assembly within three months of the adoption of this report.
- (ii) The Accounting Officer should ensure that the documents taken by Ethics and Anti-Corruption Commission (EACC) are returned for clearing the outstanding audit issues.

2.0 Other Grants and Transfers

a) Projects Implementation

63. Incomplete construction work on classrooms of two secondary schools at a cost of Kshs. 2,900,000. Omission of projects in the current status report costing Kshs. 38,245,747 reported as ongoing in the status report as at 30 June 2014.

Committee Observations

64. The Committee observed that: -

- i) Slow implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury; and
- ii) At Laghonyi Secondary school, the construction of the classrooms was not completed and that there was on-going investigation by the office of the Directorate of Criminal Investigations (DCI) on the project.

Committee Recommendations

65. The Committee recommends that: -

- (i) **The National Treasury shall ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the constituencies; and**
- (ii) **The Accounting Officer should follow up with the DCI on the status of the investigation on the construction of the Laghonyi Secondary School and report to the Auditor General for audit review and reporting in the subsequent audit.**

5. KILIFI COUNTY

2.9 GANZE CONSTITUENCY

Audit Matters in the Financial Year 2013/2014

1.0 Use of Goods and Services

66. 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.

Committee Observations

67. 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 unsurrendered imprests of Kshs. 6,105,460 whose documentation was under investigation by EACC.

Committee Recommendations

68. The Committee recommends that:

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

2.0 Transfers to Other Government Units

69. 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.

Committee Observations

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

Committee Recommendations

71. The Committee recommends that: -

- (i) The Accounting Officer should within three months of the 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.
- (ii) The Accounting Officer should within three months of the 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.

3.0 Other Grants and Transfers

72. 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.

Committee Observations

73. 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

74. The Committee recommends that: -

- (i) The Accounting Officer should within three months of the 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
- (ii) The Accounting Officer should within three months of the 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.

4.0 Outstanding Imprest

75. 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.

Committee Observations

76. The Committee observed that: -

- (i) Multiple imprests were issued to an officer in contravention of 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.

Committee Recommendations

77. The Committee recommends that:

- (i) The Accounting Officer should within three months of the adoption of this report, follow-up on the status of the investigation by the Ethics and Anti-Corruption Commission (EACC) and report to the National Assembly; and
- (ii) The Accounting Officer should within three months of the 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.

5.0 Property, Plant and Equipment - Other Matters

a) Lack of Ownership Documents

78. 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

Committee Observations

79. 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

80. The EACC should within three months of the adoption of this report, investigate the circumstances under which public assets were bought and registered in 2006 in the name of the then member of parliament for Gnaze Constituency, Hon. Joseph Kingi.

Audit Matters in the Financial Year 2014/2015

1.0 Inaccuracies in the Financial Statements

81. 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

	Financial Statement Item	Amount on financial statement Kshs.	Amount on notes Kshs.	Variance Kshs.	Comment
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	

Committee Observations

82. The Committee observed that:

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

83. 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

Committee Observations

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

Committee Recommendations

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

2.0 Other Grants and Transfers

86. 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.

Committee Observations

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

Committee Recommendations

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

3.0 Committee Meeting Allowances

89. 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 the unexplained nor reconciled variance of Kshs. 1,285,600. Further, the expenditure was not supported by documentary evidence on who attended the meetings, the agenda, and the 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.

Committee Observations

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

Committee Recommendations

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

4.0 Transfer to Other Government Units

92. 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

93. 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.

Committee Observations

94. 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

95. The Committee recommends that within three months of the 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.

5.0 Outstanding Imprest

96. 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.

Committee Observations

97. 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

98. The Committee recommends that:

- (i) 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
- (ii) 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;

- (iii) 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.

Audit Matters in the Financial Year 2015/2016

1.0 Outstanding Imprests

99. 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.

Committee Observations

100. 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

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

2.0 Other Grants and Transfers

a) Majajani Dam Project

102. 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.

103. 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.

Committee Observations

104. 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

105. 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 the adoption of this report.

b) Mwaeba-Katofeni Water Project

106. 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.

Committee Observations

107. 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

108. The Committee observed that: -

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

2.10 KILIFI NORTH CONSTITUENCY

Audit Matters in the Financial Year 2013/2014

1.0 Fraudulent Withdrawal

109. 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 the 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 the accuracy and validity of total payment figure of Kshs 42,352,251.25 reflected in these financial statements as at 30th June 2014.

Committee Observations

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

Committee Recommendations

The Committee observed that: -

112. Within three months of the 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.

Audit Matters in the Financial Year 2014/2015

1.0 Fraudulent Withdrawal

113. 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.

Committee Observations

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

Committee Recommendations

115. Within three months of the 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.

2.11 MALINDI CONSTITUENCY

Audit Matters in the Financial Year 2014/2015

1.0 Mzizima Water Project FY 2014/2015

116. 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 the 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.

Committee Observations

117. The Committee observed that: -
- (i) The Fund Account Manager reallocated Kshs. 1,800,000 meant for Mzizima Secondary School for the construction of classrooms for the 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

118. The Committee recommends that:
- (i) 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
 - (ii) 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.

2.0 Project Tender

119. Quotations were issued instead of tendering despite the amount of the project being Kshs 4,301,883.20 contrary to Public Procurement and Asset Disposal Regulations,

Regulation 6(1). A site visit to the project showed that the project had stalled despite the fact that the contractor had been paid. The BQ indicted that three (3) water kiosks would be constructed but none was constructed at the time of project visit.

Committee Observations

120. 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

121. The Committee recommends that:
- (i) 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 take action against the Fund Account Managers and any other officers involved in the procurement process and report to the National Assembly.
 - (ii) (The Accounting Officer ensures that all Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.

Audit Matters in the Financial Year 2015/2016

1.0 Security Projects

122. 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.

Committee Observations

123. 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

124. The Committee recommends that: -
- (i) 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.
 - (ii) The Accounting Officer ensures that Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015, and its Regulations.

2.0 Acquisition of Assets

125. 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.

Committee Observations

126. 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

127. The Committee recommends that: -

- (i) **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.**
- (ii) The Accounting Officer ensures that Fund Account Managers comply with provisions of the Public Procurement and Asset Disposal Act, 2015 and its Regulations.

3.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

128. Having considered the audited financial statements, the following general observations and recommendations cut across the twenty-six (26) constituencies during the examination of the Reports:

1) Bookkeeping, Preparation & Accuracy of The Financial Statements

129. 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.

130. 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.

131. The Committee recommends that:

- (i) **The National Government Constituencies Development Fund Board strengthens the Constituency Offices by establishing Treasury units to serve the Constituencies.**
- (ii) **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.**

2) Compliance To Reporting Standards and Accuracy of the Financial Statements

132. 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.
133. The Committee recommends that:
- (i) 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
 - (ii) 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.

3) Standardization of the NG-CDF Construction Projects

134. 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.

135. The Committee recommends that: -

- (i) The NG-CDF Board fast-tracks the recruitment of independent quantity surveyors and architects to address the inconsistencies in the projects across the Constituencies.
- (ii) 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.
- (iii) 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.

4) Late Disbursement and Underutilization of Funds

136. 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 rollover of Funds from subsequent years due to late receipts.

The Committee recommends that:

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

5) Re-Allocation of Funds without approval of the NG-CDF Board

137. 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.

138. 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.

139. The Committee recommends that: -

- (i) 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.
- (ii) 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
- (iii) 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.

6) Guidelines On the Use of Emergency Funds

140. 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.

141. 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.

7) Compliance with Audit Cycle Timelines

142. 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.

143. 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.

144. The Committee recommends that:

- (i) **The National Government Constituencies Development Fund Board strengthens the Constituency Offices by establishing Treasury units to serve the Constituencies; and**
- (ii) **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.**

8) Bursary Fund Allocations and Disbursements

145. 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.

146. The Committee recommends that:

- (i) **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*.**
- (ii) **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

- (iii) 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) Non-Remittance of Statutory Deductions

147. 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.

148. The Committee recommends that:

- (i) 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
- (ii) 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.

REPUBLIC OF KENYA



NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT
DECENTRALIZED FUNDS ACCOUNTS COMMITTEE
MEMBERS' ATTENDANCE

DATE: 11TH APRIL, 2023 **START TIME:** 12:26pm **END TIME:** 13:08

VENUE: THE MEDIA CENTRE, MAIN PARLIAMENT BUILDINGS

AGENDA:


THE FIRST REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THENTY-SIX (26) CONSTITUENCIES IN THE COUNTIES OF MOMBASA, KILIFI, KWALE, TAITA TAVETA, LAMU AND TANA RIVER FOR FINANCIAL YEARS

2013/2014, 2015/2015 AND 2015/2016

	NAMES	SIGNATURE
1.	Hon. Gideon Mulyungi, M.P. - Chairperson	
2.	Hon. Gertrude Mbeyu, M.P. - Vice Chairperson	
3.	Hon. Joseph Kahangara Mburu, M.P.	
4.	Hon. David Mboni Mwalika, M.P.	
5.	Hon. Innocent Momanyi Obiri, M.P.	
6.	Hon. Mejjadonk Benjamin Gathiru, M.P.	
7.	Hon. Adhe Guyo Wario, M.P.	
8.	Hon. Caroline Jeptoo Ng'elechei, M.P.	
9.	Hon. Dorothy Muthoni, Ikiara, M.P.	
10.	Hon. Jackson Lentoijoni, Lekumontare, M.P.	
11.	Hon. Abdi Barre Hussein, M.P.	
12.	Hon. Joyce Osogo, Bensuda, Atieno, M.P.	
13.	Hon. Martin Wanyonyi Pepela M.P.	
14.	Hon. Stephen Mogaka, M.P.	
15.	Hon. Reuben Kipngor, Kiborek, M.P.	

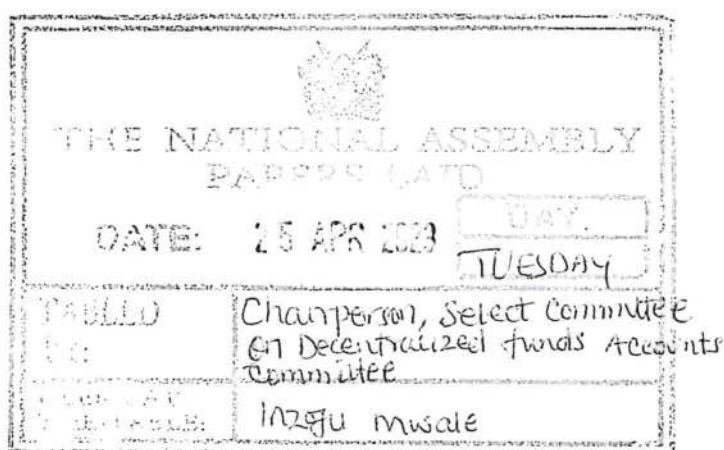
4.0 COMMITTEE RESOLUTION

149. The Decentralized Funds Accounts Committee in a sitting held on 11th April, 2023 unanimously adopted the 11th Report of the Special Funds Accounts Committee of the 12th Parliament tabled in the House on 2nd December, 2021 without amendments and resolved to present the report to the House for consideration and adoption.

Signed:  Date: 20/4/2023

HON. GIDEON MULYUNGI, M.P.

CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE



MINUTES OF THE 20TH SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 11TH APRIL 2023, IN THE MEDIA CENTRE, MAIN PARLIAMENT BUILDINGS AT 12.00 PM.

PRESENT

- | | |
|---|-------------------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. Gertrude Mwanyanje Mbeyu, M.P | Vice-Chairperson |
| 3. Hon. Joseph Kahangara Mburu, M.P | |
| 4. Hon. Abdi Barre Hussein, M.P | |
| 5. Hon. Martin Wanyonyi Pepela , M.P | |
| 6. Hon. Mejjadonk Benjamin Gathiru, M.P. | |
| 7. Hon. Stephen Mogaka, M.P | |
| 8. Hon. Dorothy Muthoni, Ikiara, M.P | |
| 9. Hon. Joyce Osogo, Bensuda, Atieno, M.P | |
| 10. Hon. Innocent Momanyi Obiri, M.P | |
| 11. Hon. Caroline Jeptoo N'gelechei, M.P | |

APOLOGIES

1. Hon. Jackson Lentoijoni, Lekumontare, M.P.
2. Hon. David Mboni Mwalika, M.P.
3. Hon. Adhe Guyo Wario, M.P.
4. Hon. Reuben Kipngor, Kiborek, M.P

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|----------------------------|
| 1. Mr. Muyodi Emmanuel | Clerk Assistant II |
| 2. Mr. John Mutinda | Clerk Assistant III |
| 3. Mr. Clinton Sindiga | Legal Counsel II |
| 4. Ms. Elizabeth Kibati | Research Officer III |
| 5. Ms. Esther Mbatha | Protocol Officer |
| 6. Mr. Calvin Karung'o | Media Relation Officer III |
| 7. Mr. Benson Muchiri | Audio Officer |

MIN. NA/AA&SC-DFAC/2023/89 PRELIMINARIES

The Chairperson called the meeting to order at 12:26 pm.

MIN. NA/AA&SC-DFAC/2023/90 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted as circulated.

AGENDA

1. Prayers
2. Preliminaries
3. Confirmation of minutes
4. **Substantive Agenda**
Consideration of the 11th Report of SFAC on Audited Financial Statements for the NGCDF, Coastal Region.
5. Any other Business
6. Adjournment and date of the next meeting.

The Committee considered and adopted the Report of the Decentralized Funds Accounts Committee (DFAC) on its consideration of the Reports of the Auditor General on the 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 report was tabled in the House in the 12th Parliament by the Special Funds Accounts Committee*) after being proposed by the Hon. Joseph Mburu, MP and seconded by the Hon. Stephen Mogaka, MP.

The report was adopted without amendments.

MIN.NO.NA/DAAOSC/DFAC/2023/92

ANY OTHER BUSINESS

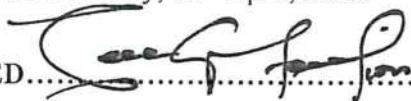
The Committee was informed of the scheduled retreat to examine the reports by the Auditor General on the National Government Constituencies Development Fund for 9 Constituencies in Bungoma County. The retreat will be held in Hilton Garden Inn, Machakos County, on 13th – 18th April, 2023.

MIN.NO.NA/DAAOSC/DFAC/2023/93

ADJOURNMENT/DATE OF NEXT
SITTING

There being no other business, the meeting was adjourned at 13.08 pm. The next meeting will be held on Thursday, 13th April, 2023.

SIGNED.....



DATE

11 / 4 / 2023

HON. GIDEON MUTEMI MULYUNGI, M.P.

(CHAIRPERSON)

DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 16TH SITTING OF THE DECENTRALIZED FUND ACCOUNT COMMITTEE HELD ON THURSDAY, 16TH MARCH 2023, IN THE MEDIA CENTER, PARLIAMENT BUILDINGS AT 10.00 AM

PRESENT

- | | |
|--|-------------------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. Gertrude Mwanyanje Mbeyu, M.P | Vice-Chairperson |
| 3. Hon. Jackson Lentoijoni, Lekumontare, M.P | |
| 4. Hon. Innocent Momanyi Obiri, M.P | |
| 5. Hon. Dorothy Muthoni, Ikiara, M.P | |
| 6. Hon. Stephen Mogaka, M.P | |
| 7. Hon. Mejjadonk Benjamin Gathiru, M.P. | |

APOLOGIES

1. Hon. Joyce Osogo, Bensuda, Atieno, M.P
2. Hon. Adhe Guyo Wario, M.P
3. Hon. Caroline Jeptoo Ng'elechei, M.P
4. Hon. Martin Wanyonyi Pepela M.P
5. Hon. David Mboni Mwalika, M.P
6. Hon. Joseph Kahangara Mburu, M.P
7. Hon. Ābdi Barre Hussein, M.P
8. Hon. Reuben Kipngor, Kiborek, M.P

IN-ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|----------------------|
| 1. Ms. Sylvia Ocharo | Clerk Assistant III |
| 2. Mr. John Mutinda | Clerk Assistant III |
| 3. Ms. Elizabeth Kibati | Research Officer III |
| 4. Mr. Clinton Sindiga | Legal Counsel II |
| 5. Ms. Sharon Cheruto | Hansard Reporter III |
| 6. Mr. Kevin Legasi | Audio Officer III |
| 7. Ms. Esther Mbatha | Protocol Officer |

The Chairperson called the meeting to order at 10:27 am and said a prayer.

The meeting adopted the agenda as circulated, having been proposed by Hon. Dorothy Muthoni, M.P and seconded by Hon. Innocent Obiri, M.P.

AGENDA

1. Prayers
2. Introduction
3. Adoption of Agenda
4. Confirmation of Minutes
5. Substantive Agenda
 - Consideration of 11th Report of Special Funds Accounts Committee on Audited Financial Statement for NGCDF in the Coastal Region.
6. Any Other Business
7. Adjournment.

- i. The Minutes of the 7th Sitting were confirmed to be a true and accurate record of the meeting held on Tuesday, 28th February, 2023, at 10am, having been proposed and seconded by Hon. Innocent Obiri M.P and Hon. Gideon Mulyungi, M.P., respectively.
- ii. The Minutes of the 8th Sitting were confirmed to be a true and accurate record of the meeting held on Tuesday, 2nd March, 2023, at 12pm, having been proposed and seconded by Hon. Innocent Obiri, M.P. and Hon. Gideon Mulyungi, M.P., respectively.
- iii. The Minutes of the 9th Sitting were confirmed to be a true and accurate record of the meeting held on 7th March, 2023, at 10am, having been proposed seconded by Hon. Innocent Obiri, M.P. and Hon. Gideon Mulyungi, M.P., respectively.
- iv. The Minutes of the 10th Sitting were confirmed to be a true and accurate record of the meeting held on Wednesday, 8th March, 2023, at 12pm., having been proposed and seconded by Hon. Innocent Obiri, M.P. and Hon. Gideon Mulyungi, M.P., respectively.
- v. The Minutes of the 11th Sitting were confirmed to be a true and accurate record of the meeting held on Tuesday, 7th March, 2023, at 10am., having been proposed and seconded by Hon. Innocent Obiri, M.P. and Hon. Gideon Mulyungi, M.P., respectively.

- ii. The researcher was tasked to analyze specific recommendations from each constituency proposing cause of action in response to audit queries.

MIN.NO.NA/DAAOSC/DFAC/2023/033: ADJOURNMENT/DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 11:23am. The next meeting will be held on March 2nd, 2023.

SIGNED.......... DATE 11 / 4 / 2023

HON. GIDEON MUTEMI MULYUNGI, M.P.
(CHAIRPERSON)

PARLIAMENT OF KENYA




Approved
Bina
SNA
2/12/2021

THE NATIONAL ASSEMBLY
TWELFTH PARLIAMENT- FIFTH SESSION

SPECIAL FUNDS ACCOUNTS COMMITTEE

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 DEC 2021	DAY: Thursday PM
TABLED BY:	Member Special Funds Acc Committee
CLERK-AT THE-TABLE:	B. IAZOFA

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

DECEMBER, 2021

Approved for tabling in the House.

~~BA~~ NA
2/12/2021

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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

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ABBREVIATIONS AND ACRONYMS

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

ANNEXURES

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CHAIRPERSON'S FOREWORD

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

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

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

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

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

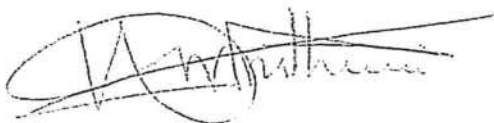
The Committee also undertook inspection visits to various NG-CDF projects in the Counties of Kilifi, Mombasa, Kwale and Taita Taveta to verify information submitted by both the accounting officer and Fund Account Managers on completeness of various projects and their benefits to the citizens. Minutes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

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

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

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

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



HON. KATHURI MURUNGI, M.P.

CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

CHAPTER ONE

1.0 PREFACE

1.1 Establishment and Mandate of Special Funds Accounts Committee

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

1.2 Guiding Principles: Constitutional and Legal provisions on Public Finance

2. The principles of public finance under Article 201 of the Constitution of Kenya 2010 guide the Committee in the execution of its mandate. The principles require openness, accountability and public participation in financial matters as well as prudence and responsible use of public funds amongst others. Further, the provision of Article 226 (5) of the Constitution of Kenya on direct personal liability guides the Committee in its examination of the audited accounts. The Article provides that *"If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not"*.
3. The various legal provisions as contained in various Acts of Parliament which include the PFM(PFM) Act, 2012, the repealed Public Audit Act, 2003, the Public Audit Act, 2015, the repealed Public Procurement and Disposal Act, 2005, the Public Procurement and Asset Disposal Act, 2015 as well as established customs, traditions, practices and usages also guided the Committee. Section 68 (1) of the PFM Act, 2012 provides, inter alia, that- *"An accounting officer for a national government entity including Public Funds, Parliamentary Service Commission and the Judiciary is accountable to the National Assembly. The Accounting Officer is required to ensure that the resources of the respective entity for which he or she is responsible are used in a way that is lawful and authorized, and effective, efficient, economical and transparent."*
4. These Constitutional and legal provisions obligated the Accounting Officer of the NG-CDF as the responsible Accounting Officer together with the Fund Account Managers for each Constituency to appear before the SFAC to respond to audit Matters raised by the Auditor-General. Each Fund Account Manager, whether present or former is directly and personally liable for any loss of public funds during their tenure as the Constituency Fund Account Manager.

1.3 Committee Membership

5. The Committee comprises the following members: -

Chairperson

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

Independent Member

Vice-Chairperson

Hon. William Kamuren Chepkut, M.P.
Member for Ainabkoi Constituency

Independent Member

Members

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.4 Committee Secretariat

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

Ms. Lucy Kimathi
Principal Clerk Assistant II

Ms. Hellen Ekadeli
Clerk Assistant II

Ms. Emma Essendi
Legal Counsel I

Mr. Josphat Bundotich
Senior Serjeant-at-Arms

Ms. Fiona Musili
Research Officer I

CPA. Joash Kosiba
Lead Fiscal Analyst

CPA. Kennedy Okinyi Owuoth
Fiscal Analyst III

Ms. Noelle Chelagat
Media Relations Officer III

Ms. Naserian Kaare
Serjeant-at-Arms II

Mr. Job Owaga
Audio Officer II

CHAPTER TWO

2.0 INTRODUCTION

2.1 The National Government Constituencies Development Fund

7. The Constituency Development Fund (CDF) was set up in 2003 through the Constituency Development Fund Act (2003) sponsored by the then OI Kalou Member of Parliament and former Senator for Nyandarua County, Hon. Muriuki Karue, MP.
8. In a bid to align the CDF with the Constitution of Kenya 2010, Parliament passed the National Government Constituencies Development Fund (NG-CDF) Act, 2015. The NG-CDF is a national fund that comprises monies of an amount of not less than 2.5% of all the national government's share of revenue as divided by the annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution.
9. Since its introduction, the Constituency Development Fund has made a significant impact, with various Constituency Development Fund projects being implemented throughout the country. The success of the model of the Constituency Development Fund has been linked to the bottom-up approach to development which requires public participation and the decentralization of resources that go directly to the local level.

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

10. To examine the audited accounts of the two hundred and ninety (290) Constituencies, the Committee adopted a strategy of scrutinizing financial statements of each Constituency for 2013/14, 2014/15 and 2015/16 financial years concurrently.
11. The Committee also resolved to complete examining reports of Auditor General of Constituencies per County. The Committee has so far examined the audited financial statements of Nairobi, Kisumu and Kiambu Counties.
12. This report contains observations, findings and recommendations arising from examination of seventy-eight (78) reports of the Auditor General for the National Government Constituencies Development Fund for financial years 2013/14, 2014/15 and 2015/16 for the following twenty-six (26) Constituencies in the Coastal Region.

Mombasa County

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

(6) Jomvu Constituency;

Kwale County

(7) Msambweni Constituency;

(8) Lunga Constituency;

(9) Matuga Constituency;

(10) Kinango Constituency;

Tana River County

(11) Garsen Constituency;

(12) Galole Constituency;

(13) Bura Constituency;

Lamu County

(14) Lamu East Constituency;

(15) Lamu West Constituency;

Taita Taveta County

(16) Wundanyi Constituency;

(17) Taveta Constituency;

(18) Voi Constituency;

(19) Mwatate Constituency;

Kilifi County

(20) Ganze Constituency;

(21) Kaloleni Constituency;

(22) Kilifi South Constituency;

(23) Magarini Constituency;

(24) Malindi Constituency;

(25) Rabai Constituency;

(26) Kilifi North Constituency.

CHAPTER THREE: MOMBASA COUNTY

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

3.1 LIKONI CONSTITUENCY

13. Mr. Bawazir Mohamed, the current Fund Account Manager who had served in the Constituency since November, 2018 appeared before the Committee on 28th September, 2020 to respond to the audit Matters raised in the report of the Auditor General for Likoni Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

1. Mr. James Chebii, Ag. Manager, Field Financial Services, NG-CDF Board
2. Ms. Christine Mwangolo, Ag. Manager Field Operations, NG-CDF Board
3. Ms. Gladys Ngala, Former Fund Account Manager from July 2012 to August 2016.

3.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

3.1.1.1 Cash and cash equivalents

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

Submission by the Fund Account Manager

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

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

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

Committee Observations

18. The Committee observed that-

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

Committee Recommendations

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

3.1.1.2 Outstanding imprests

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

Submission by the Fund Account Manager

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

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

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

Committee Observations

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

Committee Recommendations

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

3.1.1.3 Other receipts

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

Submission by the Fund Account Managers

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

Committee Observations

27. The Committee observed that-

- (i) The Fund owned a bus that was normally hired out for revenue generation. At the time of the audit, the Fund Account Manager had not provided records showing how the bus operated during the year;
- (ii) The cash generated was receipted and banked into the fund's bank account as Appropriation-In-Aid; and
- (iii) The Banking slips and returns had been availed to the auditors for review hence audit query is resolved.

Committee Recommendations

28. The Committee recommends that: -

- (i) Within three months of the adoption of this report, the NG-CDF Board initiate a review of policy guidelines including applicable rates on the hiring of vehicles owned by the various Constituency Funds to ensure efficiency and prudent use; and
- (ii) The Accounting Officer ensures at all times that, all the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents for Audit.

3.1.1.4 Transfers to Other Government Units

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

Submission by the Fund Account Manager

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

Committee Observations

31. The Committee observed that-

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

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

- (ii) The Fund Account Manager paid Kshs. 10,222,058 to project implementing contractors directly.
- (iii) The audit query is not resolved.

Committee Recommendations

32. The Committee recommends that-

- 1) Within three months of the adoption of this report, the accounting officer issue a reprimand to the then Fund Account Manager for violation of the laid down procedures on payments of projects as per the CDF Act, 2013 repealed; and
- 2) The Accounting Officer ensures at all times that, all the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of documents for Audit.

3.1.1.5 Other grants and transfers

- 33. Included in the balance of other grants and transfers of Kshs. 10,105,168 were bursaries of Kshs. 5,807,125 paid to various students during the year under review. However, the basis and criteria of selection of the beneficiaries was not availed for audit review and therefore it was not possible to establish the existence of the beneficiaries.
- 34. Further, information availed for audit indicated that the Constituency Development Fund Committee had not constituted a bursary committee to vet and approve the beneficiaries in line with the law. In the circumstance, the propriety and validity of the payment of bursary amount of Kshs. 5,807,125 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

37. The Committee recommends that-

- 1) The National Government Constituencies Development Fund Board should within three months of the adoption of the report, reviews the *NG-CDF 2010 Guidelines on Issuance of Bursaries to Beneficiaries with a view to streamline the process*;
- 2) The NG-CDF Board should develop an overarching policy framework to guide the Constituency Bursary committee in line with the needs of the constituency. Each NG-CDF bursary committee to establish criteria and guidelines for identifying, categorizing and awarding bursaries to needy students; and
- 3) The National Government Constituencies Development Fund Board should within three months of the adoption of the report, initiates an online application platform and fast-track adoption of electronic funds transfer in the disbursement of bursaries.

3.1.1.6 Other payments

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

Submission by the Fund Account Manager

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

Committee Observations

40. The Committee observed that-

- (i) The Fund Account Manager paid Kshs. 1,973,162 to Project Implementing Contractors directly.
- (ii) The Fund Account Manager provided a satisfactory explanation to the Committee

Committee Recommendations

41. The Committee recommends that-

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

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

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

3.1.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

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

3.1.2.1 Cash and cash equivalents

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.1.2.2 Transfer to Other Government Units

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

Submission by the Fund Account Manager

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

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

Committee Observations

49. The Committee observed that-

- (i) At the time of the audit, the Fund did not provide supporting documents for Kshs. 26,222,944 spent on various schools and health projects. However, the Fund Account managers submitted documents that were not relevant to the matter during the examination of the Accounts by the Committee.
- (ii) The Fund Account Manager provided supporting schedules for the school projects after the audit period.
- (iii) Quotation documents for the health projects had not been provided for audit hence the issue is unresolved.

50. Committee Recommendations

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

3.1.2.3 Acquisition of Assets

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

Submission by the Fund Account Manager

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

Committee Observations

53. The Committee observed that:

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

Committee Recommendations

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

3.1.2.4 Other Grants and Transfers

(a) Security

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

(b) Roads

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

Submission by the Fund Account Manager

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

Committee Observations

61. The Committee observed that-
- (i) At the time of the audit, Quotation and Engineer's completion certificates for the road projects had not been availed for audit review.
 - (ii) The documents had since been provided to the auditor for verification. However, physical verification of the project was not undertaken.

Committee Recommendations

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

(c) Disbursement not in the Approved Budget

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

66. The Committee observed that-
- (i) The projects had been approved by the Board as evidenced by reallocation letters from the Board which were later provided to the auditors and verified.
 - (ii) The audit query is resolved.

Committee Recommendations

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

3.1.2.5 Budget performance

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.1.2.6 Projects Implementation

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

Submission by the Fund Account Manager

74. Mr. Bawazir Mohamed, the Fund Account Manager informed the meeting that there were funds balances from the previous year which were utilized together with the current year's funds. There was no extra expenditure done above what was approved by the Board.
75. The Fund Account Manager submitted that on the issue of Likoni Primary perimeter wall, the Board had approved Kshs. 7,375,000 for implementation of the project. In the account, there was Kshs. 3,198,500 at the beginning of the year which was utilized in the next financial year. Expenditure returns and bank statements had been availed for review.

Committee Observations

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

Committee Recommendations

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

3.1.2.7 Projects Verification

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

81. The Committee observed that-

- At the time of the audit, the report on the projects had not been availed for audit review; and
- The documents had since been provided and verified by the auditors and evidence submitted satisfactory

Committee Recommendations

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

Inspection Visits by the Committee

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

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

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

Committee Observations

85. The Committee observed that:

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

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

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

Committee Observations

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

Committee recommendation

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

3.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

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

3.1.3.1 Cash and cash equivalents

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

Submission by the Fund Account Manager

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

Committee Observations

92. The Committee observed that-

- (i) At the time of audit, the Fund Account Manager did not provide the Board with survey reports to support the cash balance.
- (ii) The survey reports were however later submitted and verified by the auditor.

Committee Recommendations

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

3.1.3.2 Transfer to Other Government Units

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

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

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

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

Submission by the Fund Account Manager

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

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

Committee Observations

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

Committee Recommendations

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

3.1.3.3 Use of goods and services.

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.1.3.4 Other Grants and Transfers

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

a) Bursaries

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

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

Submission by the Fund Account Manager

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

Committee Observations

108. The Committee observed that-

- (i) At the time of the audit, the Fund Account Manager had not provided for audit review the bursary applications, criteria of awards, approved applications and evidence of receipts by the beneficiaries for audit review.
- (ii) The supporting documents were however later availed and verified by the auditors.
- (iii) The difference of Kshs. 371,000 purported to have been a replacement of cheques some of which related to the previous financial year were not verified and hence the audit query remains unresolved.

Committee Recommendations

109. The Committee recommends that: -

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

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

b) Sports

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

Submission by the Fund Account Manager

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

Committee Observations

112. The Committee observed that-
- (i) Supporting documents for the expenditure of Kshs. 1,897,894 had not been provided for review during the time of the audit.
 - (ii) The supporting documents had since been provided and reviewed by the auditor and the audit query is resolved.

Committee Recommendations

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

3.1.3.5 Budget Control and Performance

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

117. The Committee observed that;

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

Committee Recommendations

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

Inspection Visit by the Committee

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

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

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

Committee observations.

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

3.1.3.6 Projects implementation

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

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

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.2 KISAUNI CONSTITUENCY

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

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

3.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

3.2.1.1 Payments

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

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

Submission by the Fund Account Manager

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

Committee Observations

130. The Committee observed that-

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

- (ii) Supporting documents for the expenditure had not been provided for review during the time of the audit.
- (iii) The supporting documents provided and reviewed by the auditor submitted by the Fund Account Manager all dated 2015 were inadmissible since they could not explain Matters for FY 2013/2014.

Committee Recommendations

The Committee recommends that-

- (i) The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Section 68 of the PFM Act, No. 18 of 2012 on the timely submission of appropriate documents; and
- (ii) Within three months of the adoption of this report, the EACC initiate an investigation into the matter to prosecute persons found culpable.

3.2.1.2 Bank Balances

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

Submission by the Fund Account Manager

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

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

Committee Observations

134. The Committee observed that-

- (i) The Fund Account Manager had stale cheques which had not been reversed to the cashbook, unrecorded payments and deposits that had been outstanding for more than a year.
- (ii) The Fund Account Manager had misplaced the bank slips required in cashbook preparation.

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

Committee Recommendations

135. The Committee recommends that:

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

3.2.1.3 Outstanding imprest

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

139. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers adhere to the provisions of Section 71 (2) of the PFM Act, No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.

3.2.1.4 Withholding Tax from contractors

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

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

Submission by the Fund Account Manager

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

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

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

Committee Observations

143. The Committee observed that-

- (i) Penalties levied by KRA were as a result of not submitting withholding tax in respect of contractors' payments. Therefore, KRA directly deducted the amount from the Constituency fund account.
- (ii) KRA deducted the penalties without allowing time for the NG-CDF committee to seek approval for the reallocation from the NG-CDF Board.
- (iii) KRA has since appointed Fund Account Managers as tax agents for purposes of withholding taxes.

Committee Recommendations

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144. The Committee recommends that-

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

3.2.1.5 Stalled projects

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

Submission by the Fund Account Manager

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

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

Committee Observations

147. The Committee observed that-

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

Inspection Visit by the Committee.

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

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

Committee Observations

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

Committee Recommendation

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

3.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

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

3.2.2.1 Transfers from the CDF

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

Submission by the Fund Account Manager

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

Committee Observations

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

3.2.2.2 Outstanding Imprest

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

Committee Observations

156. The Committee observed that-

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

Committee Recommendations

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

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

3.2.2.3 Committee Expenses

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

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

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

Submission by the Fund Account Manager

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

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

Committee Observations

161. The Committee observed that-

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

Committee Recommendations

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

3.2.2.4 Budget Control and Performance

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.2.2.5 Project verifications

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

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

Committee Observations

167. The Committee observed that-

- (i) Window grills at Junda Primary School would not be fixed due to Ministry of Education directives that windows cannot have grills for safety reasons.
- (ii) Photos provided as evidence to support Tree planting were not dated therefore it could not be verified that the trees had been planted.

Committee Recommendations

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

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

Inspection Visits by the committee.

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

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

Committee Observations

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

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

Committee Observations

171. The committee observed that:

- (i) The project was completed in August, 2014.
- (ii) The project had not served its intended purpose since the facility has been turned into a VCT Centre and a mini-theatre.

3.2.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

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

3.2.3.1 Bank balances

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

Submission by the Fund Account Manager

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

Committee Observations

175. The Committee observed that-

- (i) The Fund had stale cheques which had not been reversed to the cashbook and unrecorded bank charges.
- (ii) The cashbook extract had not been provided to the auditor for audit verification.
- (iii) The audit query is unresolved.

Committee Recommendations

176. The Committee recommends that-

- (i) The Accounting Officer ensure that all Fund Account Manager keeps financial and other records that are accurate, reliable, complete and adhere to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 100 and 101(4) of the PFM (National Government) Regulations 2015.
- (ii) The Accounting ensures that, within three months of the adoption of this report, the Fund Account Manager acts appropriately to resolve the outstanding audit issue including availing of cashbook extract to the auditors as provided under Section 68(2) (I) PFM Act, No. 18 of 2012.

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

3.2.3.2 Project Supervision cost

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

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

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

3.2.3.3 Budgetary Controls and Performance

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

Committee Observations

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

Committee Recommendations

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

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

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

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

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

Committee recommendations

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

3.3 MVITA CONSTITUENCY

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

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

3.3.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

3.3.1.1 Transfer to other government institutions.

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

Submission by the Fund Account Manager

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

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

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

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

Committee Observations

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

Committee Recommendations

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

3.3.1.2 Other Grants and Transfers

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

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

Submission by the Fund Account Manager

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

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

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

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

Committee Observations

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

Committee Recommendations

199. The Committee recommends that:

- ii. The Accounting Officer ensures that the Fund Account Manager avails completion certificates to the Auditor-General within three months of the adoption of this report in compliance with the provisions of Section 68 of the PFM Act, No. 18 of 2012; and
- iii. The Accounting Officer ensure that all the Fund Account Managers adhere to the project implementation schedule and a certificate of completion issued for every completed project.

3.3.1.3 Cash and Cash Equivalents-Bank Balance.

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

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

Submission by the Fund Account Manager

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

Committee Observations

202. The Committee observed that-

- (i) The Fund had stale cheques which had not been reversed to the cashbook and other unrecorded payments and deposits that had been outstanding for more than a year; and
- (ii) The NG-CDFB had not issued guidelines on who is eligible for bursaries, hence the constituency had utilized Kshs. 161,801 as bursary to cater for tuition and overseas students.

Committee Recommendations

203. The Committee recommends that-

- i. The Accounting Officer ensures that the Fund Account Manager keeps financial and other records that are accurate, reliable, and complete and ensure adherence to accounting standards prescribed by the PSASB as provided by Section 81(3) of the PFM Act, No. 18 of 2012 and PFM (NG) Regulation 100 and 101(4);
- ii. The Accounting Officer ensures that the Fund Account Manager acts appropriately to resolve the outstanding audit issue as provided under Section 68(2) (I) PFM Act, No. 18 of 2012; and
- iii. The Accounting Officer ensures that the Fund Account Manager maintains a register detailing all the cheques issued for bursaries. Further, the NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

3.3.1.4 Unrecorded Direct Bank payments.

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

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

Submission by the Fund Account Manager

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

Committee Observations

206. The Committee observed that-

- (i) The unrecorded direct bank payment was a deduction by Kenya Revenue Authority being principal payments and penalties for withholding taxes not deducted on payments made to contractors;
- (ii) The contractors were notified about the deduction and the Fund had since started deducting and remitting 3% withholding tax to the Kenya Revenue Authority; and
- (iii) The audit query is resolved.

Committee Recommendations

207. The Committee recommends that-

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

3.3.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

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

3.3.2.1 Committee expenses.

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

Submission by the Fund Account Manager

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

Committee Observations

211. The Committee observed that-

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

Committee Recommendations

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

3.3.2.2 Other Grants and Transfers.

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

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

223. The Committee recommends that-

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

3.3.2.3 Budget Controls and Implementation.

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

Submission by the Fund Account Manager

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

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

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

Committee Observations

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

Committee Recommendations

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

3.3.2.4 Other Matter-Budget underutilization

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

231. The Committee observed that-

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

Committee Recommendations

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

3.3.2.5 Project Implementation

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

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.3.2.6 Project inspection

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.3.2.7 Project verifications

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

Committee Observations

242. The Committee observed that-

- (i) The anomalies that were noted were corrected within the defect's liability.
- (ii) The projects are complete and in use.
- (iii) The audit query is resolved.

Committee Recommendations

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

3.3.3 AUDIT MATTERS FOR

244. The Auditor General raised issues for Mvita Constituency for the year 2016.

3.3.3.1 Bank balances

245. The statement of assets and liabilities for the year 2016 and revealed that Kshs. 464,567.58 were stale cheques in the cashbook as at 30th June 2016. The receipts totalling Kshs. 2,133 since the years 2011 and 2013 the unpresented cheques were Kshs. 2,133.

246. Further, examination of the bank statement reflected the bank charges. As a result, the bank charges are Kshs. 2,133.

247. Consequently, the bank balance is Kshs. 2,133. Although the management has not been explained why the balance is Kshs. 2,133. Consequently, the accuracy of the cashbook as at 30th June 2016 could not be ascertained.

Submission by the Fund

248. Ms. Monica Mwai, the Fund Manager, stated that Kshs. 167,647.98 had now been received. These were for cash banked in the cashbook. However, these were erroneously recorded in the cashbook.

Committee Observation

249. The Committee observed that (i) Stale cheques which had been presented and receipts that had been received. (ii) The audit issue is so serious.

Committee Recommendation

250. The Committee recommended that the Fund Manager keeps financial records and adhere to accounting standards.

THE ELEVENTH REPORT OF THE SPECIAL FUNDS ACCOUNTS COMMITTEE FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUNDS THE COUNTIES OF MOMBASA, KILIFI, KWALE, TAITA TAVETA, LAMU AND TANGANYIKA 2013/2014, 2014/2015 AND 2015/2016

availed for audit verification. However, the documents were not submitted to the auditors.

Committee Recommendations

258. The Committee recommends that the Accounting Officer/Account Manager avails supporting documents for Kshs. 2,133 for transport claim by Constituency Development Fund within 3 months of the adoption of this report.

3.3.3.4 Project verifications

No	Project	Cost (Kshs)	Activity
1	Serani Primary School	583,300	Rehabilitation of a classroom and conversion into a community library
2	Mbeleni Primary School	583,300	Rehabilitation of a classroom and conversion into a community library
3	Ronald Ngala School	583,300	Rehabilitation of a classroom and conversion into a community library
4	Sacred Heart Primary School	583,300	Rehabilitation of a classroom and conversion into a community library
5	Makupa Primary School	583,300	Rehabilitation of a classroom and conversion into a community library
6	Tudor Primary School	583,300	Rehabilitation of a classroom and conversion into a community library
7	Serani Primary School	1,600,000	Conversion of Classroom into Library
8	Ganjoni Primary School	2,000,000	Construction of Toilets for Pupils
9	Tudor Primary School	3,590,000	Conversion of a classroom into a library
10	R.G. Ngala Primary School	2,940,000	Conversion of a classroom into a library
11	Tudor Police	2,402,567	Construction of a police booth

THE ELEVENTH REPORT OF THE SPECIAL FUNDS ACCOUNTS COMMITTEE FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUNDS THE COUNTIES OF MOMBASA, KILIFI, KWALE, TAITA TAVETA, LAMU AND TANGANYIKA 2013/2014, 2014/2015 AND 2015/2016

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

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

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

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

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

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

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

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

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

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

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

Committee Observations

260. The Committee observed that-

- (i) The project details were not provided at the time of the audit. However, the project details had since been provided to the Auditor and verified and the audit query is resolved.
- (ii) The projects had since been completed and are in use.

Committee Recommendations

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

3.4 NYALI CONSTITUENCY

262. Stella Tayo, the current Fund Account Manager since 2018 to date appeared before the Committee on 28th September, 2020 to respond to the audit Matters raised by the Auditor General for the financial years 2013/14, 2014/15 and 2015/16 for Nyali Constituency and was accompanied by:

- i) Mr. James Chebii, Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Mr. Mwalim Rashid, former Fund Account Manager from 2015 to 2016.
- iv) Mr. Peterson Munyao, former Fund Account Manager from December 2013 to August 2014.
- v) Mr. Kenneth Martin Amany, former Fund Account Manager from September 2014 to July 2015

3.4.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

3.4.1.1 Transfers to other government units and other grants and transfers

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

Submission by the Fund Account Manager

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

Committee Observations

266. The Committee observed that:

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

Committee Recommendations

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

3.4.1.2 Other Grants and transfers

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

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

Committee Observations

269. The Committee observed that:

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

Committee Recommendations

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

3.4.1.3 Cash and Cash Equivalent

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.4.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

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

3.4.2.1 Outstanding imprest

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

Submission by the Fund Account Manager

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

Committee Observations

278. The Committee observed that-

- (i) More than one imprest was issued in contravention of the PFM (National Government) 2015 on the issuance of temporary imprest.
- (ii) The Fund Account Manager explained that the events were overlapping yet imprest warrants showed that the activities took place at different times.
- (iii) The Fund Account Manager had paid airtime allowances to CDFCs ranging from Kshs. 15,000 to Kshs. 38,000 per month and whose rates had not been approved by the NG-CDF Board.
- (iv) The delay in the surrender of imprests is attributable to lack of adequate capacity at the Constituency NG-CDF Office; and
- (v) The accounting records of the fund at the Constituencies are maintained at the Sub-County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

279. The Committee recommends that-

- 1) The Accounting Officer ensures that the Fund Account Manager adheres to the provisions of Section 71 (2) of the PFM Act, No. 18 of 2012; and Regulation 93 (5) and (6) of the PFM (National Government) Regulations, 2015.
- 2) The NG-CDF Fund Board strengthens the NG-CDF Constituency Offices by devolving NG-CDF Treasury units to serve the Constituency Fund Offices better across all the Regions.

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

3.4.2.2 Transfers from CDF Board

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

Submission by the Fund Account Manager

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

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

Committee Observations

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

3.4.2.3 Transfers to other Government Units

a) Mkomani Primary School

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

286. The Committee observed that-

- (i) Kshs. 10,105,802 disbursed on 23rd December 2014 for the construction of a new primary school at Mombasa Showground had not been spent as at April, 2015. The funds were reallocated to construct Maweni Secondary School.
- (ii) The CDF Board approved the funds for the school at the showground before land ownership had been addressed. This resulted in the re-allocation of the funds.
- (iii) The audit issue is resolved.

Committee Recommendations

287. The Committee recommends that-

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

b) Bamburi Health Centre

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

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

Submission by the Fund Account Manager

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

Committee Observations

291. The Committee observed that-

- (i) Kshs 4,482,759 for the construction of a fabricated staff house at Bamburi Health center was disbursed to the project in December 2014, but no work had commenced at the time of the audit.
- (ii) The request for reallocation of an amount of Kshs. 4,482,759.00 was made on February, 2019 to the Board, 5 years after the money was allocated as a conditional grant from the Ministry of Health.
- (iii) The Fund initiated the project without consultations with the County Government.

Committee Recommendations

292. The Committee recommends that;

- 1) The Accounting Officer ensures that the Fund Account Manager and PMCs involve the public in identification and submission of projects as required by Section 27 of the National Government Constituency Development Fund Act, 2015; and
- 2) Within three months of the adoption of this report, the Accounting Officer ensures that the Board approves the request for reallocation of Kshs. 4,482,759.00 that was made in February 2019 to the Board.

3.4.2.4 Other Grants and Transfers

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

a) Electricity Projects

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

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

b) Emergency Project

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

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

Submission by the Fund Account Manager

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

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

Committee Observations

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

Committee Recommendations

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

c) Bursary-Tertiary Institutions

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

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

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

Submission by the Fund Account Manager

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

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

Committee Observations

307. The Committee observed that:

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

Committee Recommendations

308. The Committee recommends that:

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

d) Security

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

Submission by the Fund Account Manager

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

Committee Observations

311. The Committee observed that-
- (i) The security project took too long to be implemented despite being funded in December 2014 had not been implemented by April 2016.
 - (ii) The project was however completed and currently in use.

Committee Recommendations

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

3.4.2.5 Budgetary Control and Performance

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

Submission by the Fund Account Manager

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

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

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

Committee Observations

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

Committee Recommendations

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

3.4.2.6 Project Implementation

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

321. The Committee recommends that-

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

3.4.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

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

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

3.4.3.1 Bank balances

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

Submission by the Fund Account Manager

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

Committee Observations

326. The Committee observed that-

- (i) The Fund had unrepresented and stale cheques and unrecorded bank charges which had not been reversed as at 30 June 2016. The unrepresented cheques were however reversed and bank charges recorded and the supporting documents provided and reviewed by the auditor.
- (ii) The delayed reconciliation of financial statements including reversal of stale cheques is attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

327. The Committee recommends that;

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

3.4.3.2 Committee Expenses

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

Submission by the Fund Account Manager

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

Committee Observations

330. The Committee observed that-

- (i) The Fund Account Manager paid committee allowances amounting to Kshs. 708,000 to Constituency Development Fund (CDFC) members on 29 February 2016, yet the submitted payment voucher was dated 26th September, 2016.
- (ii) Payment details and schedule for the payment of Kshs. 708,000 had not been provided for audit.

Committee Recommendations

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

3.4.3.3 Statutory Deductions

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

Submission by the Fund Account Manager

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

Committee Observations

334. The Committee observed that-
- (i) At the time of the audit, the Fund Account Manager did not provide receipts showing remittance of Kshs.79, 789 as statutory deductions for compensation of employees. The documents had since been submitted to the auditor for audit review.
 - (ii) The explanation given by the Fund Account Manager was satisfactory.

Committee Recommendations

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

3.4.3.4 Budgetary Controls and Performance

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

Budget Line	Final budget (Kshs)	Expenditure (Kshs)	Under-Absorption (Kshs)	Under-Absorption %
Compensation of employees	5,963,973	1,036,920	4,927,053	83%
Transfer to other government units	63,205,498	16,072,412	47,133,086	75%
Use of goods and services	10,327,739	5,882,783	4,444,956	43%
Other grants and transfers	113,815,362	49,622,075	64,193,268	56%
Acquisition of assets	150,000	118,750	31,250	21%
Other payments	0	20,610	-20,610	0%
Total	193,462,572	72,753,550	120,709,021	62%

337. The following were observations from the above summary;

- The fund had a total under-expenditure of Kshs. 120,709,021 or 62% of the budget. This implies that public funds were lying idle at the expense of other deserving areas. The underutilization of the funds may have impacted negatively on the delivery of goods and services to the citizens of Nyali or may be an indication of over budgeting in the NGCDF hence there is a need to re-evaluate the budgeting process to focus on more priority areas as guided by public participation in the budget-making process
- In addition, the CDF was underspent by 75% and 56% on transfers to other government units and other grants and transfers respectively which represents project funds not disbursed for implementation. This may affect public service delivery to the residents of Nyali Constituency contrary to values and principles of public service as provided for under Article 232 (1) (c) of the constitution which requires responsive, prompt, effective, impartial, and equitable provision of services.

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.4.3.5 Project implementation

341. According to the project implementation status report as at 30 June 2016, thirty-three (33) projects with a total budget of Kshs. 53,812,286 were not implemented during the period under review. Records availed for audit review indicated that the funds for the above projects had been reallocated to other projects. This may imply that funds had been reallocated to other projects. This may imply that projects identified by the community were not implemented contrary to section 3 of the NGCDF Act, 2015 which provides that the objects under the Act are to provide for the participation of the people in the determination and implementation of the identified national government development project at the constituency level pursuant to Article 10(2) (a) of the Constitution.
342. None implementation of development projects affects service delivery to the public and the intended purpose of the project may not be realized. It also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Constituency Development Fund Committee (CDFFC).

Submission by the Fund Account Manager

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

Committee Observations

344. The Committee observed that-

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

Committee Recommendations

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

3.4.3.6 Project Inspection

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

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

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

Submission by the Fund Account Manager

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

3.5 CHANGAMWE CONSTITUENCY

351. Mr. Abdulhakim Ali, the current Fund Account Manager appeared before the Committee on 28th September, 2020 to respond to audit matters raised by the Auditor General on the audited accounts of Changamwe Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:

- i) Mr. James Chebil, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangilo, Ag. Manager Field Operations
- iii) Ms. Gloria Mwasi, Former Fund Account Manager (April 2016 to March 2017)
- iv) Mr. Kenneth Amuya, Former Fund Account Manager (July 2015 to August 2016)
- v) Mr. Mwalimu Rashid, Former Fund Account Manager (2013 to 2014)

3.5.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

3.5.1.1 Other receipts

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

Submission by the Fund Account Manager

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

Committee Observations

355. The Committee observed that-

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

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

Committee Observations

349. The Committee observed that-

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

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

Committee Recommendations

350. The Committee recommends that:

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

Committee Recommendations

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

3.5.1.2 Committee Expenses

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.5.1.3 Transfers to Other Government Units

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

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

Submission by the Fund Account Manager

a) Mreroni Primary School

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

b) Miritini Primary School

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

c) Kajembe High School

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

Committee Observations

366. The Committee observed that-
- (i) Supporting documents for the expenditure of Kshs. 1,700,000 for Mreroni and Miritini Primary school were not availed at the time of audit; and
 - (ii) Construction of a Library and Laboratory at Kajembe High School had been completed as per the issued completion certificate.

Committee Recommendations

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

3.5.1.4 Bank Balance

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

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

Submission by the Fund Account Manager

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

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

Committee Observations

371. The Committee observed that-

- (i) The Fund Account Manager did not include as bank balance Kshs. 14,298,766 in the financial statements because the funds had been dispersed as payments to the eighteen (18) project management committees.
- (ii) At the close of the financial year, the CDF had Kshs. 27,570.05 remaining in the KCB account, which was unrepresented cheques that were yet to be cleared.

Committee Recommendations

372. The Committee recommends that-

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

3.5.1.5 Unremitted Taxes

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.5.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

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

3.5.2.1 Fund balance

377. The statement of financial assets presented for audit as at 30 June 2015 indicated fund balance brought forward of Kshs. 69,420,482 while the audited financial statements as at 30 June 2014 reflected a fund balance of Kshs. 69,770,482 resulting in an explained or reconciled variance of Kshs. 350,000.

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.5.2.2 Use of Goods and Services

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

Submission by the Fund Account Manager

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

Committee Observations

383. The Committee observed that:

- i) At the time of the audit, the Fund did not provide documentary evidence in support of this expenditure amounting to Kshs. 999,571 and the documents had since been submitted to the auditor for audit review; and
- ii) Delays in submission of documents to the Auditor-General is attributable to lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records and various supporting documents of the fund at the Constituencies are maintained at the Sub-County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

384. The Committee recommends that:

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

3.5.2.3 Committee Expenses

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

Submission by the Fund Account Manager

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

Committee Observations

387. The Committee observed that-

- (i) Documentary evidence in support of expenditure amounting to Kshs. 4,411,000 was not made at the time of the audit. The documents had since been submitted to the auditor for audit review.
- (ii) The Fund Account Manager did not provide a breakdown on items totaling Kshs. 4,411,000 against the approved ceilings.
- (iii) The delays in submission of documents to the Auditor-General are attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records and various supporting documents of the fund at the Constituencies are maintained at the Sub- County Treasuries (formerly District Accountant) who also maintain books of accounts for all national government offices at the Sub-County.

Committee Recommendations

388. The Committee recommends that: -

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

3.5.2.4 Transfers to other Government Units – Chaani Secondary School

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

Submission by the Fund Account Manager

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

Chaani Secondary School

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

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

Committee Observations

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

Committee Recommendations

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

3.5.2.5 Transfers to other Government Units – Airports Primary School

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

Submission by the Fund Account Manager

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

Committee Observations

396. The Committee observed that-
- (i) The money allocated for the purchase of land had been in the bank since 2015 and the CDFC had made a request to the NG-CDF Board for re-allocation to Changamwe Secondary and Primary schools; and
 - (ii) The funds had remained unutilized for long at the expense of more deserving interventions and the provision of crucial services to the residents.

Committee Recommendations

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

3.5.2.6 Transfers to other Government Units –Airport Secondary School

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

Submission by the Fund Account Manager

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

Committee Observations

400. The Committee observed that-
- (i) The Kshs. 10,000,000 was an allocation for construction of laboratory and Administration Block and not purchase of land as captured by the audit. The PMC had been offered public land and the project was ongoing.
 - (ii) The Fund Account Manager did not avail of support documents at the time of the audit.

Committee Recommendations

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

3.5.2.7 Funds Transferred to Jomvu Constituency Development Fund

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

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

Submission by the Fund Account Manager

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

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

Committee Observations

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

Committee Recommendations

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

3.5.2.8 Failure to Remit Tax and Deduct Retention Money

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

Submission by the Fund Account Manager

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

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

Committee Observations

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

Committee Recommendations

410. The Committee recommends that-

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

3.5.2.9 Other Grants and Transfer- Health

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

Submission by the Fund Account Manager

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

Committee Observations

413. The Committee observed that:

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

Committee Recommendations

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

3.5.2.10 Other Grants and Transfer- Roads

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.5.2.11 Bank Balances

419. The statement of financial assets as at 30 June 2015 reflected a bank balance of Kshs. 56,874,731. The bank reconciliation statement availed for audit reflected a bank balance of Kshs. 56,874,731. Bank reconciliation statement availed for audit reflected unrepresented cheques amounting to Kshs. 2,614,676. However, the schedule provided for audit review failed to indicate the dates when the cheques were subsequently cleared by the bank. Further, the bank statements were not availed for audit review thus it was not possible to confirm subsequent clearance of the unrepresented cheques.
420. In addition, the bank reconciliation statement reflected payments in the bank not in cashbook amounting to Kshs. 84,897 which is related to bank charges. It was not clear why the management had not adjusted the cashbook with this amount. Further, excluded from this bank balance is the Kenya Commercial Bank balance of Kshs. 27,570 and which bank reconciliation statement was also not availed for audit review. Although the management had indicated that arrangements were being made to close the account, the same had not been closed as at 30 June 2015. Consequently, the accuracy and completeness of bank balance of Kshs. 56,874,731 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

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

Committee Observations

422. The Committee observed that-
- (i) The Fund had unrepresented cheques amounting to Kshs. 2,614,676; unrecorded bank charges amounting to Kshs. 84,897; and Kenya Commercial Bank balance of Kshs. 27,570 excluded from the reported bank balance.
 - (ii) The Fund Account Manager did not provide the bank statements for the subsequent months as evidence for the clearance of unrepresented cheques and bank charges.
 - (iii) The delays in submission of documents to the Auditor-General are attributable to the lack of adequate capacity at the Constituency NG-CDF Offices. The accounting records and various supporting documents of the fund at the

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

Committee Recommendations

423. The Committee recommends that;

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

3.5.2.12 Budgetary Controls and Performance

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.5.2.13 Project implementation

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

Submission by the Fund Account Manager

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

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

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

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

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

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

Committee Observations

431. The Committee observed that-

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

Committee Recommendations

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

3.5.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

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

3.5.3.1 Presentation of financial statements

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

- i. Page eight to the financial statements indicated the year ended 30 June 2015 instead of 2016.
- ii. Annex 4 to the financial statements reflected the assets balance of Kshs. 1,046,658 whereas the statement of receipts and payments reflected nil balance on the acquisition of assets.
- iii. Statement of appropriation indicated a final budget of Kshs. 56,874,731 while information available indicates that the budget that was approved by the CDF board amounted to Kshs. 85,270,734.

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

Submission by the Fund Account Manager

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

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

Committee Observations

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

Committee Recommendations

439. The Committee recommends that-

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

3.5.3.2 Transfer to other government units

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.5.3.3 Other Grant Transfers

444. The statement of receipts and for the year ended 30 June 2016 reflected the other grants and transfer amounting to Kshs. 11,591,051 out of which Kshs. 7,119,795 was paid to the Kenya Power and Lighting Company Limited for installation of street light in Changamwe Constituency. However, management was unable to physically show where the project was implemented and did not provide certificate of completion for the same.
445. Further, Kshs. 1,185,536 was paid to a contractor to clear obstacles and bushes on storm water drainage in Changamwe Constituency. However, the management failed to provide evidence that the project was completed. Consequently, the propriety of Kshs. 8,303,331 on other grants and transfer for the year ended 30 June could not be confirmed.

Submission by the Fund Account Manager

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

Committee Observations

447. The Committee observed that
- (i) The Fund Account Manager did not provide requisite documentation including certificate of completion, contract agreement with KPLC, and documentation on approval by the board; and
 - (ii) The auditor verified the street light project and satisfactorily complete.

Committee Recommendations

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

3.5.3.4 Bank Balance

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

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

Submission by the Fund Account Manager

450. The Fund Account Manager submitted that the un-presented cheques became stale and were reversed, replaced and released to other needy beneficiaries. The bank charges had been cleared and bank statement indicating list of the replaced beneficiaries was submitted for audit review.
451. On the Kshs. 59,774, the balance as April was Kshs. 29,049,719. There was no transaction in May and June. Kshs. 29,109,493 was erroneously captured. The corrected bank reconciliation in November was availed to auditor for review.

Committee Observations

452. The Committee observed that: -

- (i) The Fund had unpresented cheques amounting to Kshs. 1,520,195 and unrecorded bank charges amounting to Kshs. 110,602.50;
- (ii) The Fund Account Manager availed bank reconciliation statements of Kshs. 37,645,693.71 which was in variance with the financial statement figure of Kshs. 29,049,719; and
- (iii) The variation of Kshs. 8,595,794 was neither reconciled nor explained.

Committee Recommendations

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

3.5.3.5 Budgetary Controls and Performance

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

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

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

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

Submission by the Fund Account Manager

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

Committee Observations

457. The Committee observed that:

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

Committee Recommendations

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

3.5.3.6 Project Implementation

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

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

Submission by the Fund Account Manager

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

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

	Project			
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Committee Observations

462. The Committee observed that;

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

Committee Recommendations

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

3.6 JOMVU CONSTITUENCY

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

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

3.6.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

3.6.2.1 Cash and cash equivalents

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.6.2.2 Transfers to Other Government Units and other grants

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

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

Submission by the Fund Account Manager

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

Committee Observations

472. The Committee observed that: -
- (i) The PMCs had not provided project expenditure reports for all receipts, disbursement and actual expenditures as at June 30, 2014;
 - (ii) The expenditure returns were submitted later to the auditors and subsequently reviewed.
 - (iii) The project management committees did not maintain project expenditure report for all receipts, disbursement and actual expenditures in respect of each project; and
 - (iv) The failure to maintain project expenditure reports is attributable to inadequate capacity at the Constituency NG-CDF Offices.

Committee Recommendations

473. The Committee recommends that: -
- (i) The Accounting Officer ensures that all Fund Account Manager avail supporting documents to the Auditor during the audit as required under section 9(1)(e) Public Audit Act, 2015; and
 - (ii) The NG-CDF Board should consider employing qualified Accountants for the Constituency NG-CDF Offices beginning FY 2022/23. This will strengthen the maintenance of books by the PMCs. Further, the Accounting Officer ensures that the Fund Account Managers and the project management committees are continuously trained on basic record keeping.

3.6.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

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

3.6.3.1 Receipts

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

Submission by the Fund Account Manager

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

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

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

Committee Observations

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

Committee Recommendation

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

3.6.2.2 Committee Expenses

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.6.3.2 Other Grants and Transfers

a) Bursary for Driving Schools

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

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

Submission by the Fund Account Manager

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

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

Committee Observations

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

Committee Recommendations

488. The Committee recommends that-

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

b) Mikindani Street Lighting Project

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

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

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

Submission by the Fund Account Manager

491. The Fund Account Manager submitted that Jomvu Constituency is one of the constituencies affected by insecurity where the Officer Commanding Police Division (OCPD), Officer Commanding Station (OCS) and two police officers lost their lives during the 2013 election. The committee resolved to use restricted tendering during a tender committee meeting held on 8th August 2014 due to the catastrophic event named above, creating insecurity in the area.
492. There was an urgent need to light the area and the only method that could be used due to time constraints was restricted tendering. Romulas was a prequalified contractor in late applications as per tender committee minutes of the meeting held on 9th July 2014. The contractor did the work fast because of the urgency of the project, resulting to early payment. CDF had not been appointed as a tax withholding agent by 2015, thus making it difficult to deduct tax. Currently, deductions were being made.

Committee Observations

493. The Committee observed that-
- (i) The use of restricted tendering for a contract whose sum was Kshs. 6,454,900 contravened Section 73 of the Public Procurement and Disposal Acts, 2005; and
 - (ii) The minutes dated 9th July, 2014 confirming pre-qualification of Romulas Enterprises were submitted later.

Committee Recommendations

494. The Committee recommends that-
- 1) The Ethics and Anti-Corruption Commission investigates the award of the contracts for breach of the Public Procurement and Disposal Act 2005 and the Public Procurement and Asset Disposal Regulations 2006 on the limits on the procurement threshold; and
 - 2) The NG-CDF Board takes administrative action against the Fund Account Manager and any other officers involved in the procurement process within three months of the adoption of this Report.

c) Kwa – Shee Social Hall

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

Submission by the Fund Account Manager

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

Committee Observations

497. The Committee observed that-

- (i) The full payments were made on the project before the completion of work contrary to Article 201 (d) of the Constitution that provides that public money shall be used in a prudent and responsible; and
- (ii) The contingency allocation of Kshs. 300,000 was reallocated without the approval of the CDF Board contrary to Section 10 of the CDF Act, 2013.

Committee Recommendations

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

d) Jomvu - Kuu Hospital Project

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

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

Submission by the Fund Account Manager

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

Committee Observations

501. The Committee observed that-
- (i) The bills of quantities for Jomvu – Kuu Hospital only had provisional sums amounting to Kshs. 1,400,000 and not contingency sum as indicated in the audit report;
 - (ii) The allocation for the hospital consisted of Kshs. 1,250,000 relating to electrical works, construction of the septic tank and carrying out plumbing works as per variation order provided to the auditor for verification. The auditors verified the documents later.
 - (iii) The works were successfully executed and a balance of Kshs. 145,000 is still on the project account.

Committee Recommendations

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

3.6.3.3 Cash and Bank Balances

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

Submission by the Fund Account Manager

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

Committee Observations

505. The Committee observed that-

- (i) The Fund Account manager had stale and unrepresented cheques which had not been reversed to the cashbook and unrecorded bank charges which is contrary to provisions of PFM Act, 2012 and International Public Sector Accounting Standards (IPSAS) framework on the preparation of financial statements;
- (ii) The unrepresented cheques were reversed and bank charges recorded and the supporting documents had since been provided and reviewed by the auditor.

Committee Recommendations

506. The Committee recommends that: -

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

3.6.3.4 Budgetary controls and performance

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

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

Submission by the Fund Account Manager

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

- a) The Kshs. 1,100,000 for employees' compensation included Kshs. 9,600 for NSSF which was erroneously recorded in this case as a separate vote in the budget.
- b) During the financial year under review Kshs. 106,445,219 was actually received and Kshs. 95,506,408 was spent giving rise to a surplus of Kshs. 10,938,811 thus the question of overspending did not arise. According to CDF Act, 2013 Section 11(2) *"All funds allocated to a constituency shall be cumulative and shall be carried forward from one financial year to the next, including funds returned into the account in accordance with section 10 (3) or funds which are not utilized for whatever reasons"*
- c) An additional code list of Kshs. 2,900,000 for Miritini Secondary school which had errors was received late thus expenditure could not be effected despite funds being in the account. The project had been implemented to completion and was in use.

Committee Observations

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

Committee Recommendations

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

3.6.3.5 Project Implementation

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

- i). Out of the 72 development projects funded by the CDF, fifty-six (56) with a total allocation of Kshs. 104,481,895 and disbursement of Kshs. 60,997,495 had not started. The funds disbursed for these projects had not been spent as at 30th June 2015. It is not clear why the public funds remained idle in the project management committees' bank accounts.
- ii). Four (4) of the projects with an allocation of Kshs. 6,580,930 and full disbursement of the same amount were ongoing as at the time of the audit.
- iii). Twelve (12) projects with a total allocation of Kshs. 17,593,578 and disbursement of Kshs. 15,593,578 had been completed as at 30th June 2015.

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.6.4 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/2016

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

3.6.4.1 Transfers to other government units

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.6.4.2 Other grants and transfers

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

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

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

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

Submission by the Fund Account Manager

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

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

Committee Observations

526. The Committee observed that-

- (i) Some of the boreholes had dried up as confirmed by the Fund Account Manager. This could be as a result of a lack of hydrological survey on the project location; and
- (ii) Re-allocation of Kshs. 1,965,500 had been approved by the Board and the audit query is resolved.

Committee Recommendations

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

3.6.4.3 Cash balance

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

Submission by the Fund Account Manager

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

Committee Observations

530. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of the audit, the Board of survey reports to support the cash balance.
- (ii) They were later availed, verified and reviewed by the auditors.

Committee Recommendations

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

3.6.4.4 Budgetary Controls and Performance

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

Submission by the Fund Account Manager

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

Committee Observations

534. The Committee observed that;

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

Committee Recommendations

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

3.6.4.5 Projects implementation

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

3.6.4.6 Projects Verification

a) Drilling and equipping of Borehole at Chamunyu

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

Submission by the Fund Account Manager

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

Committee inspection visits

542. The Committee undertook inspection visits to the projects on 7th to 12th December, 2020 and made the following findings: -
- (i) The project commenced during the financial year 2015/2016 and was completed and handed over to the community in August 2016. It is situated in Chamunyu A village, Miritini location, Miritini Ward;
 - (ii) The borehole was complete and in use and that the objective to provide clean water and improved sanitation and reduction in the spread of diseases was achieved; and
 - (iii) The feasibility study report, Geological reports and Licences from Water Resource Management Authority were availed for audit review;

Committee Recommendation

543. The committee recommends that:

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

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

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

Submission by the Fund Account Manager

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

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

- (i) The project is situated in Sameta village, Mikindani location, Mikindani Ward. It commenced in March 2016 and was completed and handed over to the County Government on 30th September, 2016; and
- (ii) The street lights were working and in good condition. The objective of the project was to provide security to the residents and value for money was achieved

Committee Observations

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

Committee Recommendations

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

CHAPTER FOUR: KWALE COUNTY

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

4.1 LUNGA LUNGA CONSTITUENCY

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

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

4.1.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

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

4.1.1.1 Rounding off figures

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

554. The Committee recommends that-

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

4.1.1.2 Cash and Cash Equivalents.

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

Submission by the Fund Account Manager

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

Committee Observations

557. The Committee observed that-

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

Committee Recommendations

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

4.1.1.3 Payments

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

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

Submission by the Fund Account Manager

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

Committee Observations

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

Committee Recommendations

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

4.1.1.4 Committee Expenses

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

Submission by the Fund Account Manager

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

Committee Observations

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

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

Committee Recommendations

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

4.1.2 AUDIT MATTERS IN THE FINANCIAL STATEMENT FOR 2014/2015

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

4.1.2.1 Cash and cash Equivalent.

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

Submission by the Fund Account Manager

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

Committee Observations

570. The Committee observed that-

- (i) The Fund Account Manager did not maintain an up-to-date bank reconciliation and cashbook to be able to give a true and fair financial position of the Fund; and
- (ii) The documents were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

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

4.1.2.2 Inaccuracies in the financial statement

572. The statement of assets as at 30th June, 2015 reflected the total financial assets of Kshs. 73,520,456 represented by the net financial position of Kshs. 73,520,456. However, recomputed net financial position reflected a figure of Kshs. 73,497,457 resulting to a variance of Kshs. 22,999. Consequently, the accuracy, completeness and validity of the statement of assets could not be confirmed.

Submission by the Fund Account Manager

573. Mr. Hassan Kassim, the Fund Account Manager submitted that the variance of Kshs. 22,999 was cash-in-hand as at 30th June, 2014 which was erroneously omitted when preparing the financial statement. The error was then corrected for the financial year ending 30th June, 2015.

Committee Observations

574. The Committee observed that the Fund Account Manager omitted cash-in-hand balances when preparing the financial statement which had since been rectified and documents submitted to the auditor for audit verification.

Committee Recommendations

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

4.1.2.3 Statement of cash flow

576. The International Public Sector Accounting Standards No. 2 requires an entity to disclose the component of cash and cash equivalent and present the reconciliation of the amounts in its cash flow statement with equal items reported in the balance sheet. However, the statement of cash flow presented for the year under review was not in line with this requirement. Further the recomputed cash flow cash balance of Kshs. 73,497,457 was at variance with cash and cash equivalent of Kshs. 73,271,417 reflected in the statement of assets resulting in an unexplained variance of Kshs. 22,999.

Submission by the Fund Account Manager

577. Mr. Hassan Kassim, the Fund Account Manager submitted that the variance of Kshs. 22,999 was an error from not including the prior year adjustments of cash-in-hand carried forward from the financial year 2013/2014. The error had been corrected in the financial statement ending 30th June, 2015.

Committee Observations

578. The Committee observed that-

- (i) The Fund Account Manager omitted cash in and balances when preparing the financial statement; and
- (ii) The figures had since been rectified and documents submitted to the auditor for verification.

Committee Recommendations

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

4.1.2.4 Budgetary Controls and Performance

580. Information availed indicated that the approved budget of the year for Constituencies Development Fund – Lunga Lunga Constituency was Kshs. 126,602,963. However, the summary statement of appropriation reflected a total budget of Kshs. 140,518,736 resulting in a variance of Kshs. 13,915,773. The approval for this additional amount of Kshs. 13,915,773 was not availed for audit verification.

581. As shown in the budget summary, the actual expenditure for the Fund during the year ended 30th June, 2015 amounted to Kshs. 80,539,600 against a budget of Kshs. 140,518,736 resulting in overall under expenditure of Kshs. 59,979,135. With this absorption, the intended purpose of the project may not be realized which may affect the delivery of goods and services to the people of Lunga Lunga Constituency.

Submission by the Fund Account Manager

582. Mr. Hassan Kassim, the Fund Account Manager submitted that the allocation for the Constituency was Kshs. 137,602,963 and not Kshs. 126,602,963. The balance brought forward from previous years amounted to Kshs. 2,915,773 giving a total budget of Kshs. 140,518,736. The late utilization of the fund is a result of the late disbursement of the funds from the NG-CDF board. The funds were received as follows:

Date	AIE NO.	Amount
02/06/15	A796811	15,760,296
17/6/15	A796126	34,965,229
	TOTAL	50,725,525

Committee Observations

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

Committee Recommendations

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

4.1.2.5 Project implementation and verification

585. A review of the project status indicated that although 19 projects had been allocated funds totalling to Kshs. 53,585,690, the projects had not been initiated by 30th June, 2015. Further seven (7) projects with a total allocation of Kshs. 31,432,500 were at various levels of completion as at 30th June, 2015.

Submission by the Fund Account Manager

586. The Fund Account Manager submitted that all the projects which had not been started and were ongoing had been completed and handed over to the end-users.

Committee Observations

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

Committee Recommendations

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

4.1.3 AUDIT MATTERS IN THE FINANCIAL YEAR 2015/ 2016

589. The Auditor General flagged out four audit Matters during the examination of the financial statements for the year 2015/2016.

4.1.3.1 Transfers from National Government Constituencies Development Fund Board- AIE Received

590. The statement of receipts and payments for the year ended 30th June, 2016 reflected a transfer from NG-CDF Board – AIEs received of Kshs. 105,836,252 whereas the summary statement of appropriation reflected a balance of Kshs. 154, 862,488 resulting to unreconciled variance of Kshs. 49,026,236. Under this circumstance, it is not possible to confirm the accuracy and completeness of the transfer from the NG-CDF Board. AIE Received of Kshs. 105,836,252.

Submission by the Fund Account Manager

591. The Fund Account Manager submitted that the total AIEs received from the NG-CDF Board during the financial year, 2015/2016 amounted to Kshs. 105,836,252. The difference of Kshs. 49,026,236 was the opening balance at the beginning of the financial year.

Committee Observations

592. The Committee observed that unexplained difference of Kshs. 49,026,236 was the opening balances at the beginning of the financial year and that the audit query is resolved.

Committee recommendations

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

4.1.3.2 Other Grants and other payments.

594. The statement of receipts and payments for the year ended 30th June, 2016 reflected transfers to other Government units of Kshs. 59,389,502.00 Out of which Kshs. 11,600,000.00 was for the installation of solar panel floodlights to twenty (20) villages within the constituency. Further, audit verification revealed that ten (10) panels were not working as at March 2017.

Submission by the Fund Account Manager

595. The Fund Account Manager submitted that the installation of solar panel floodlights to twenty (20) villages within the Constituency was to curb security challenges and the project was implemented. However, by March 2017, ten (10) panels were not working due to the vandalism of the solar panels and batteries by the locals.

Committee Observations

596. The Committee observed that-

- i. The Fund utilized Kshs. 11,600,000.00 on the installation of solar panel floodlights to twenty (20) villages within the constituency;
- ii. As at March 2017, ten (10) panels were not working due to vandalism of the solar panels and batteries by the locals; and
- iii. The vandalism was not reported to the police as there was no documentation on the same, such as Occurrence Book Number.

Committee Recommendations

597. The Committee recommends Accounting Officer ensure that the Fund Account Manager put in place adequate control measures to ensure the proper safeguard of public assets and resources as required under Regulation 139 (1) (a) of PFM (National Government) Regulation, 2015.

4.1.3.3 Bank Balance

598. The statement of assets as at 30th June, 2016 reflected a balance of Kshs. 24,494,220. Examination of the bank reconciliation indicates a balance of Kshs. 11,045,175 which was unrepresented cheques out of which Kshs. 285,345 were stale cheques. There was no explanation as to why these cheques were neither replaced nor reversed in the cashbook.

Submission by the Fund Account Manager

599. Mr. Hassan K. Kassim, the Fund Account Manager stated that the stale cheques amounting to Kshs. 285,345 were for bursary and statutory deductions. The cheques were reversed and cleared as shown in the cashbook extract.

Committee Observations

600. The Committee observed that the stale cheques had since been reversed and supporting schedules provided to the auditor for audit verification.

Committee Recommendations

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

4.1.3.4 Budgetary Controls and Performance

602. During the period under review, Lunga Lunga constituency had a final budget of Kshs. 281,810,153 and spent Kshs. 154,862,488 or 55%, resulting in under absorption of Kshs. 126,947,665 or 45%. The under absorption of Kshs. 126,947,665 was an indication that goods and services to the residents of Lunga Lunga constituency were not fully delivered.

Submission by the Fund Account Manager

603. Mr. Hassan K. Kassim, the Fund Account Manager informed the meeting that the low utilization of the budget was due to the delay in disbursement of funds by the NG-CDF Board.

Committee Observations

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

Committee Recommendations

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

4.1.3.5 Project implementation

606. The project status report availed for Audit review indicated that a total of Kshs. 93,181,387 was approved for forty-two (42) projects by the NG-CDF Board for project implementation out of which Kshs. 51,000,000 was disbursed to the projects. A review of the project status report indicated that:

- i) Ten (10) projects within an allocation of Kshs. 35,950,000 were initiated and completed during the year under review.
- ii) Ten (10) projects allocated Kshs. 1,521,387 had not been started.
- iii) Twenty (20) projects with an allocation of Kshs. 52,800,000 were on-going.
- iv) Two (2) projects costing Kshs. 2,910,000 were re-allocated.

Submission by the Fund Account Manager

607. Mr. Hassan K. Kassim, the Fund Account Manager submitted that all the projects which were ongoing and not started at the time of the audit had since been completed and handed over to the various users as shown in the Project implementation status report as at 31st December, 2019.

Committee Observations

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

Committee Recommendations

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

4.1.3.6 Project verification

610. During the audit seven (7) projects with a total of disbursement of Kshs. 50,650,000 were inspected in March, 2017 and various issues were noted as indicated below:

	Project Name	Project activity	Amount	Status /remarks
1	Mwashetani high school	Construction of four new classrooms.	5,000,000	Stalled. Contractor left site.
2	Shirazi boy's high school.	Construction of four new classrooms.	5,000,000	Completed and handed over.
3	Floodlights.	Installation of solar panel flood lights.	6,000,000	Visited four villages project is complete and handed over.
4	Kikoneni secondary school	Purchase of a new school bus.	7,000,000	Bus was purchased and handed over to the school management.
5	Mkwajuni water project.	Drilling of a borehole and installation of pipes.	3,000,000	Completed and handed over.
6	Lunga lunga T.T. I	Counterpart contribution.	10,000,000	Confirmed the portion that was to be done by the fund.
7	Mwashetani high school	Construction of new science lab, administration block and three classrooms.	14,650,000	On-going and within the scheduled time.

611. Slow implementation of projects greatly affects service delivery to the citizens of Lunga Lunga constituency casting doubt on the effectiveness of project monitoring and evaluation carried out by Constituencies Development Committee.

Submission by the Fund Account Manager

612. Mr. Hassan K. Kassim the Fund Account Manager reported that all the projects were completed and handed over.

Inspection visits by the Committee undertaken on 24th to 28th May, 2021

613. The Committee resolved to undertake inspection visits to projects at Mwashetani High School and Installation of Solar Power Floodlights to verify the information submitted by the Fund Account Manager.

Committee Observations

614. The Committee observed that-

- i. The classrooms, Science Lab and Administration Block projects were complete and in use. The workmanship is good and the cost is a true reflection of value for money.
- ii. The school which serves over five primary schools in the area is key in enhancing the transition of pupils from primary to secondary school.
- iii. Most of the Solar Panels were vandalized and the matter reported to the local administration and police. The project was handed over to the County Government for sustainability.
- iv. The intention to install Solar Panels was informed by the need to curb insecurity in the villages. However, there was no provision for their maintenance, including securing them.
- v. The delay in the implementation of projects was occasioned by the late disbursement of funds by the NG- CDF Board and the National Treasury. The projects had since been completed and in use.

Committee Recommendations

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

4.2 MSAMBWENI CONSTITUENCY

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

- i) Mr. James Chebii, Ag. Manager Field Financial Services
- ii) Ms. Christine Mwangolo, Ag. Manager Field Operations
- iii) Mr. Abdulhakim Ali, Former Fund Account Manager (2014 to 2017)

4.2.1 AUDIT MATTERS IN THE FINANCIAL YEAR 2013/2014

617. The Auditor General flagged out seven audit Matters during the examination of the financial statements of Msambweni Constituency for the year 2013/2014.

4.2.1.1 Cash and Cash Equivalents

618. The statement of financial assets and liabilities as at 30 June 2014 reflected a cash and cash equivalents balance of Kshs. 8,812,853. However, no bank reconciliations statements and a board of survey report in support of the balance of Kshs. 8,812,853 as at 30 June 2014 were availed for audit verification. In addition, out of the Kshs. 563,801 in respect of outstanding imprests, Kshs. 413,859 was owed by former employees of the Fund and recovery was doubtful. Consequently, the accuracy and validity of the cash and cash equivalent balance of Kshs. 8,812,853 as at 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

619. Mr. Kenneth Amanya, the Fund Account Manager submitted that the board of survey report and the bank reconciliation statements in support of the cash and cash equivalents balance of Kshs. 8,812,853 had since been availed to the auditor for review. After several efforts by the manager to write letters to the former CDFC members asking them to surrender the outstanding imprests, the members eventually surrendered their imprests.

Committee Observations

620. The Committee observed that-

- i. Bank reconciliations statements and a board of survey report in support of the balance Kshs. 8,812,853 as at 30 June 2014 were not availed for audit verification contrary to the provisions of section 68 of the PFMA Act, 2012 on submission of documents; and
- ii. The documents were however submitted to the auditor and review.

Committee Recommendations

621. The Committee recommends that-

- 1) The Accounting Officer ensures that the Fund Account Manager complies with the provisions of section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The Accounting Officer ensures that the Fund Account Manager adheres to Regulation 94 of PFM (National Government) Regulation, 2015 on surrender of imprest.

4.2.1.2 Fund Balance

622. The statement of financial assets and liabilities includes a fund balance brought forward of Kshs. 6,337,875 as at 30 June 2014. Included in this balance is a bank balance brought forward amounting to Kshs. 3,961,088 and outstanding imprest of Kshs. 2,376,787. However, no supporting schedules and documents were availed for audit review. Consequently, the accuracy and validity of the fund balance of Kshs. 6,337,875 could not be ascertained as at 30 June 2014.

Submission by the Fund Account Manager

623. Mr. Kenneth Amanya, the Fund Account Manager submitted that Kshs. 3,961,088 was bank balances in the Committees Account at Co-operative Bank as shown in the bank reconciliation statement. The Kshs. 2,376,787 outstanding imprest was as per the schedule availed to the auditor. The imprest had since been surrendered.

Committee Observations

624. The Committee observed that-

- i. The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the fund balance which is contrary to the provisions of section 68 of the PFM Act, 2012; and
- ii. The documentation was however submitted to the auditor for audit verification and reviewed by the auditor.

Committee Recommendations

625. The Committee recommends that-

- 1) The Accounting Officer ensures that the Fund Account Manager complies with the provisions of section 68 of the PFM Act, 2012 on the timely submission of documents; and
- 2) The Accounting Officer ensures that the Fund Account Manager adheres to Regulation 94 of PFM (National Government) Regulation, 2015 on surrender of imprest.

4.2.1.3 Receipts

626. The statement of receipts and payments for the year ended 30 June 2014 reflected receipts from the CDF board amounting to Kshs. 99,146,294. However, a review of disbursements from the Constituency Development Fund Board revealed that the fund received a total of Kshs. 107,146,294 resulting in unexplained or reconciled difference of Kshs. 8,000,000. Consequently, the accuracy and completeness of the receipts from CDF Board balance of Kshs. 99,146,294 for the year ended 30 June 2014 could not be confirmed.

Submission by the Fund Account Manager

627. Mr. Kenneth Amanya, the Fund Account Manager submitted that during the financial year 2013-2014, Msambweni Constituency received Kshs. 99,146,294 only vide three (3) AIEs as follows:

DATE	AIE NO	AMOUNT
15/7/2013	A711806	67,259,058
11/12/2013	A709968	2,000,000
9/1/2014	A735501	29,887,235.60
	Total	99,146,293.60

628. The Kshs. 8,000,000 was not captured as a receipt for the financial year as it was received before the start of the period 2013-2014. The bank statements showed when the Kshs. 8,000,000 was received.

Committee Observations

629. The Committee observed that-

- (i) The Fund Account Manager received Kshs. 99,146,294 and not Kshs. 107,146,294 as reported.
- (ii) The Fund Account Manager had submitted support documents which was later verified and reviewed by the auditor.

Committee Recommendations

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

4.2.1.4 Committee Expenses

631. The statement of receipts and payments for the year ended 30 June 2014 reflected payments in respect of committee expenses amounting to Kshs. 5,905,665. However, no supporting schedules and documents were availed for audit review. Consequently, the accuracy and propriety of the committee expenses of Kshs. 5,905,665 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

632. Mr. Kenneth Amanya, the Fund Account Manager submitted that expenses for the committee sitting allowances, monitoring and evaluation expenditure, office expenses, training, attendance registers, payment schedules, committee minutes and M&E to support the expenditure of Kshs. 5,905,665 had since been availed to the auditor.

Committee Observations

633. The Committee observed that-

- (i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure and
- (ii) The documentations were however submitted to the auditor for audit verification after the audit period.

Committee Recommendations

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

4.2.1.5 Other payments

635. The statement of receipts and payments for the year ended 30 June 2014 reflected other payments amounting to Kshs. 1,229,098. Information availed for audit indicated that the payment was a transfer to Lunga Lunga Constituency Development Fund. However, the financial statements of Lunga Lunga Constituency Development Fund availed for audit did not include the transfer. Consequently, the propriety of other payments amounting to Kshs. 1,229,098 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

636. Mr. Kenneth Amanya, the Fund Account Manager submitted that when the larger Msambweni CDF was split, the share of funds belonging to the new Constituency was drawn vide Cheque No. 3166. Unfortunately, Lunga Lunga constituency delayed in depositing the cheque for payment to the bank during the financial year. It remained as an unrepresented cheque in the books of Msambweni Constituency and at the same time, Lunga Lunga could not include it in the financial statement as a receipt. The cheque was deposited in August 2014. The bank statements of Lunga Lunga Constituency and Msambweni had been availed to the auditor for review.

Committee Observations

637. The Committee observed that-

- (i) Kshs. 1,229,098 transferred to Lunga Lunga Constituency Development Fund had not been reflected in the financial statements of Lunga Lunga Constituency Development Fund at the time of Audit; and
- (ii) The funds were later on reflected and the audit query was resolved.

Committee Recommendations

638. The Committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with Section 68 of the PFMA Act, No. 18 of 2012.

4.2.1.6 Transfers to other Government Units

639. The statement of receipts and payments for the year ended 30 June 2014 reflected payments in respect of transfers to other Government units amounting to Kshs. 45,307,540. Information availed for audit indicated that the amounts were paid out as follows: to primary schools Kshs. 13,531,460 to secondary schools Kshs. 15,597,300 to tertiary institutions Kshs. 678,780 and to health institutions Kshs. 15,500,000.
640. However, no supporting schedules and documents were availed for audit review. In addition, the acknowledgment of receipt of the monies by the recipients in the respective public institutions was not availed for audit verification. Consequently, the propriety of the transfers to other Government units amounting to Kshs. 45,307,540 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

641. Mr. Kenneth Amanya, the Fund Account Manager submitted that the supporting schedules of funds transferred to the government units and bank statements were availed to the auditor for review. The schedules and bank statements of the respective projects as proof of receipt of funds were availed for verification.

Committee Observations

642. The Committee observed that-
- (i) The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure of Kshs. 45,307,540; and
 - (ii) The documentation was however submitted to the auditor for audit verification after the audit period and the audit query resolved.

Committee Recommendations

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

4.2.1.7 Acquisition of Assets

644. The statement of receipts and payments for the year ended 30 June 2014 reflected payments in respect of the acquisition of assets amounting to Kshs. 9,500,000. The payments comprised of Kshs. 8,500,000 and Kshs. 1,000,000 for construction of Msambweni CDF office and purchase of furniture and fittings respectively. However, information and payment documents availed for audit indicated that only Kshs.

7,752,918 was spent on the construction of the buildings resulting in an unexplained variance of Kshs. 1,747,082. In addition, although the contract costs for the construction of the office covered plumbing works, drainage, landscaping, construction of parking area and the gate totaling Kshs. 4,260,000 there was no indication that the same had been done by the time of this audit.

645. Further, documents in support of payments amounting to Kshs. 1,000,000 in respect of the purchase of office furniture and fittings were not availed for audit review. Additionally, no retention money was deducted from the payment for construction of the office building to cover the contract's defect period contrary to Government Financial regulations. Consequently, the accuracy and validity in respect of the acquisition of assets amounting to Kshs. 9,500,000 for the year ended 30 June 2014 could not be ascertained.

Submission by the Fund Account Manager

646. Mr. Kenneth Amany, the Fund Account Manager submitted that the variance of Kshs. 1,747,082 was utilized as follows:

Project	Amount
Furniture	1,000,000
White house	250,000
Kidzumbani	250,000
Water in Lunga Lunga office	247,000

647. He further submitted that landscaping, plumbing works, drainage, car park and the gatehouse were all done. The project was paid a year after completion that's why there was no need for retention since the project had been there for more than six months. The Fund Account Manager, availed a copy of the Payment voucher for public toilets, purchase of office furniture and photos of landscaping, gate and car parking.

Committee Observations

648. The Committee observed that-
- The Fund Account Manager had not provided at the time of the audit the supporting schedules and documentation to support the expenditure of Kshs. 9,500,000; and
 - The documentation was however submitted to the auditor for audit verification after the audit period and the audit query was resolved.

Committee Recommendations

649. The Committee recommends that:

- 1) The Accounting officer ensures that the Fund Account Manager complies with Section 68 of the PFM Act, No. 18 of 2012; and

- 2) The Accounting Officer ensures that the Fund Account Manager avails supporting documents to the Auditor during the audit as required under section 9(1)(c) Public Audit Act, 2015

4.2.2 AUDIT MATTERS IN THE FINANCIAL YEAR 2014/2015

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

4.2.2.1 Receipts

651. The statement of receipts and payments for the year ended 30 June 2015 reflected receipts from other government entities amounting to Kshs. 133,949,060. However, a review of disbursement from the Constituency Development Fund Board revealed that the fund received a total of Kshs. 128,475,147 resulting in an unexplained or reconciled difference of Kshs. 5,473,913. Consequently, the accuracy and completeness of the receipts from other government entities balance of Kshs. 133,949,060 for the year ended 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

652. The Fund Account Manager submitted that Msambweni CDF received Kshs. 133,949,060.65 from the CDF Board during the financial year 2014/2015 evident by the received AIEs as follows:

DATE	AIE NO	AMOUNT
21/7/2014	A750186	47,831,853.40
29/12/2014	A796517	25,705,736
10/2/2015	A796836	31,705,735.50
25/5/2015	A797186	28,705,735.75
	Total	133,949,060.65

653. The AIE copies, bank statements, cashbook excerpts and confirmation letters from the Board had been availed to auditors for verification.

Committee Observations

654. The Committee observed that the Constituency had received Kshs. 133,949,060 and there was no variation as indicated in the audit query hence the issue stands resolved.

Committee Recommendation

655. The committee recommends that the Accounting Officer ensures that the Fund Account Manager complies with the provisions of Section 68 of the PFM Act, 2012.

4.2.2.2 Cash and Cash Equivalent.

656. The statement of assets reflected cash and cash equivalent balance of Kshs. 26,203,387. Bank reconciliation statements availed revealed that Kshs. 6,848,552 were cheques not presented for payment out of which cheques amounting to Kshs. 1,615,298 were stale and therefore could not be presented for payment. Further bank charges and commissions amounting to Kshs. 411,103 had not been adjusted in the cashbook. In addition, out of

the Kshs.1, 422,037 in respect of outstanding imprest Kshs.113, 859 were owned by a former employee of the fund and its recoverability is doubtful. Consequently, the accuracy and validity of the cash and cash equivalent balance of Kshs. 26,203,387 as at 30 June 2015 could not be confirmed.

Submission by the Fund Account Manager

657. The Fund Account Manager submitted that all bank charges had been expensed against the administration vote and necessary adjustments had been done. Vouchers and cashbook excerpts had been availed for verification.

658. On the unrepresented cheques, some of them were presented and cleared while others were replaced. The stale cheques were reversed and replaced and cleared by 30th June 2017 as shown in the schedule and excerpts of cashbook folio nos. 36401, 36402, 36404, 36406, 36413 and 36414 provided.

659. On the issue of outstanding imprest, all the outstanding imprests had since been surrendered.

Committee Observations

660. The Committee observed that-

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

Committee Recommendations

661. The Committee recommends that:

- 1) The Fund Account Manager ensures that financial records and other records are up-to-date, accurate, reliable, and complete and adhere to accounting standards prescribed by the PSASB as prescribed by Section 81(3) of the PFM Act, No. 18 of 2012 and Regulation 101(4) of the PFM (National Government) Regulations 2015; and
- 2) The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

4.2.2.3 Acquisition of Land

662. The statement of receipts and payments as at 30 June 2015 reflected the acquisition of assets amounting to Kshs. 6,120,000. Included under this payment was the acquisition of land amounting to Kshs. 500,000 on which the Fund management had commenced building its offices. However, no evidence was availed for audit to show that the land

had been transferred to the Fund and that the land was public as required by Section 22[1] of the Constituency Development Fund Act, 2013, which requires that all projects undertaken shall be community-based. The Fund, therefore, was in breach of the Law.

Submission by the Fund Account Manager

663. The Fund Account Manager submitted that at the time of the audit, the transfer process was ongoing. This was completed and the title was issued and presented to the auditors for verification.

Committee Observations

664. The Committee observed that the title transfer process was completed and the title issued.

Committee Recommendations

665. The Committee recommends that the Accounting Officer ensures that the Fund Account managers put in place proper control systems for safeguarding public assets in line with Regulation 139 of PFM (National Government) Regulations, 2015.

4.2.2.4 Budgetary Controls and Performance

666. Msambweni CDF actual expenditure for the year ending 30 June 2015 amounted to Kshs. 118,605,868 against a budget of Kshs. 113,322,942 resulting in an overall net excess expenditure of Kshs. 5,282,925. The fund overspent on four items namely transfer to other government Agencies, acquisition of assets and committee expenses amounting to Kshs. 11,449,154. There was no evidence of approval of the excess expenditure availed for audit review. Further, the fund underspent on four items to the tune of Kshs. 6,166,228. Although the fund indicated that the budget was adjusted by Kshs. 15,727,097, no evidence in form of a supplementary budget was availed to support the adjustment. Failure to utilize funds may lead to poor service delivery for the citizens of Msambweni Constituency.

Submission by the Fund Account Manager

667. The Fund Account Manager submitted that the Constituency carried forward funds from previous years which were utilized in the financial year 2014/15. There was therefore no over expenditure.

668. An amount of Kshs. 8,059,607.82 were funds transferred to other government units, Kshs. 2,871,235.56 used for acquisition of assets and Kshs. 18,312 utilized for committee expenses. The under expenditure was due to delay in preparation of BQs and also late disbursement of funds and procurement processes. The cash Kshs. 15,727,097 was not supplementary budget but funds of previous financial year and funds owed by the Board which is recorded in the adjustment column.

Committee Observations

669. The Committee observed that under expenditure was due to late disbursement of funds by the NG- CDF Board and the National Treasury while over expenditure was as a result of rollover funds from previous years which was utilized in the financial year.

Committee Recommendations

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

4.2.2.5 Project implementation

671. The statement of receipts and payments for the year ended 30 June 2015 indicated that Kshs. 82,799,462 had been disbursed to various projects. Thirty-three [33] projects were proposed and approved at an estimated budget of Kshs. 154,872,613. Out of this, eight projects were budgeted for Kshs. 29,300,000 were not started, two projects with an estimated budget of Kshs. 40,282,759 were partially completed and two projects at a cost of Kshs. 6,500,000 were complete but were not in use.

672. Although the management attributed the non-implementation of the project to poor funding from the Board, it was not clear how the project identified and marked for implementation during the year could not be implemented and yet the Fund had idle cash in the bank. The Fund should plan to implement and complete all the projects planned for the year for better delivery of services to the citizens of the Constituency.

Submission by the Fund Account Manager

673. Mr. Kenneth Amanya, the Fund Account Manager acknowledged that all projects had been completed and operational.

Committee Observations

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

Committee Recommendations

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