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REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

FIRST 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 TWELVE (12) CONSTITUENCIES IN
KAKAMEGA COUNTY FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND
2015/2016

THE NATIONAL ASSEMBLY	
DATE: 27 JUL 2023	
DAY: THURSDAY	
TABLED BY:	HON GIDEON MULYUNGI CHAIRMAN
CLERK AT THE TABLE:	

Directorate of Audit, Appropriations & Other Select Committees
National Assembly
Parliament Buildings
NAIROBI

July, 2023

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LIST OF ABBREVIATIONS AND ACRONYMS

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
IPSAS	International Public Sector Accounting Standards
MP	Member of Parliament
NGCDF	National Government Constituencies Development Fund
NHIF	National Hospital Insurance Fund
PAYE	Pay As You Earn
PMC	Project Management Committee
PSASB	Public Sector Accounting Standards Board

CHAIRPERSON'S FOREWORD

Hon. Speaker, on behalf of the Decentralized 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 twelve (12) Constituencies in Kakamega County 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 fulfilment of these constitutional provisions, the National Assembly 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. 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.

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, present and former, to clarify various issues raised by the Auditor-General during their tenure in office given the critical role they play as AIE holders as stipulated under Section 12(4) of the NG-CDF Act, 2015.

The Committee held eleven (11) sittings. It received evidence from the Fund Account Managers from the 12 constituencies, namely, Lugari, Butere, Likuyani, Malava, Khiwesero, Lurambi, Navakholo, Shinyalu, Mumias West, Matungu, Mumias East and Ikolomani.

The oral and written submissions received formed the basis of observations, findings and recommendations of the Committee as outlined in this report under each of the audit queries. These are also contained in the Minutes and Hansard Reports of Committee proceedings.

The Committee also undertook inspection visits to various NG-CDF projects in the Lurambi and Mumias West Constituency to verify information submitted by both the Accounting Officer and Fund Account Managers on the completeness of various projects and their benefits to the citizens.

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, ensuring that priority projects that had the most significant benefits to the communities were implemented. Most of these projects were on infrastructure development in various public schools and utilities.

Hon. Speaker, I wish to express appreciation to your office and Office of the Clerk of the National Assembly, Honourable Members of the Committee, the Parliamentary Liaison Officers from the Office of the Auditor-General and the National Treasury and the Committee Secretariat for facilitating the Committee in the production of this report.

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

HON. GIDEON MULYUNGI, M.P.

CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

CHAPTER ONE

1.0 PREFACE

1.1 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.
 - 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, No. 18 of 2012 and its regulations
 - e) Public Procurement & Asset Disposal Act, 2015 and its regulations
 - f) National Government Constituency Development Act, 2015 and its regulations
 - 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: -

Chairperson

Hon. Gideon Mutemi Mulyungi, M.P.

Member for Mwingi Central Constituency

Wiper Democratic Movement-Kenya

Vice-Chairperson

Hon. Gertrude Mwanyanje Mbeyu, M. P.

Member for Kilifi Constituency

Orange Democratic Movement

Hon. Mejjadonk Benjamin Gathiru M. P.

Member for Embakasi Central Constituency

United Democratic Alliance

Hon. Mboni David Mwalika M.P.

Member for Kitui Rural Constituency

Wiper Democratic Movement – Kenya

Hon. Kahangara Joseph Mburu M. P.

Member for Lari Constituency

United Democratic Alliance

Hon. Momanyi Innocent Obiri M.P.

Member for Bobasi Constituency

Wiper Democratic Movement – Kenya

Hon. Caroline Jeptoo Ng'elechei M. P.

Member for Elgeyo Marakwet Constituency

Independent Member

Hon. Mogaka Stephen M.P.

Member for West Mugirango Constituency

Jubilee Party

Hon. Barre Hussein Abdi M. P.

Member for Tarbaj Constituency

United Democratic Alliance

Hon. Dorothy Muthoni Ikiara M.P.

Member for Meru Constituency

United Democratic Alliance

Hon. Wanyonyi Martin Pepela M. P.
Member for Webuye East Constituency
Ford Kenya

Hon. Guyo Adhe Wario M. P.
Member for North Horr Constituency
KANU

Hon. Lentoijoni Jackson Lekumontare M. P.
Member for Samburu East Constituency
KANU

Hon. Osogo Bensuda Joyce M.P.
Member for Homabay Constituency
Orange Democratic Movement

Hon. Kipngor Reuben Kiborek M.P.
Member for Mogotio Constituency
United Democratic Alliance

1.4 Committee Secretariat

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

- | | | |
|-------------------------|---|-----------------------------|
| 1. Mr. Muyodi Emmanuel | - | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | - | Clerk Assistant III |
| 3. Mr. John Mutinda | - | Clerk Assistant III |
| 4. Mr. Clinton Sindiga | - | Legal Counsel II |
| 5. Ms. Elizabeth Kibati | - | Research Officer III |
| 6. Mr. Wilson Mwangi | - | Fiscal Analyst III |
| 7. Mr. Calvin Karung'o | - | Media Relations Officer III |
| 8. Ms. Zainabu Wario | - | Serjeant-at-Arms II |
| 9. Ms. Esther Mbatha | - | Protocol Officer III |
| 10. Mr. Muchiri Mwangi | - | Audio Officer III |

CHAPTER TWO

2.0 INTRODUCTION

2.1 Background Information

7. The National Assembly's roles include oversight over the national revenue and expenditure as per Article 95(4) (c) of the Constitution of Kenya. Article 229(8) mandates the National Assembly to debate and take appropriate action on audit reports within three months of receipt of the reports from the Auditor-General. Further, section 68(1) of the Public Finance Management (PFM) Act, 2012 requires accounting officers for national government entities, including public funds, Parliamentary Service Commission, and the Judiciary, to be accountable to the National Assembly through the relevant Committee.
8. The Decentralized Funds Accounts Committee is among the Committees of Parliament established under Article 124 of the Constitution of Kenya, 2010, to assist the National Assembly in undertaking its constitutional mandate geared towards enhanced accountability in handling public funds.
9. The Committee draws its mandate from Standing Order 205B of the National Assembly Standing Orders, which requires it to examine accounts of Funds established by law as the Speaker may direct.

Guiding Principles: Constitutional and Legal Provisions on Public Finance

10. The principles of public finance under Article 201 of the Constitution of Kenya 2010 guided the Committee in the execution of its mandate. The principles require openness, accountability, public participation in financial matters, prudence, and responsible use of public funds. Further, Article 226 (5) 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"*.
11. The various legal provisions, including the PFM Act, 2012; the Public Audit Act, 2015; 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"*.

12. The Committee relied on these constitutional and legal provisions as the basis for inviting the accounting officers of the Funds to respond to issues raised by the Auditor-General. During consideration of the audit reports, the Committee also relied on additional information submitted to it on the administration and performance of the Funds to come up with general recommendations geared towards effective management and operations of the Funds as well as improved accountability and financial reporting.

CHAPTER THREE

3.0 REPORTS ON THE AUDITED ACCOUNTS OF LUGARI CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

LUGARI CONSTITUENCY

13. Ms. Perez Anyango, the Fund Manager appeared before the Committee on 3rd March, 2023 to respond to the audit matters raised in the report of the Auditor General for Lugari Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Accuracy and Completeness of the Financial Statements

14. The Fund did not comply with the Standards and template contained in the Gazette pronouncement issued by IPSAS Board on the presentation of the financial statements as the cash flows was not prepared. Further, the general ledgers from which the financial statements were to be prepared were not maintained by the Fund.

Response by the Fund Account Manager

15. During the Financial Year under review the Cashflow Statement was not mandatory. However, the cashflow Statement was prepared and provided to the Auditor for review. Also, a comprehensive annual expenditure return, which serves as the general ledger and from which the financial statements were prepared and provided to the auditor for review.

Committee Observation

16. *The Committee observed that, during the period under review the cashflow Statement was not mandatory. Nevertheless, the cashflow statement and comprehensive annual expenditure return, which serves as the general ledger were submitted to the auditor for review.*

Committee Recommendations

17. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*
 - (i) *keeps financial and other records that are accurate, reliable, and complete;*
 - (ii) *should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time";*

- (iii) *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as maybe necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- (iv) *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

2.0 Other Grants and Transfers

- 18. Other Grants and transfers (Roads) – Kshs 45,023,372
- 19. Included in Other Grants and Transfers balance of Kshs 45,023,372.00 as at 30 June, 2014 is Roads expenditure of Kshs 21,442,996.35. Payment Vouchers availed for audit totalled Kshs 16,778,920.00 resulting to a variance of Kshs 4,664,076.35 unaccounted for. In the circumstances, the accuracy and propriety of the roads expenditure of Kshs 21,442,996.35 could not be confirmed.

Response by the Fund Account Manager

- 20. Kshs 21,442,996.35 was the actual expense for roads during the year under review. The Payment Vouchers amounting to Kshs 4,664,076.35 were provided to the auditor for review.

Committee observation

- 21. *The Committee observed that, the payment vouchers were provided to the Office of the Auditor General for review and verification. The query was adequately addressed and resolved.*

3.0 Bursary to Secondary Schools and Tertiary Institutions

- 22. The Funds Bursary to Secondary Institutions balance of Kshs 20,913,712.00 differs with the audited schedules amount of Kshs 20,342,353.00 resulting to an unreconciled difference of Kshs 571,360.00.
- 23. Further, out of the total bursary amount of Kshs 20,342,352, only Kshs 18,694,452.00 was acknowledged leaving a balance of Kshs 1,647,900.00 unacknowledged by the beneficiary institutions.
- 24. In the circumstances, the accuracy and propriety of Other Grants and Transfers balance of Kshs 20,913,712.00 could not be confirmed.

Response by the Fund Account Manager

25. Kshs 571,360 was erroneously excluded in the audited schedules as reported. The Schedules were provided to the auditor for review.
26. The unacknowledged amount was Bursary payment to institutions outside the Constituency. They had delayed to send in their acknowledgement letters. These letters were received by the office after the audit. The letters were provided to the auditor for review.

Committee observation

27. *The Committee observed that, the acknowledgement letters were provided to the Office of the Auditor General for review and verification. The query was adequately addressed and resolved.*

Committee Recommendations

28. *The Committee recommends that: -*
 - (i) *Within three months of the adoption of the report, the National Government Constituencies Development Fund Board reviews the 2015 Guidelines on Issuance of Bursaries to Beneficiaries.*
 - (ii) *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.*

4.0 Cash and Cash Equivalents

29. The Statement of Assets and Liabilities reflects cash and cash equivalents balance of Kshs 44,332,734.00 as at 30 June 2014. However, an analysis of the bank reconciliation statement for June 2014 revealed.

a) Unpresented stale cheques – Kshs 214,158.80

30. Payments in cash book not yet recorded in the bank statement totalling to Kshs 7,033,828.90 included stale cheques amounting to Kshs 214,158.80.

Response by the Fund Account Manager

31. The stale cheques of Kshs. 214,158.80 were for bursary cheques that had not been presented. The Stale cheques were reversed and allocated to other needy cases. Cash book extract Folio 17 were provided to the auditor for review.

Committee Observation

32. *The Committee observed that the Fund Account Manager provided evidence that the stale cheques were reversed and provided to other needy cases. These was verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

b) Payments in Bank Statement not recorded in the cash book

33. The statement reflects payments in the bank statement not recorded in cash book amounting to Kshs 388,211.00 included standing orders and bank charges amounting to Kshs 47,811.00 leaving the balance of Kshs 340,400.00 as payments to third parties not accounted for.

Response by the Fund Account Manager

34. These were replaced bursary cheques that were delayed to be posted in the cash book. The cashier had delayed to post transactions worth Kshs 340,400 in the cashbook. They were later posted. Kshs 375,677 is the amount of reversed bursary cheques which had not been cleared off the Cash book at the time of Audit.

Committee Observation

35. *The Committee observed that the payment of Kshs 340,400 in the bank statement was not recorded in the cash book and supporting documents were not provided to the Office of the Auditor General for review.*

Committee Recommendations

36. *The Committee recommends that -*

- (i) Within three months of the adoption of this report, the Accounting Officer should ensure that the Fund Account Manager reconciles the amount of Kshs. 340,400 as payments to third parties not accounted for. Further, the reconciled statement with supporting documents should be submitted to the auditor for audit review.*
- (ii) The Accounting Officer should ensure that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c) should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts*

and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible”; and

d) should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that “An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”.

c) Receipts in cash book not recorded in the bank statements

37. There were long outstanding receipts amounting to Kshs 375,677.00 as at 30 June, 2014 which had not been received at bank. The amount includes two reversed cheques of Kshs 8,000.00 and Kshs 6,000.00 and 6 replacement cheques all of which were not included in the schedule for unrepresented cheques. The total amount of Kshs 375,677 thus remain unaccounted for. In view of the foregoing, the accuracy and completeness of the cash and cash equivalents balance of Kshs 44,332,734.00 could not be ascertained.

Response by the Fund Account Manager

38. Kshs 375,677 was the amount of reversed bursary cheques which had not been cleared off the Cash book at the time of Audit.

Committee Observation

39. *The Committee observed that the receipts worth Kshs 375,677.00 were not recorded in the cash book. The amount includes two reversed cheques of Kshs 8,000.00 and Kshs 6,000.00 and 6 replacement cheques all of which were not included in the schedule for unrepresented cheques.*

Committee Recommendations

40. *The Committee recommends that -*

(i) Within three months of the adoption of this report, the Accounting Officer ensures the Fund Account Manager reconciles the amount of Kshs 375,677.00 that were not recorded in the cash book. The amount includes two reversed cheques of Kshs 8,000.00 and Kshs 6,000.00 and 6 replacement cheques all of which were not included in the schedule for unrepresented cheques. Further, the reconciled statement with supporting documents should be submitted to the auditor for audit review.

(ii) The Accounting Officer should ensure that the Fund Account Managers: -

- a) keeps financial and other records that are accurate, reliable, and complete;*
- b) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM*

Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time";

- c) should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- d) should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

5.0 Transfers to other Government entities

- 41. The Statement of receipts and payments reflects transfers to other government entities totalling to Kshs 70,817,532.00 as at 30 June, 2014. However, included in the amount is Kshs 413,800.00 transferred to Agricultural Institutions whose expenditure schedules were not provided for audit review.
- 42. As a result, the propriety of the expenditure of Kshs 413,800.00 could not be confirmed as at 30 June, 2014.

Response by the Fund Account Manager

- 43. Kshs 413,800 was erroneously classified under Agricultural Institutions instead of other grants and Transfers (Environment group). This was a single payment for Kshs 413,800 as recorded in the cashbook.

Committee Observation

- 44. The Committee observed that the Fund Account Manager submitted the payment schedules which were verified by the Office of the Auditor General. The query was adequately addressed and resolved.

Committee Recommendations

- 45. The Accounting Officer should ensure that the Fund Account Managers: -
 - i. keeps financial and other records that are accurate, reliable, and complete; and

- ii. *should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

OTHER MATTER

1.0 Going concern

46. The High Court of Kenya in its ruling on petition 71 of 2013 held that the Constituencies Development Fund Act 2013 establishing the Constituency Development Fund since enactment of the Constitution of Kenya, 2010 was unconstitutional rendering the existence of the Fund illegal. It is not clear whether legislation providing for the Fund will be in place within the period given by the High Court of twelve months for the Fund to continue existing.

Response by the Fund Account Manager

47. The going concern issue was addressed through the enactment of the National Government Constituency Development Fund Act, 2015.

Committee observations

48. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

2.0 Going Concern

49. During the year under review, the fund disbursed Kshs 515,873.30 to an Environmental Group to carry out environmental activities. However, a site visit to two beneficiary schools where the seedlings were purportedly, revealed that the seedlings had dried up due to lack of technical management and supervision. Consequently, the expenditure did not meet the objectives intended and no value for money was received by the Fund.

Response by the Fund Account Manager

50. The trees were supplied to public institutions as required i.e., schools and health facilities. It was noted that some institutions did not come up with mechanism of maintenance during the 3-month dry spell (between January and March), thus some seedlings dried up. But majority of the trees seedlings survived. The committee adopted a mechanism to avoid such occurrences in the future activities by prequalifying registered youth groups to maintain the trees, as and when required.

Committee Observations

51. *The Committee observed that:-*

- i. it was the responsibility of the institutions to take care of the seedlings once planted.*
- ii. The Project Management Committees (PMCs) had adopted a mechanism to avoid such occurrences in the future activities by prequalifying registered youth groups to maintain the trees, as and when required.*
- iii. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2014/2015

1.0 Unsupported Land Purchase

52. The Fund disbursed Kshs 4,800,000.00 purchase of land 8.4 acres of land valued at Kshs 6,410,000.00 for two institutions. 6.4 hectares and 2.0 hectares for Chevaywa Technical Training Institute and Muhomo Secondary School at Kshs 5,460,000.00 and Kshs 950,000.00 respectively. However, title documents had not been obtained. The ownership of the land bought could not be confirmed. As a result, the propriety of the purchase of land expenditure of Kshs 4,800,000.00 could not be ascertained.

Response by the Fund Account Manager

53. During the time of Audit, the Title Deeds were still being processed; however, the title deed for Chevaywa TTI was ready and had been submitted to the Auditor for review. For Muhomo Secondary School, succession process had not been concluded. The search document for the land of Muhomo secondary was provided to the auditor for review.

Committee Observations

54. *The Committee observed that:-*

- (i) during the time of Audit, the title deeds were still being processed.*
- (ii) the title deed for Chevaywa TTI was later issued and was submitted to the Auditor for review.*
- (iii) at the time of audit succession process for Muhomo Secondary School was still ongoing. However, the search documents for the said land were submitted to the auditor for review.*

Committee Recommendation

55. *The Committee recommends that the Fund Account Manager should liaise with the NG-CDF Legal Department, Sub-County Land Registrar and the Sub-County Educational Office to fast-track succession process for the Muhomo Secondary School to hasten the acquisition of the title deed.*

2.0 Other Grants and Transfers

2.1 Irregular lease of land

56. The Fund paid out the Emergency provision of Kshs 1,000,000.00 for a ten-year lease of ten acres of land for the proposed construction of a maize mill. However, the Project was not budgeted for. It was not an emergency as evidenced by the fact that it had not taken off one year down the line. No value for money has been received from the expenditure.

Response by the Fund Account Manager

57. The community through Lugari CDF was to lease 10 acres of land for ten years to build store house to help the farmers preserve their maize from destruction and wastage. There was pressure to get the land for the County government of Kakamega to build the maize stores to avoid destruction of maize. It was a joint venture between the County government of Kakamega and the community. The county government was to construct the stores for that purpose after the lease of land. The county government had not yet done the project and the land was still laying bare. The committee did this in the spirit to stop destruction of the maize harvest and promote agricultural sector, but the project had not yet kicked off.

Committee Observations

58. *The Committee observed that: –*

- (i) The Fund did not adhere to National Government Constituencies Development Fund Act, 2015 regarding the threshold on the use of the Emergency Fund. It was not an emergency as evidenced by the fact that the project had not taken off one year down the line.*
- (ii) Kakamega County Government was to construct the stores to help the farmers preserve their maize from destruction and wastage. This was not done and the land was still laying bare.*

Committee Recommendations

59. *The Committee recommends that:-*

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

CDF Fund Act, 2015 which provides that "The Constituency Development Fund Committee may make appropriate consultations with the relevant Government departments to ensure that cost estimates for the projects are realistic."

- ii. That the National Government Constituencies Development Fund Board to issue guidelines on the use of emergency funds to align emergency spending with the National Government Constituencies Development Fund Act, 2015; and*
- iii. The National Government Constituencies Development Fund Board ensures that the Fund Account Managers complies with provisions of sections 6(2) and section 8 of the National Government Constituencies Development Fund Act, 2015 which provides that "(2) Once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board" and "(1) A portion of the Fund, equivalent to five per centum (hereinafter referred to as the "Emergency Reserve") shall remain unallocated and shall be available for emergencies that may occur within the Constituency; (2) The Constituency Committee shall determine the allocation of the emergency reserve in accordance with the Act ;and (3) "Emergency" shall be construed to mean an urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents" respectively on the reallocation of funds and the use of emergency funds*

2.2 Paid Electricity Power line not installed.

- 60. The Rural Electrification Authority of Kenya was paid Kshs 1,200,000 for the construction of a power line and wiring of Silungai Water Project that had not taken off one year down the line. Further, proper documentation including project proposals and official receipts from the Authority were not provided for review.
- 61. In view of the foregoing, the Fund has not gotten value for money for the entire expenditure of Kshs 2,200,000 as at 30 June, 2015.

Response by the Fund Account Manager

- 62. The project was initiated between the community and World Vision. The community had to contribute Kshs 1, 200,000 and World Vision to fund the rest. The activity was to bring power line closer to the project and connect power to the project to supply water to the community. The community requested Lugari CDF to pay the community contribution of kshs1,200,000. The same was done direct to REA.
- 63. The Project was successfully implemented.

Committee Observation

64. *The Committee observed that the Fund Account Manager submitted required documents which were verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

65. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act*

3.0 Cash and Cash Equivalents

66. The Statement of financial assets reflects cash and cash equivalents balance of Kshs 29,482,878 as at 30 June, 2015. However, receipts amounting to Kshs 185,931.70 were not reflected in the Bank Reconciliation and were not in the schedules for uncredited cheques as would be expected.
67. Further, included in the balance are outstanding imprests of Kshs 91,000.00. In the circumstances, the accuracy and completeness if the cash and cash equivalents balance of Kshs 29,482,878 could not be confirmed as at 30 June , 2015.

Response by the Fund Account Manager

68. These were stale bursary cheques which were reversed in the cashbook and did not appear in the Bank Reconciliation for the month of June. Subsequently, fresh cheques were issued to new beneficiaries. Schedule of cheques is attached.
69. Kshs 91,000.00 outstanding imprest was surrendered vide PV No. 136 of Kshs 91,000.00 and cleared off the cashbook on 19th May, 2018.

Committee Observations

70. *The Committee observed that:-*

- (i) The stale cheque reversal evidence was not availed and verified by the Office of the Auditor.*
- (ii) The imprest surrendered vide voucher no. 136 dated 19th May 2018 was availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

71. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*
- a. keeps financial and other records that are accurate, reliable, and complete;*
 - b. should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c. should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible";*
 - d. should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury"; and*
 - e. Should ensure that any officer allocated imprest surrenders within seven days failure to which recovery should ensue as provided for under Regulation 93(6) of the Public Finance Management Regulations of 2015 which provides that "In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate."*

OTHER MATTER

72. The Fund budgeted receipts were Kshs 166,075,217 but only received an amount of Kshs 91,306,865.50 implying an underfunding of Kshs 74,768,353.00. Consequently, projects amounting to Kshs 74,768,353 could not be implemented as planned.

Response by the Fund Account Manager

73. The delay in Project implementation was due to late disbursements from the exchequer. AIE No. 796050 – Kshs 30,435,621.25 and AIE No. 790793 – Kshs 28,885,618.50 received on 2nd July 2015..

Committee Observation

74. *The Committee observed that the query arose due to late disbursement by the exchequer. The evidence of late disbursement vide AIE No. 796050 – Kshs 30,435,621.25 and AIE No. 790793 – Kshs 28,885,618.50 received on 2nd July 2015 were availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

75. *The committee recommends that the National Treasury should ensure timely release funds to enable implementation of projects approved by the NG-CDF Board.*

FINANCIAL YEAR 2015/2016

1.0 Prior Year issues

76. According to International Public Sector Accounting Standards (Cash basis) financial statements presentation format prescribed by the National Treasury requires the management to include the action taken on the previous year auditors' recommendation. In the Year 2014/2015, Lugari CDF had a qualified opinion. However, no report on the progress of follow up of the audit issues raised was included in financial statements for the year under review.
77. In the circumstances, the presentations of the financial statements were not in conformity with the Public Sector Accounting Standard (cash basis) as prescribed by the National Treasury and in accordance with the Public Management Act, 2015.

Response by the Fund Account Manager

78. The omission was noted. Going forward the report will be included.

Committee Observation

79. *The Committee observed that the Fund Account Manager noted the error and endeavoured to include the report on the progress of follow-up of the audit issues raised in financial statements in the subsequent years.*

Committee Recommendation

80. *The Committee recommends that, the Fund Account Managers should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

2.0 Failure to Adhere to the Memorandum of Understanding (MOU)

81. The Lugari CDFC entered into an agreement with the National Youth Service (NYS) through Memorandum of Understanding which stipulated that the NYS was to provide operators and machinery for road maintenance works and Lugari CDFC was to provide murram by leasing gravel pits/murram sites. Joint report was to be provided after completion of a specific road indicating actual cost incurred by each party. However, it was noted that the Lugari CDFC went against this agreement and hired trucks from five (5) contractors to transport murram at a total cost of Kshs 22,422,718.00.

Response by the Fund Account Manager

82. The CDFC hired more tracks because NYS did not have enough trucks to transport murram to road sites. NYS had only one truck (tipper) which had mechanical problems and was not adequate to cope with two excavator machines available on site at that time. Due to the short timelines provided to use NYS machineries', an alternative was to be provided for the works to go on.
83. Further, there was no financial loss incurred in relation to this MOU, due to the engagement of other contractors. This decision was arrived at by the Lugari CDF committee and NYS officials and Government Transport officer.

Committee Observations

84. *The Committee observed that:-*
- i. The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager.*
 - ii. The documents were later provided and verified by the Office of the Auditor General.*
 - iii. The query was adequately addressed and resolved.*

Committee Recommendation

85. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

3.0 Cash and Cash Equivalent

86. The Statement of financial assets reflects long outstanding imprests of Kshs 91,000.00. it is not clear why it had taken too long to clear these long outstanding imprests.

Response by the Fund Account Manager

87. The fund account manager surrendered the Imprest vide PV No. 136 dated 19th May 2018.

Committee Observation

88. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The surrender documents were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

The Committee recommends that the Accounting Officer should ensures that:-

89. *The Fund Account Managers should ensure that any officer allocated imprest surrenders within seven days failure to which recovery should ensue as provided for under Regulation 93(6) of the Public Finance Management Regulations of 2015 which provides that “In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.”*

OTHER MATTER

1.1 Budget performance

90. The Fund budgeted receipts was Kshs 189,048,378 but received an amount of Kshs 178,348,375 leading to an underfunding of Kshs 10,700,004. Consequently, projects amounting to Kshs 10,700,004 may not have been implemented as planned.

Response by the Fund Account Manager

91. This was due to late disbursement by the exchequer. The funds were received and projects amounting to Kshs 10,700,004 implemented. AIE No A839555 of Kshs 10,700,004, dated 26th October, 2016.

Committee Observation

92. *The Committee observed that the query arose due to late disbursement by the exchequer. The funds were later received and projects amounting to Kshs 10,700,004 implemented. The evidence of late disbursement vide AIE No. A839555 was availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

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

1.2 Project implementation

94. During the year under review, the fund planned to implement 353 projects. However, it failed to implement 29 projects with a total value of Kshs 19,684,503 that were to be undertaken within the financial year although 272 projects were on going. In the circumstances it is not clear, and the fund management has not explained how the back log of the projects will be completed for the benefits of the constituency.

Response by the Fund Account Manager

95. This was due to delay in disbursement from the exchequer. The funds were disbursed, and projects implemented. The CDF Board came up with guidelines to complete ongoing projects within three Financial Years. The guideline was followed and projects were completed at the stipulated time. The Projects in question were completed. A sample of completion certificates were provided to the auditor for review.

Committee Observation

96. *The Committee observed that the delay in implementation of the projects was occasioned by late disbursement of funds by exchequer. Nevertheless, the projects in question were completed. The query was adequately addressed and resolved.*

Committee Recommendation

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

3.1 REPORTS ON THE AUDITED ACCOUNTS OF BUTERE CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

BUTERE CONSTITUENCY

98. Mr. Julius Oketch, the Fund Manager appeared before the Committee on 3rd March, 2023 to respond to the audit Matters raised in the report of the Auditor General for Butere Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Going Concern

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

Response by the Fund Account Manager

101. The issue of going concern was resolved through adoption of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions.

Committee observation

102. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

2.0 Under Expenditure

103. Butere CDF had an approved budget of Kshs 128,932,226.50 for the year ended 30 June 2014. However, the Fund spent Kshs 114,796,754.75 resulting to unexplained under expenditure of Kshs 14,135,471.75 approximately 11% of the total budget. The low budget absorption denies the constituents the much-needed service delivery. It was not clear how the CDF Committee intended to rectify the anomaly.

Response by the Fund Account Manager

104. The under absorption of Kshs 14,135,471.75 was due to the delayed disbursement of funds to the constituency. The Kshs 14,135,471.75 was the cash book balance for the year since the funds were disbursed few days to the closure of financial year i.e., Kshs 23,945,726.70 on 9th May, 2014 and Kshs 23,945,726.70 on 27th May, 2014 making it difficult for the committee to utilise the funds.

105. However, the projects were implemented in the subsequent year and are completed and in use. The extract of the bank statement showing late disbursement was provided to the auditor for review.

Committee observation

106. *The Committee observed that:—*

- i. Under expenditure was occasioned by the late disbursement of funds by the National Treasury. The funds were, however, disbursed a few days before the closure of the financial year.*
- ii. The projects were implemented in the subsequent year, and they are in use.*
- iii. The extract of the bank statement indicating late disbursement was availed and reviewed by the Office of the Auditor General.*

Committee Recommendation

107. *The Committee recommends the National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

FINANCIAL YEAR 2014/2015

1.0 Presentation and completeness of the financial statements

1.1 Presentation of the financial statements

108. The International Public Sector Accounting Standards (IPSAS) Cash Basis financial statements presentation format prescribed by the National Treasury requires the management to include among the financial statements presented for audit a report on action taken on the previous year auditor's recommendations. In the year 2013/2014 Butere CDF had a qualified audit opinion. However, the report on follow up of the audit issues raised was not included in the financial statements for the year under review. Therefore, the presentation of the financial statements does not conform to IPSAS (Cash Basis) prescribed by the National Treasury and the Public Finance Management Act, 2012.

Response by the Fund Account Manager

109. The Report on follow up of the Audit issues raised was not included in the financial statements for the year 2014/2015. As at the time of preparation of the report, the final audit certificate had not been issued by the auditor, however the statement on follow up on prior year audit issues was later prepared and submitted to the auditor for review.

Committee observation

110. *The Committee observed that the statement on follow up on prior year audit issues was prepared and submitted to the Office of the Auditor General for review. The query was adequately addressed and resolved.*

Committee Recommendations

111. The Committee recommends that the Accounting Officer: -

- (i) ensures that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible".*
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
- (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

1.2 Irregular fund title

112. The passing of the national government constituency development fund act, 2015, represented into the name of the reporting entity changing from "Constituency Development Fund; Butere to National Government constituency Development Fund: Butere" The financial statements are not presented under the new reference.

Response by the Fund Account Manager

113. The Financial Statements for the year under review were not presented under the reference NG-CDF. This is because the NGCDF Act 2015 took effect on 19th February, 2016. However, the subsequent Financial Statements are presented under the new reference.

Committee observation

114. The Committee observed that the query arose because the NG-CDF Act 2015 took effect on 19th February 2016. The subsequent Financial Statements were presented under the reference NG-CDF. The query was adequately addressed and resolved.

1.3 Identification of financial statements

115. The financial statements presented for audit are not properly identified but casually named as statement of receipts and payments and statement of financial assets without reference to the name of the Constituency Development Fund.

Response by the Fund Account Manager

116. The whole Financial Statement was prepared without reference to the name of the entity on the header of each page of the financial statement. However, the anomaly was rectified, and the amended financial statements were amended and provided to the auditor for review.

Committee observation

117. *The Committee observed that the anomaly was rectified, and the amended financial statements were amended and availed to the auditor for review. The query was adequately addressed and resolved.*

Committee Recommendations

118. *The Committee recommends that the Accounting Officer: -*

(i) ensures that the Fund Account Managers: -

- a) keeps financial and other records that are accurate, reliable, and complete.*
- b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible".*
- d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

- (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

1.4 Outstanding imprest

119. Note 12 (c) to the financial statements reflects outstanding imprests totaling to Kshs. 370,000 that are not analyzed whereas Note 14 reflects an unexplained prior-year adjustment of Kshs 370,000.
120. In view of the foregoing, the accuracy, completeness, and presentation of the financial statements cannot be ascertained.

Response by the Fund Account Manager

121. Kshs 370,000 was taken in June 2014 for purchase of office furniture and equipment. There was a delay in the purchase of the equipment which led to the issue being recorded as outstanding imprest.
122. However, the office furniture and equipment were later purchased, and imprest surrendered.

Committee observation

123. *The Committee observed that the surrender voucher supporting the purchase of office equipment were availed and reviewed by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

124. *The Committee recommends that:-*
- i. Fund Account Managers should ensure that any officer allocated imprest surrenders within seven days failure to which recovery should ensue as provided for under Regulation 93(6) of the Public Finance Management Regulations of 2015 which provides that "In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate."*
 - ii. The Committee recommends that the Fund Account Manager should ensure that procurement of goods, works and services should be competitive in accordance to the Public Procurement and Asset Disposal Act of 2015 and the Regulations, 2020 which provides that "Procurement of goods, works and services under these Regulations shall be competitive in accordance with the provisions of section 157(3)(b) of the Act."*

2.0 Budgetary Control and Performance

125. The fund's budgeted receipts and total amounted to Kshs 129,479,916. However, the fund only received a total of Kshs 114,974,218 which amounted to underfunding of Kshs 14,505,472 representing money not received from the Constituency Development Fund (CDF) Board. Actual total payments amounted to Kshs 97,202,697 thus resulting in an under-expenditure of Kshs 32,277,218 as shown below:

Item	Final Budget (Kshs.)	Actual Expenditure (Kshs.)	Difference (Kshs.)	Percentage of Utilization (%)
Receipts				
Transfers from CDF-AIEs received	129,497,916	114,974,444	14,505,472	75%
Total	129,497,916	114,974,444		
Payments				
Compensation of employees	1,408,795	1,408,795	0	100%
Use of goods and services	7,676,560	7,676,560	0	100%
Committee expenses	3,552,279	3,552,279	0	100%
Transfers to other government units	45,450,000	26,343,457	19,106,675	42%
Other grants and transfers	70,991,882	57,821,207	13,170,675	82%
Social Security Benefits	30,400	30,400	0	100%
Acquisition of assets	370,000	370,000	0	100%
Total	129,479,916	97,202,698	32,277,218	75%

126. The management attributed the under-expenditure to delayed disbursement by the National Treasury. In addition, out of the total sum disbursed, Kshs 17,771,746 had not been utilized as at the end of the year on 30th June 2015. Consequently, the Fund did not meet its output targets and services delivery expectations of the constituents.

Response by the Fund Account Manager

127. The underfunding and under absorption were due to late disbursement of funds by the exchequer i.e., Kshs 28,743,611.40 was received on 26th June 2015. However, the projects were implemented in the subsequent year, complete and are in use.

Committee Observation

128. *The Committee observed that the bank statements, copies of AIEs proving delay in the disbursement of funds as well as completion certificates were availed and verified by the Office of the Auditor General.*

Committee Recommendation

129. *The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

3.0 Project Implementation and Management

130. For the two financial years to 30th June 2015, the Fund allocated a total of Kshs 194,250,827 to implementation of three hundred and forty-three (343) projects. However, projects in the administration and education sectors allocated Kshs 16,860,925 and Kshs 10,460,000 respectively were not completed as detailed below:

Sector code	Allocated Amount (Kshs.)	Disbursed Amount (Kshs.)	Project status	No. of projects
Administration	10,956,090	10,956,090	Complete	9
Education	65,262,266	65,262,266	Complete	173
Environment	3,083,440	3,083,440	Complete	13
Health	16,772,759	16,772,759	Complete	11
Markets	4,070,000	4,070,000	Complete	10
Roads	48,000,000	48,000,000	Complete	38
Security	12,725,347	12,725,347	Complete	11
Sports	3,200,000	3,200,000	Complete	2
Water	3,150,000	3,150,000	Complete	61
Youth	10,000	10,000	Complete	1
Administration	16,860,925	16,860,925	Ongoing	12
Education	10,460,000	10,460,000	Ongoing	13
Total	194,550,827	194,550,827		343

131. The incomplete education projects included six construction projects in schools to which of Kshs 5,760,000 had been allocated way back 2013/2014. In the year 2014/2015, no allocation was made for these projects. The constitutional requirement of prompt and responsive services to the public was therefore not adhered to with respect to these projects.
132. In the circumstances, the Fund had not executed and managed its projects to achieve value for money for the constituents.

Response by the Fund Account Manager

133. As at the time of audit the projects were still on going.
134. The six projects include: Mutoma Girls Secondary School, Mukoye Girls Secondary School, Eshikomere Girls Secondary School, Buchenya Girls Secondary School, Mabile Boys Secondary School, Lufumbo Girls Secondary School.
135. However, the projects were later completed in the subsequent years and are in use and indicated in the completion certificates.

Committee Observation

136. *The Committee observed that relevant documentation in regard to the project, i.e., completion certificates and photos of the completed projects were availed and reviewed by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

137. *The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

4.0 Acquisition of Fixed Assets

138. The statement of receipts and payment reflects an acquisition of assets balance of Kshs 370,000 both in the year under review and in the previous (2013/2014) financial year. However, Note 10, shows a comparative balance of Kshs 370,000 (purchase of other office equipment) although Annex 4 – summary of fixed assets shows the historical cost of fixed assets as Kshs 11,963,446 in the year 2014/2015 but does not provide the previous years(comparative)balance.
139. In the circumstance, the accuracy and completeness of the summary fixed assets register could not be confirmed.

Response by the Fund Account Manager

140. The historical cost of fixed assets in 2014/2015 was disclosed as Kshs 11,963,446 in the Financial Statements without the comparative figures. The summary statement of fixed assets was updated to reflect the historical cost of the fixed assets for 2013/2014 and was provided to the auditor for review.

Committee Observation

141. *The Committee observed that: –*

- i. Failure to include comparative figures in the historical cost of fixed is attributed to lack of adequate capacity.*
- ii. The summary statement of fixed assets was later updated to reflect the historical cost of the fixed assets for 2013/2014 and was submitted to the auditor for review.*

Committee Recommendation

142. *The Committee recommends that the NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

FINANCIAL YEAR 2015/2016

1.0 Budget Performance

143. The Fund approved budget receipts were Kshs 153,678,614 including Kshs 32,277,218 being un-utilized cash balance brought forward from 2014/2015. However, actual receipts for the year under review totaled Kshs 142,751,324 resulting to an underfunding of Kshs 10,927,290 as analyzed below:

Details	Original Budget	Adjustments	Final Budget	Actual on comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	c=a+b	D	e=c-d	f=d/c %
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from CDF Board	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9
Proceeds from sale of assets						
Other Receipts						
Total	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9
Payments						
Compensation of employees	2,724,960	-	2,724,960	1,802,600	922,360	66.2
Use of goods and services	7,943,192	2,086,745	10,029,937	10,029,937	-	100
Transfers to other Government Units	39,250,000	19,200,000	58,450,000	58,450,000	-	100
Other grants and transfers	1,180,270	10,190,473	81,370,743	72,468,787	8,901,956	89.1
Acquisition of assets	302,974	300,000	602,974	-	602,974	0
Other payments		500,000	500,000		500,000	0
Total	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9

144. Further, the Fund underspent on compensation of employees by Kshs 922,360 or 66.2%. Other grants and transfers by Kshs 8,901,956 or 89.1% and did not acquire any asset during the year despite having a budget of Kshs 602,974 for acquisition of assets.

145. Consequently, the Fund did not operate within the approved budget and therefore the financial operations negatively impacted delivery of prompt services to the constituents.

Response by the Fund Account Manager

146. The underfunding and under absorption was due to late disbursement of funds by the exchequer i.e., Kshs 31,401,396 received on 3rd May 2016.
147. However, the projects were later implemented in the subsequent years, completed and are in use.
148. The money for compensation of employees usually comprises salaries and gratuity. Therefore, the unspent balance was provision for staff gratuity.

Committee Observations

149. *The Committee observed that: –*

- i. The underfunding and under absorption was occasioned by the late disbursement of funds by the National Treasury.*
- ii. The fund account manager availed the bank statements to the Office of the Auditor General for review and verification.*
- iii. The query was adequately addressed and resolved.*

Committee Recommendation

150. *The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

2.0 Projects Implementation and Management

151. The CDF was to implement a total of 92 projects. However, analysis of the project implementation indicates that 75 of the projects were completed and 17 were ongoing as at the time of audit in January 2017 as analyzed below.

Sector/status	Ongoing		Completed	
	No	Value Kshs.	No	Value Kshs.
Administration	1	1,312,623	8	9,916,152
Agriculture			4	1,600,000
Education	13	11,150,000	34	60,052,974
Emergency			1	5,767,647
Environment			2	1,400,000
Health	1	5,000,000	2	4,200,000
Market			9	3,200,000
Road	2	4,800,000	8	5,400,000

Security			6	6,100,000
Sports			1	2,000,000
Total	17	22,262,623	75	99,636,621

152. In view of the foregoing, the fund did not deliver the expected services to the constituents and did not therefore achieve its development objectives.

Response by the Fund Account Manager

153. At the time of audit, the projects were still on going. However, the projects were later completed in the subsequent years and are in use and indicated in the completion certificates attached for your review.

Committee Observation

154. *Following inspection visit of the projects and verification of completion certificates and photos of the completed projects by the Office of the Auditor General, the Committee was satisfied with the management response and noted that the issue of disbursement of funds is beyond the control of NG-CDF. The query was adequately addressed and resolved.*

3.2 REPORTS ON THE AUDITED ACCOUNTS OF LUGARI CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

LIKUYANI CONSTITUENCY

155. Mr. Peter Maraya, the Fund Manager appeared before the Committee on 3rd March, 2023 to respond to the audit matters raised in the report of the Auditor General for Likuyani Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Cash and Cash Equivalents

156. The cash book maintained by the Fund reflected a cash on hand balance of Kshs. 301,460.00 and at bank balance of Kshs 45,537,228.05 as at 30th June 2014 which were different from the balances of nil for cash in hand and Kshs 36,505,623.05 for cash at bank respectively. In the statements of assets and liabilities as at 30th June 2014. Further note 23A indicated a bank balance of Kshs 44,354.00 resulting in an unreconciled balance of Kshs 9,333,065.
157. Consequently, the accuracy of cash and cash equivalent balances of kshs 36,505,623.00 could not be ascertained as at 30th June 2014.

Response by the Fund Account Manager

158. As at 30 June 2014, the cash book had an error i.e. payments posted in the cash book but not casted of Kshs 9,329,707.00 which was corrected in the cash book in August 2014. In their financial statements, they made that adjustment on the cash book balance to reduce from Kshs 45,537,228.75 to the adjusted correct balance of Kshs 36,505,623.01 which was inclusive of cash at bank (Kshs 36,204,163.05) and cash at hand (Kshs 301,460.00). The Financial statements were amended accordingly.
159. Note 23A indicated bank balance of Kshs 44,354,441.05 as opposed to the cash book balance indicated in the Financial Statements.
160. Note 23A was just to restate the balance on the bank statement, which is expected to be higher due to Cheques paid but not represented for clearance at the bank.

Committee Observation

161. *The Committee observed that the financial statements were later amended.*

Committee Recommendations

162. *The Committee recommends that the Accounting Officer: -*
- (i) ensures that the Fund Account Managers: -*
 - a. keeps financial and other records that are accurate, reliable, and complete;*
 - b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which*

provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time";

- c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury."*

(ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Procurement of Land Kshs.6,500,000

- 163. The Fund incurred Kshs 6,500,000 on acquisition of land for educational institutions. However, the parcels were acquired through single sourcing and without a valuation report. Further, the title deed was not obtained since the sellers of the land did not have power of attorney to transfer the land. Further Kshs 800,000.00 was disbursed for the purchase of one acre of land for Godown Primary School but only 0.7 was bought.
- 164. Under the circumstances, the owner and value of the parcels bought amounting to Kshs 6,500,000.00 cannot be ascertained as at 30th June 2014.

Response by the Fund Account Manager

- 165. The parcels of land procured for education institutions were meant to expand the institutions' compounds, hence only landowners who neighbor the schools could be approached to sell their land and the valuations were done and title deeds processed.
(1314B-Copies of valuation and Title Deeds attached)
- 166. The valuation was done and by the time the funds were available to transact, time had elapsed, and the vendors had increased the prices of land to reflect market prices in the area hence the Kshs. 800,000.00 allocated could not purchase one full acre as earlier planned.

Committee Observation

- 167. *The Committee observed that valuations for Kongoni TTI, Godown Primary and Mukunga Primary school all totaling Kshs. 6,500,000 and title deeds in the names of the schools were availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

3.0 Unsupported Expenditure

168. The Fund through voucher number 96 of 20th June 2014 paid National Bank of Kenya an amount of Kshs 500,000.00 to clear a loan the bank had earlier advanced to Eshikulu Secondary School in the year 2009 for the purpose of purchasing a school bus an Isuzu FRR 33L registration number KBJ 025U. However, the bank statements availed indicated outstanding balance as of May 2014 of Kshs 616, 638.55 but no documents were availed to confirm clearance of the loan and the transfer of the logbook into the school's name.
169. In view of the foregoing, it has not been possible to confirm the propriety of the expenditure of 500,000.00 as at 30 June 2014.

Response by the Fund Account Manager

170. Bank loan was cleared partly the Kshs 500,000 funding from CDF and the balance of Kshs 116,638.55 from School savings.

Committee Observation

171. *The Committee observed that the fund account manager provided a copy of the bank clearance of the loan, a letter for the release of the logbook for vehicle No. KBJ 025U and copy of the logbook. The query was adequately addressed and resolved.*

4.0 Construction of Kongoni Secondary – Multipurpose Hall

172. The CDF Vide payment voucher number 85 of 25 June 2014 released an amount of Kshs 1000,000 to kongoni secondary school for the purpose of construction of multi-purpose hall. However, no board minutes approving the project and bills of quantities were availed for audit review. The project scope and estimated cost was not known, a phenomenon that could lead to wastage of public funds and even the stalling of the project. Further, supervision by the technical ministry of public works was not documented and therefore quality workmanship could not be utilized. The project file did also not have returns on how the amount released was utilized were not presented for audit review.
173. Even though the schedule of material availed in support of payment voucher indicated that the Kshs 1,000,000 was to cover both the foundation and walling, a visit to the school in November 2014 indicate that no walling had been done.

Response by the Fund Account Manager

174. The project returns were with the project management committee at the time of audit. The project scope of the work was defined by the Schedule of materials and Bill of quantities showing the specific activities and the engineers estimate. The project was supervised by the public works and the completion certificate issued.
175. At the time of audit, the project was still ongoing, and it was undertaken to completion as per attached completion certificate.

Committee Observation

176. *The Committee observed that schedules of material, bill of quantities and completion certificate were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

177. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

5.0 Under-Absorption of Funds

178. During the year, the Fund received a total allocation of Kshs 77,911,938.00 out of which Kshs 36,505,623.05 remained unspent as at the close of the financial year.
179. Thus, the beneficiaries were denied the planned and approved service delivery. The under absorption was not been explained by management.

Response by the Fund Account Manager

180. The under absorption was occasioned by delays by exchequer disbursements. The last disbursement was received on 29th May 2014.

Committee observations

181. *The Committee observed that:-*
- i. The under absorption of the funds was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board.*
 - ii. The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within a few days.*

Committee Recommendation

182. *The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

6.0 Failure to maintain a General Ledger

183. The Constituency Development Fund did not keep a general ledger from which the financial statement was to be prepared from and therefore even periodic balancing of books through trial balance was not being done. The financial statements were therefore prepared from the original books of accounts including the cashbooks and the Vote book.

184. Consequently, the fund balances amounting to Kshs 36,505,623.05 could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

185. The financial statements were prepared from the original books of accounts including the cashbooks and the vote book and the expenditure returns maintained, which applies as a general ledger.

Committee Observations

186. *The Committee observed that:-*

- i. The financial statements and expenditure returns were availed for audit review.*
- ii. The ledgers were corrected to reflect the correct position and verified by the Office of the Auditor General.*

Committee Recommendations

187. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers: -*

- (i) keeps financial and other records that are accurate, reliable, and complete.*
- (ii) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

FINANCIAL YEAR 2014/2015

1.0 Disclosure, Completeness and Presentation of the Financial Statements

188. The financial statements presentation format prescribed by the National Treasury IPSAS (Cash Basis) requires the management to include the action taken on the previous year auditors' recommendations in the year 2013/2014, Likuyani CDF had an excerpt for opinion. However, no report on the follow up of the audit issues raised was included in the financial statements for the year under review. Further, the financial statements did not include a statement of appropriation as required.
189. In the circumstances the completeness and presentation of the financial statements for the year ended 30 June 2015 were not in conformity with IPSAS (Cash Basis) as prescribed by the National Treasury and in accordance with the Public Finance Management Act 2012.

Response by the Fund Account Manager

190. During the preparation of the financial reports, the constituency had not received the final certificate hence did not prepare prior audit issues report. The report was prepared and availed to the auditor.

Committee Observations

191. *The Committee observed that the Fund Account Managers experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in the preparation of financial statements. The financial reports were later availed for audit review. The query was adequately addressed and resolved.*

Committee Recommendations

The Committee recommends that:-

192. *The Committee recommends that the Accounting Officer: -*

- (i) ensures that the Fund Account Managers: -*
 - a. keeps financial and other records that are accurate, reliable, and complete;*
 - b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
- (ii) 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*
- (iii) The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6%*

administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.

2.0 Budgetary Performance

193. The Fund had budgeted to receive and spent as transfers from the National management Board a total of Kshs 148,590,684 including a brought forward balance of Kshs 36,505,623 in respect of 2013/2014. Even though the full amount was received, the Fund only managed to spend Kshs 121,868,748 resulting in an under spent difference of Kshs 26,761,935 as detailed below.

Receipts / Expense item	Final Budget	Actual on Comparable Basis	Budget utilisation Difference	% of Utilisation
Transfers from CDF Board	148,590,684	148,590,684	-	-
Other Receipts		40,000	(40,000)	
Total	148,590,684	148,630,684	(40,000)	
Payments				
Compensation of Employees	2,168,181	1,366,482	801,699	63
Use of Goods and Services	2,911,517	2,563,077	348,440	88
Committee expenses	9,400,795	8,066,765	1,334,030	86
Transfer to other government units	62,254,566	54,734,247	7,520,319	88
Other grants and transfers	63,846,300	50,012,897	13,833,403	78
Social security benefits	77,324	34,236	43,088	44
Acquisition of assets	5,650,000	5,091,044	558,957	90
Other payments	2,282,000	-	2,282,000	0
Totals	148,590,684	121,868,748	26,721,935	

Budgetary Performance

194. Consequently, the fund failed to meet its budgetary targets and service delivery goals.

Response by the Fund Account Manager

195. The NG-CDF board released the last disbursement to the committee of Kshs 59,315,444.00 through AIE No. A 82575 late. i.e., on 21st June 2016 and therefore before we could go through the required processes of disbursing the funds to the PMC's (NG-CDFC Minutes approval and Payment Voucher processing in the Sub County Treasury) it was late. Thus, we could not meet the deadline of disbursing all the funds to the PMCs as at 30th June, 2016.

196. The funds were disbursed to the PMC's and spent accordingly.

Committee Observations

197. *The Committee observed that:-*

- i. The NG-CDF board released the last disbursement to the committee of Kshs 59,315,444.00 through AIE No. A 82575 late, i.e., on 21st June 2016, which was towards the end of the financial year.*
- ii. The funds were later disbursed to the PMC's and spent accordingly.*
- iii. The AIE was availed for audit review.*

Committee Recommendation

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

3.0 Construction of Soysambu / Karimi Bridge

199. During the year under review the Fund carried out construction of Soysambu / Karimi bridge at a contract sum of Kshs 5,043,600.00 through request for quotation method of procurement instead of open tender. Further, the project design and certificate of work done were not made available for audit verification although a payment of Kshs 3,500,000.00 had been made.
200. In the circumstance, the propriety and value for money in the expenditure of Kshs 3,500,000.00 could not be confirmed as at June 2015.

Response by the Fund Account Manager

201. They prequalified list of ten contractors were invited to bid for works. Three showed interests by submitting filled Bill of quantities. Successful contractor was awarded. The works were supervised by Constituency Roads Officer to completion.

Committee Observation

202. *The Committee observed the payment of Kshs. 3,500,000 to the PMC account. Subsequent payments of Kshs. 2,960,623 and Kshs. 530,000 were supported by payment certificates were availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

The Committee recommends that:-

- i. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project*

minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.

- ii. *The Committee recommends that the Fund Account Manager should ensure that procurement of goods, works and services should be competitive in accordance to the Public Procurement and Asset Disposal Act of 2015 and the Regulations, 2020 which provides that "Procurement of goods, works and services under these Regulations shall be competitive in accordance with the provisions of section 157(3)(b) of the Act".*

OTHER MATTERS

4.0 Project Implementation

203. During the year under review, the Fund was to implement 275 projects with a total allocation of Kshs 173,030,796. However, only 58 projects were reported as complete, 176 projects with a total allocation of Kshs 119,427,871 remained ongoing and incomplete and 41 projects with an allocation amounting to Kshs 28,467,701 had not yet started.
204. Failure to implement projects in time denies the public the planned and budgeted services but also amounts to a contravention of the constitution which requires provision of effective and efficient services to the public.

Sector / Status	Not Started		Ongoing		Complete	
	No.	Value Ksh	No.	Value Ksh	No.	Value Ksh
Administration	2	3,500,000	15	23,275,478		
Agriculture						
Education	13	8,726,000	94	67,427,142	40	22,837,930
Environment	14	3,241,701	14	3,007,294	1	300,000
Health	3	1,475,000	11	7,257,759		
Market						
Road	6	6,450,000	37	15,048,496		
Security	2	1,075,000	4	1,170,000	2	600,000
Sports	1	4,000,000	1	2,241,701	15	1,397,294
Total	41	28,467,701	176	119,427,871	58	25,135,224

Project Implementation

Response by the Fund Account Manager

205. The disbursement of the funds from the NG-CDF board delayed i.e., received the AIE No. A82575 on 21st June 2016. This delay affected project implementation at the PMC level.
206. Note that PMCs after receiving funds from the committee they are supposed to carry out procurement of suppliers before actual construction begins and unless the procured supplier or contractor has very high capacity, the implementation takes not less than three months. Currently the number of ongoing projects has drastically been reduced because the committee has been allocating adequate funds to projects up to completion.

Committee Observations

207. *The Committee observed that:-*

- (i) The underutilization of the funds was due to late disbursement of funds by the exchequer.*
- (ii) The AIE indicating late disbursement was availed for audit review.*
- (iii) The explanation by the Fund Account Manager was satisfactory.*

Committee Recommendation

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

FINANCIAL YEAR 2015/2016

1.0 Use of Goods and Services

209. Included in the use of goods and services figure of Kshs 6,440,067 is expenditure of Kshs 305,440 on supply of office stationery and fuel. However, no documentary evidence was availed for audit verification to ascertain whether the supplied goods were entered in the stock control records.
210. In the circumstances, it was not possible to ascertain propriety of the expenditure totalling Kshs 305,440 incurred on use of goods and services.

Response the Fund Account Manager

211. We have noted the anomaly and immediately put in place the stores ledger books for both stationery and fuel. Currently, stationery and fuel are registered in the stock control records.

Committee Observation

212. *The Committee observed that the copies of fuel register, stock control records and office stationaries were availed and verified by the office of the Auditor General. The query was adequately addressed and resolved.*

2.0 Other Matters

2.1 Budget Performance

213. During the year under review, the CDF was allocated Kshs 145,304,179 and spent Kshs 124,822,752 resulting to an under expenditure of Kshs 20,981,427 as analysed in the table below.

Receipts / Expense	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	A	B	C=a+b	D	E=c-d	F=d/c%
Receipts						
Transfers from CDF Board	118,815,444	26,761,935	145,577,379	145,071,79	500,000	99.7%
Proceeds from sale of Assets	0	0	0	0	0	0
Other Receipts	0	226,800	226,800	226,800	0	100%
Total	118,815,444	26,988,735	145,804,179	145,304,179	500,000	99.7%
Payments						
Compensation of employees	1,803,984	-	1,803,984	1,659,577	144,407	92.0%
Use of goods and services	8,726,405	307,548	9,033,953	6,440,067	2,593,886	71.3%
Transfers to other government units	65,158,757	10,601,247	75,760,005	75,675,005	85,000	99.9%
Other Grants and Transfers	40,263,297	14,300,883	54,564,180	37,114,606	17,449,574	68.0%
Acquisition of Assets	2,863,000	1,512,257	4,375,257	3,933,497	441,760	89.9%
Other payments	0	266,800	266,800	0	266,800	0.0%
Total	118,815,444	26,988,735	145,804,179	124,822,752	20,981,427	85.6%

Budget Performance

214. The Fund did not implement the aspirations of the approved budget limits, and this may have affected service delivery to the constituents.

Response by the Fund Account Manager

215. During the year under review, Likuyani NG-CDF was allocated Kshs 145,304,179 and spent Kshs 124,822,752 resulting into under expenditure of Kshs 20,981,427. The Funds and AIE were received late i.e., about 3 weeks to the end of the year and therefore the funds could not be spent by 30th June 2016 considering the processes required.

Committee Observations

216. The Committee observed that:-
- The underutilization of the funds was due to late disbursement of funds by the exchequer.
 - The AIE demonstrating late disbursement was availed for audit review.
 - The explanation by the Fund Account Manager was satisfactory.

Committee Recommendation

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

2.0 Project Implementation

218. The Fund implemented a total of 485 projects/programmes in different sectors as at 30th June 2016. However, it was noted that 133 which represents 26.5% of the projects valued at Kshs 65,032,778 were ongoing and 352 projects which represents 73.4% costing Kshs 214,865,882 had been completed. The implementation status is as detailed below.

Sector / Status	Ongoing		Completed	
	No.	Value (Ksh)	No.	Value (Ksh)
Administration	10	9,626,087	12	13,33,961
Agriculture	25	2,535,227	13	2,738,376
Education	76	42,715,156	224	164,407,317
Emergency	0	0	20	3,564,466
Environment	1	200,000	0	0
Health	7	3,000,000	14	7,335,093
Market	1	200,000	0	0
Road	7	4,750,000	43	17,772,668
Security	5	630,000	9	3,175,000
Sports	1	1,376,309	17	2,539,002
Total	133	65,032,779	352	214,865,883

Project Implementation Status

Response by the Fund Account Manager

219. The Fund implemented a total of 485 projects/ programmes in different sectors as at 30th June 2016. However, 133 projects which represent 26.5% of the projects with a total cost of Kshs 65,032,778.00 were on going.

220. The committee has been allocating inadequate funds for some projects with the hope of completing the projects in two years. This has been the key cause of ongoing projects being dominant as they wait for further funding in the next financial year for completion. With immediate effect we shall now discourage partial allocation of funds to projects.

Committee observations

221. *The Committee observed that:-*

- i. Following inspection visit of the projects and verification of completion certificates and photos of the completed projects by the Office of the Auditor General the Committee was satisfied that with the management response and noted that the issue of disbursement of funds is beyond the control of NG-CDF. The query was adequately addressed and resolved.*
- ii. Inadequate allocation of funds for projects with the hope of completing the projects in subsequent financial years is the key cause of pending ongoing projects. NG-CDF Board should with immediate effect discourage partial allocation of funds to projects.*
- iii. The following were the sampled projects undertaken during the years. Management complied with the directive to give unfettered access to projects and provided documents.*

Project	Verification findings
1) Kongoni Secondary School. Construction of a dining hall.	Completed.
2) Kasoki Primary Classrooms	Completed.
3) Kongoni TVC administration Block	Completed.
4) Likuyani NCDF Office Block	Completed.
5) Mbururu Primary Toilets	Completed.
6) Nabule River Crossing	Completed.
7) Nasianda Secondary schools Administration Block, classroom and toilets	Completed.
8) Syosambu Bridge	Completed.
9) Syosambu secondary school Laboratory	Completed.
10) St Johns Mutoni secondary Storey Building	Completed.

3.3 REPORTS ON THE AUDITED ACCOUNTS OF MALAVA CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

MALAVA CONSTITUENCY

222. Mr. Collins Obuya, the Fund Manager appeared before the Committee on 4th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Malava Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Cash and Cash equivalents

223. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs 8,972,184.47 as at 30 June 2014. However, reflected in the bank reconciliation statements are unrepresented cheques amounting to Kshs 370,392.00 which relate to the period 2010 to 2013 and are stale. Further, payments amounting to Kshs 337,000.00 made by the bank during the year 2006 also remain outstanding and unaccounted for.

Consequently, it had not been possible to confirm the accuracy of the cash and cash equivalents balance of Kshs 8,972,184.47 as at 30 June, 2014.

Response from Fund Account Manager

224. It is true that we still had the unrepresented bursary cheques amounting Ksh.370.392.00 relating to the years 2010 to 2013 at the time of Audit. However, the cheques have since been reversed in the cashbook. A copy of the cashbook extract was provided. Ksh.337,000.00 relating to the year 2006 were payments done in the bank accounts that had not been recorded in the cashbook which have since been recorded as a payment in the cashbook.

Committee Observations

225. *The Committee observed that bank reconciliations were provided for and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

226. *The Committee recommends that the Accounting Officer: -*
- (i) ensures that the Fund Account Managers: -*
 - a. keeps financial and other records that are accurate, reliable, and complete;*
 - b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards*

prescribed and published by the Accounting Standards Board from time to time”.

- c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that “Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible”; and*
- d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that “An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”.*
- (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

2.0 Transfer to Other Government entities

- 227. The statement of receipts and payments reflects fund disbursements totaling Kshs 48,971,312.80 to various institutions to implement proposed projects during the year ended 30th June 2014. However, Project Management Committee (PMC) returns, and inspection reports were not made available for audit review to confirm fund utilization.
- 228. In the circumstances, it has not been possible to ascertain whether the funds were utilized for the purpose intended and properly accounted for as at 30th June 2014.

Response from the Fund Account Manager

- 229. At the time of audit, the project files were with the PMC. However, the project Returns and Inspection Reports were availed for audit verification.

Committee Observations

- 230. *The Committee observed that: –*
 - (i) At the time of the audit, the Fund had not provided the project expenditures reports returns for audit review.*
 - (ii) The project returns and inspection reports were later availed for audit verification.*
 - (iii) The query was adequately addressed and resolved.*

Committee Recommendation

231. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*

OTHER MATTER

1.0 Going Concern

232. The High Court of Kenya in its ruling on Petition 71 of 2013 held that the Constituencies Development Fund Act 2013 establishing the Constituencies Development Fund since enactment of the Constitution of Kenya 2010 was unconstitutional rendering the existence of the fund illegal. It is not clear whether legislation providing for the fund will be in place within the period given by the High Court of twelve months for the fund to continue existing.

As a result, the Going Concern of Malava Constituency Development Fund is doubtful.

Response by the Fund Account Manager

233. The issue of going concern was resolved through adoption of the NGCDF Act 2015, Regulations 2016 which aligned the fund functions to National Government functions.

Committee Observation

234. *The Committee observed that the matter was satisfactorily addressed and resolved.*

Committee Recommendation

235. *The Committee recommends that the NGCDF Board, Office of the Auditor General should be aware that in a bid to align the CDF with the Constitution of Kenya, 2010, Parliament passed the National Government Constituencies Development Fund (NG-CDF) Act, 2015. The NG-CDF is a national fund that comprises of monies of an amount of not less than 2.5% of all the national government's share of revenue as divided by the annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statements

236. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires, the management to include among the financial statements submitted for audit, a report on action taken to address previous year auditor's recommendations. In the year 2013/14, Malava CDF had a qualified audit opinion. However, no report on the follow up of the audit issues raised in the report was included in the financial statements for the year under review.
237. In the circumstance, the presentation of the financial statements does not conform with IPSAS (Cash Basis) prescribed by the National Treasury with the Public Finance Management Act, 2012.

Response by the Fund Account Manager

238. The audit certificate had not been received at the time of financial reporting. However, it has since been received and a report on the follow up of the audit issues was prepared and presented to the auditors for review. An extract of the Financial Statement is provided.

Committee Observations

239. *The Committee observed that –*
- i. The Financial Statements were availed and verified by the Office of the Auditor General.*
 - ii. 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.*
 - iii. The query was adequately addressed and resolved.*

Committee Recommendations

240. *The Committee recommends that:-*

The Committee recommends that the Accounting Officer: -

- (i) ensures that the Fund Account Managers: -*
 - a. keeps financial and other records that are accurate, reliable, and complete;*
 - b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts*

and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible”; and

- d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that “An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”.*

- (ii) 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*

- (iii) The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

2.0 Budgetary Control and Performance

241. The Fund’s budgeted receipts totaled to Kshs 89,621,249 but only Kshs 116,792,662 was received and therefore the CDF was underfunded by Kshs 72,828,587 as detailed below:

Receipt/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	Funds Utilization
	(Kshs.)	(Kshs.)	(Kshs.)	f=d/c %
RECEIPTS				
Transfers from CDF Board	189,621,249	116,792,662	72,828,587	62
Other Receipts (AIA)	6,000	6,000	-	100
TOTALS	189,627,249	116,798,662	72,828,587	62
PAYMENTS				
Compensation of Employees	2,251,000	1,473,420	777,580	65
Use of Goods and Services	9,294,531	4,392,830	4,901,701	47
Committee Expenses	6,514,197	5,920,890	593,307	91
Transfers to Other Government Units	112,451,436	71,879,465	40,571,971	64
Other Grants and Transfers	49,580,437	25,569,269	24,011,168	52

Social Security Benefits	137,760	137,760	-	100
Acquisition of Assets	9,391,888	6,838,603	2,553,285	73
TOTALS	189,621,249	116,212,237	73,409,012	61

242. The delayed release of funds by the Constituencies Development Fund Board caused delay in implementation of projects.

Response by the Fund Account Manager

243. This was due to delay in disbursement of funds from the Exchequer. However, funds were received in the following financial year and the projects were fully implemented, complete and are in use.

Committee Observations

244. *The Committee observed that –*

- i. The delay in implementation of projects was due to late receipt of funds from the exchequer. The projects were, however, undertaken and completed in the subsequent financial year.*
- ii. The AIEs indicating when the funds were received were submitted for audit review and verification by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

245. *The Committee recommends that the National Treasury should release funds on time to the National Government Constituencies Development Fund Board as budgeted for implementation of projects.*

3.0 Transfer to other Government Units

246. The fund disbursed a total amount of Kshs 2,530,050 to various project management committees to purchase land for four schools in the constituency. However, the respective land title documents were not obtained by the Fund. Consequently, ownership of the land parcels by the Fund could not be confirmed.

Response by the Fund Account Manager

247. The Malava NG-CDFC disbursed a total of Kshs 2,530,050 to PMCs for purchase of land as follows:
1. Makuche Primary School – 2 acres land – Kshs 700,000
 2. Friends Secondary School Silungai Girls – 3.5 acres land – Kshs 605,050
 3. St. Marygorett Kalenda Girls Secondary School – 1 acre land – Kshs 350,000
 4. Matete Secondary School – 2.5 acres land – Kshs 875,000

248. The Title Deeds were not ready at the time of audit. However, the Title Deeds for Friends Secondary School Silungai Girls and Matete Secondary School were availed for review, whereas the Titles for Makuche Primary School and St. Marygorett Kalenda Girls Secondary School were still being processed.

Committee Observations

249. *The Committee observed that –*

- i. At the time of Audit the title deeds were not availed as they were still being processed. However, the title deeds for Friends Secondary School Silungai Girls and Matete Secondary School were later acquired and verified by the Office of the Auditor General.*
- ii. The titles deeds for Makuche Primary School and St. Marygorett Kalenda Girls Secondary School were still being processed.*

Committee Recommendation

250. *The Committee recommends that the Fund Account Managers should liaise with the NG-CDF Legal Department, Sub-County Land Registrar and the Sub-County Educational Office to fast-track succession process to ensure Makuche Primary School and St. Marygorett Kalenda Girls Secondary School receive land ownership documents.*

4.0 Other Grants and Other Transfers - Unsupported expenditure on Joint Evaluations Tests (Mock)

251. During the year under review, the Fund disbursed Kshs 25,569,269 as Other Grants and Transfers to various beneficiaries. Further, the Fund released Kshs 1,000,000 to Kakamega North Sub – County Secondary Schools Association to facilitate the Sub – County’s joint evaluation tests for 2670 form four candidates. However, there were no budget estimates or signed schedules to support the expenditure. In view of the foregoing, the propriety of the expenditure of Kshs 1,000,000 could not be confirmed.

Response by the Fund Account Manager

252. The supportive documents for Kshs 1,000,000 released to Kakamega North Sub – County Secondary Schools Association to facilitate the Sub – County’s joint evaluation tests for 2670 form four candidates was availed for audit verification. The expenditure returns are availed.

Committee Observation

253. *The Committee observed that: –*

The expenditure returns were availed and verified by Office of the Auditor General. The query was adequately addressed and resolved.

5.0 Project Implementation and Management

254. Out of one hundred and seventy-one (171) projects allocated funds to Malava CDF during the two years ending 30 June 2015, fifty-five (55) projects allocated Kshs 116,096,445 were ongoing as at 30 June 2015, forty-nine (49) projects costing Kshs 36,019,590 had not started while two projects had stalled as detailed below:

Sector/Status	Stalled		Not Started		Ongoing		Complete	
	No	Value (Kshs)	No	Value (Kshs)	No	Value (Kshs)	No	Value (Kshs)
Administration	1	1,800,000	3	1,198,900	4	13,494,152	4	14,481,234
Agriculture						0		
Education			32	25,100,000	43	89,108,028	53	37,630,000
Environment			2	600,000	2	1,900,000	3	1,300,000
Health	1	1,120,690	4	3,620,690	4	4,141,379	3	3,155,479
Market						0		
Road			1	2,000,000		0	2	11,564,466
Security			7	3,500,000		5,327,999		
Sports					2	2,124,887		
Total	2	1,920,690	49	36,019,590	55	116,096,445	65	68,131,179

255. The delay in implementing the projects impacted negatively on service delivery to residents of the Constituency.

Response by the Fund Account Manager

256. It is true that at the time of Audit 55 projects worth Kshs 116,096,445 were ongoing, and 49 projects had not started due to delay in disbursement of funds from the Exchequer.
257. The funds were, however, received in the subsequent year and the projects implemented, complete and are in use.
258. The Schedule of projects, Completion Certificates and photos were availed to Office of the Auditor General for review.

Reaction from Members

259. *Although the Committee observed that the matter was addressed satisfactorily. It tasked the Office of the Auditor General to conduct physical verification of the project before it makes its recommendations on the matter.*

Committee Observation

260. *Following physical verification by the Office of the Auditor General it was observed that the projects were later completed and are in use.*

Committee Recommendation

261. *The National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

FINANCIAL YEAR 2015/2016

1.0 Transfer to Other Government units

262. A local company was awarded tender for construction of two-bedroom staff houses and external pit latrines at Shihome Dispensary a contract sum of Kshs. 2,360,048. During the year under review, Kshs 1,509, 358 was disbursed and paid to Shihome Dispensary PMC account.
263. According to the contract agreement, construction was to begin on 9 November 2015 and be completed by March 2016, but the work had not been completed during the time of audit in February 2017, eleven (11) months after the expected completion date. Further, it was noted that the iron sheets used were gauge 30 and not gauge 28 as specified in the bill of quantities.
Consequently, value for money may not have been obtained from this project.

Response by the Fund Account Manager

264. At the time of audit, the project had not been completed due to the piecemeal funding from the Exchequer. However, the project was fully funded in the subsequent year, complete and is in use. The Completion Certificate and Hand-over Report were availed for review.
265. The choice of iron sheets gauge 30 instead of gauge 28 was as a result of Variation Order from the Public Works Department.

Committee Observation

266. *Due to time constraints the Office of the Auditor General did not conduct physical verification of the project. However a letter from the Public Works Department confirmed that the project was undertaken and was in use. The query was adequately addressed and resolved.*

OTHER MATTER

1.0 Budget Performance

267. During financial year under review, the CDF was allocated Kshs 208,421,378 and spent Kshs 135, 538, 353 or 64.88% of the total receipts leaving Kshs 73,383,025 or 35.12% of the total receipts unspent as analyzed below. The explanation given was that delayed release of funds by the National Government Constituencies Development Fund Board caused delay in implementation of projects.

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	Funds Utilization
	A	B	C	D	E	f=d/c %
RECEIPTS			(Kshs.)	(Kshs.)	(Kshs.)	
Transfers from CDF Board	135,506,366	73,415,012	208,921,378	208,421,378	500,000	99.76
Proceeds from Sale of Assets	-		-			
Other Receipts (AIA)	-		-			
TOTALS	135,506,366	73,415,012	208,921,378	208,421,378	500,000	99.76
PAYMENTS						
Compensation of Employees	2,480,000	1,239,720	3,719,720	2,201,650	1,518,070	59.19
Use of Goods and Services	9,365,573	4,428,978	13,794,551	9,296,341	4,498,210	67.39
Transfers to Other Government Units	85,617,647	42,661,386	128,279,033	84,661,300	43,617,733	66.00
Other Grants and Transfers	36,693,146	20,075,638	56,768,784	38,293,717	18,475,067	67.46
Acquisition of Assets	1,350,000	5,009,290	6,359,290	1,085,345	5,273,945	17.07
TOTALS	135,506,366	73,415,012	208,921,378	135,538,353	73,383,025	64.88

Response by the Fund Account Manager

268. Malava NG-CDFC was allocated Kshs 35,506,366 for Financial Year 2015/2016 and Kshs 2,915,012 being balance brought forward meant for Financial Year 2014/2015 making a total sum of Kshs 208,421,378 as funds available.

269. However, the Malava NG-CDF could not fully implement the budget since some funding had not yet been received from the Exchequer as at the closure of the financial year.

Committee Observation

270. The Committee observed that –

- i. The delay in the implementation of projects was due to late receipt of funds from the exchequer. The projects were, however, undertaken and completed in the subsequent financial year.
- ii. The AIEs indicating when the funds were received were submitted for audit review and verification by the Office of the Auditor General. The query was adequately addressed and resolved.

Committee Recommendation

271. *The Committee recommends that the National Treasury should release funds on time to the National Government Constituencies Development Fund Board as budgeted for implementation of projects.*

2.0 Project Implementation Performance

272. The CDF management was to implement a total of 231 projects during the year under review. 62 projects valued at Kshs 90,757,726 were ongoing, 24 valued at Kshs 34,600,000 had not started and 145 projects valued at Kshs 139,669,278 were completed as analyzed below:

F/Y	Sector/Status	Not Started		Ongoing		Complete	
		No	Value (Kshs)	No	Value (Kshs)	No	Value (Kshs)
2013/2014	Administration					2	7,536,991
2014/2015		1	1,000,000				
2015/2016		1	1,000,000	2	12,195,573		
2013/2014	Education			3	7,125,281	52	58,630
2014/2015		1	500,000	17	20,600	59	76,827,415
2015/2016		21	32,100,000	26	60,960,793	19	18,700,000
2013/2014	Environment					1	917,500
2014/2015							
2015/2016				1	800,000		
2013/2014	Road					1	6,564,466
2014/2015						1	4,736,858
2015/2016							
2013/2014	Health						
2014/2015				1	1,255,479	1	1,255,479
2015/2016				2	2,800,000	1	850,000
2013/2014	Security						
2014/2015				3	1,500,000		
2015/2016				7	4,100,000		
2013/2014	Sports					1	124,887
2014/2015							
2015/2016						1	2,000,000
	Total	24	34,600,000	62	90,757,726	145	139,665,278

273. Delay in implementing the projects impacted negatively on service delivery to the residents of the Constituency.

Response by the Fund Account Manager

274. At the time of Audit, 62 projects worth Kshs 90,757,726 were ongoing and 24 projects worth Kshs 34,600,000 had not started. This was due to late disbursement of funds by the NGCDF Board.
275. However, the projects were fully funded in the subsequent year, implemented, complete and in use. Schedule of projects, Completion certificates and photos were availed to auditors for review.

Committee Observation

276. *Following inspection visit of the projects and verification of completion certificates and photos of the completed projects by the Office of the Auditor General the Committee was satisfied and noted that the issue of disbursement of funds was beyond the control of NG-CDF. The query was adequately addressed and resolved.*

3.4 REPORTS ON THE AUDITED ACCOUNTS OF KHIWESERO CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

KHIWESERO CONSTITUENCY

277. Mr. Benard Misiko, the Fund Manager appeared before the Committee on 4th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Khiwisero Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Cash and Cash Equivalents

278. The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs 40,725,688 as at 30 June 2014. However, the statement of receipts and payments reflects a surplus of Kshs 36,062,156.06 resulting to a difference of Kshs 4,663,531.94.
279. The difference is supported with a brought forward balance of Kshs 4,555,037.10 and an unsupported prior year adjustment of Kshs 108,494.84. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs 40,725,688 could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

280. Kshs 40,725,688 was the closing cashbook balance as at 30th June 2014 as reflected in the statement of financial assets and liabilities. The statement of receipts and payments captures the actual receipts and payments during the year hence reflecting a surplus of Kshs 36,062,156.06. The difference between the surplus and the cash book closing balance is the opening cashbook balance of Kshs 4,555,037.10 and the prior year adjustment of Kshs 108,494.84.

The opening and closing cashbook balance extracts were provided to the auditor for review.

Committee Observation

281. *The Committee observed that the explanation offered was satisfactory. The query was adequately addressed and resolved.*

Committee Recommendations

282. *The Committee recommends that the Accounting Officer: -*

(i) ensures that the Fund Account Managers:

- a. keeps financial and other records that are accurate, reliable, and complete;*
- b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No.*

18 of 2012 which provides that *"The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards*

prescribed and published by the Accounting Standards Board from time to time".

- c. *adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*

- d. *adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury"*.

(ii) *The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.*

(iii) *The NGCDF Board engages the Public Sector Accountings Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all National Government -CDF constituency staff.*

2.0 Unsupported Over Expenditure

283. The summary statement of appropriation reflects total over expenditure of Kshs 38,210,583.80 as the approved budget was Kshs 86,901,961.94 whereas the actual expenditure is Kshs 125,112,545.74 as at 30 June 2014. Further, the over expenditure relates to Transfers to Other Government entities and Other Grants and Transfers. In the circumstances, the propriety of the expenditure and the source of the funds could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

284. The expenditure of Kshs 38,210,583.80 was relating to the previous year projects, which were not part of the 2013/2014 financial year allocation.
285. The expenditure of Ksh.38,210,583.80 was implemented with the AIE (No. A711835) of Kshs 46,310,065 which related to the previous year.

Committee Observations

286. *The Committee observed that the AIE No. A711835 for Kshs 46,310,065 for financial year 2012/2013 was availed for audit and verification. The query was adequately addressed and resolved.*

3.0 Accuracy and Completeness of Financial Statements

287. The statement of financial assets and liabilities includes unsupported balances for use of Goods and Services Kshs 2,666,088, other Grants and Transfers Kshs 41,669,902.74, Committee expenses Kshs 5,997,713 and Compensation of Employees Kshs 545,998.20 all totaling Kshs 50,879,701.94.
288. As a result, the accuracy and completeness of the financial statements could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

289. Supporting schedules for the underlisted were submitted to the auditor for verification verification:
- (i) Goods and Services= Ksh.2,666,088
 - (ii) Other Grants & Transfers = Ksh.41,669,902
 - (iii) Committee expenses= Ksh.5,997,713
 - (iv) Compensation of Employees= Ksh.545,998.20.

Committee Observations

290. *The Committee observed that the supporting schedules were availed for audit review. The query was adequately addressed and resolved.*

Committee Recommendations

291. *The Committee Recommends -*

- 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 ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

OTHER MATTER

Going Concern

292. The High Court of Kenya in its ruling on petition 71 of 2013 held that the CDF Act 2013 establishing the CDF since enactment of the Constitution 2010 was unconstitutional rendering the existence of the fund illegal.

Response by the Fund Account Manager

293. The CDF Act 2013 was rescinded and replaced by the enactment of the NG-CDF Act of 2015 which ensured continued existence of the Fund.

Committee observation

294. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statements

295. According to the IPSAS (Cash Basis) financial statements presentation format prescribed by the National Treasury, the management is required to include the action taken on the previous year auditor's recommendations. In the year 2013/2014, Khwisero CDF had an except for opinion. However, no report on the progress on follow up of the audit issues raised was included in the financial statements for the year under review.
296. Further, the statement of management responsibilities has not been duly signed as required. In addition, the deficit for the year of Kshs 14,636,588 differs with Ksh.13,786,586 reflected in the statement of assets. The resultant difference of Kshs 850,003 has not been explained.
297. In addition, the figure of receipts of Kshs 82,634,499 has not been reflected in the statement of receipts and payments.
298. In the circumstances, the presentation of the financial statements is not in conformity with IPSAS (Cash Basis) as prescribed by the National Treasury and in accordance with the Public Finance Management Act, 2012. Also, the accuracy and completeness of the financial statements could not be ascertained.

Response by the Fund Account Manager

- 299. During the preparation of financial statements, the final Auditor's report had not yet been received by constituency hence the statement had not been prepared.
- 300. Failure to sign the statement of Management responsibilities was an oversight. The statement was later signed.
- 301. The actual deficit for the year was Ksh.14,636,588, being the difference between total receipts and payments in the year.
- 302. The figure of Kshs 82,634,499 was reflected in the revised financial statement as a correction. It was an omission error.
- 303. The expenditure totaled to Kshs 97,271,088. The deficit of the year was Kshs 14,636,588 as reflected in the revised financial statements.
- 304. Page 6 of the financial statements was later signed by the CDF chairperson.

Committee Observation

- 305. *The Committee observed that at the time of preparation of the financial statements Kihiesero CDF had not received the final audit certificate from the auditor general hence did not include it in the financial statements. However, the Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General and the matter therefore stands resolved.*

Committee Recommendations

- 306. *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.*
 - ii. *The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

2.0 Budget Control and Performance

- 307. The fund approved budget receipts were Kshs 150,020,688 including Kshs 40,725,688 brought forward from 2013/2014 financial year. However, actual receipts amounted to only Kshs 82,634,499 implying an underfunding of Kshs 27,544,833.
- 308. Further, the fund underspent on transfers by Kshs 16,244,654 (79%). In addition, the fund overspent on social security benefit by Kshs 53,660 (167%).
- 309. Consequently, the fund did not operate within the approved budget and negatively impacted delivery of prompt services to the constituents.

Response by the Fund Account Manager

310. The last AIE No. A796217 worth Kshs 27,544,833.00 (for the year under review) was received on 11th September 2015. This therefore implies that the funds were received and spent in the current financial year that is FY 2015/2016.
311. Underfunding is because of the delayed disbursement from the exchequer.

Committee Observations

312. *The Committee observed that :-*

- i. Underfunding was because of the delayed disbursement from the exchequer.*
- ii. AIE No. A796217 worth Kshs 27,544,833.00 (for the year under review) was received on 11th September 2015. The funds were received and spent in the FY 2015/2016.*
- iii. A copy of the AIE and list of projects were availed to the Office of the Auditor General for review and verification.*
- iv. The query was adequately addressed and resolved.*

Committee Recommendation

313. *The Committee recommends that the National Treasury should ensure timely release funds to enable implementation of projects approved by the NG-CDF Board.*

3.0 Project Implementation and Management

314. The fund budgeted for the implementation of 92 projects with an allocation of Kshs 106,170,336. However, only 77 projects with an allocation of Kshs 88,927,337 were completed. Further, 10 projects costing Kshs 4.5million were not started with another 4 projects with an allocation of Kshs 12,427,999 ongoing and 1 project with allocation of Kshs 315,000 had stalled. In view of the foregoing, the fund did not deliver the expected services to the constituents and did not therefore achieve its development objectives.

Response by the Fund Account Manager

315. The Funds were received later, and the projects were implemented and completed. The projects later implemented are:
- i) Buhili Primary School- was allocated funds for land purchase but changed to classrooms renovation (reallocation approval from the Board, deposit slip and PMC minutes were availed to the auditor for review and verification).
 - ii) Khwisero District Hospital land- was later purchased (deposit slip, Agreement of sale/purchase, PMC minutes and Copy of title deed were availed to the auditor for review and verification).

iii) Audit fee- was reallocated to Emwaniro for a new classroom (reallocation approval from the Board, codelist, completion and handover certificates for the classrooms were availed to the auditor for review and verification)

iv) Kisa North Chief's office- was implemented and complete (deposit slip, Completion & Handover certificates, and photo of the office were availed to the auditor for review and verification)

v) Roads-Initially was for lease of murram site. However, was changed due to devolution for construction of toilets at the Khwisero Police Station, Sh.500,000 and renovation of classrooms at Ibinda Primary School, sh.500,000 (deposit slip to Police PMC account, minutes, reallocation approval from the Board & PMC bank account statement on funds flow were availed to the auditor for review and verification).

316. All were completed and are in use. Updated Project Implementation Status Report including the projects were availed to the auditor for review and verification

Committee Observations

317. *The Office of the Auditor was instructed to carry a physical verification of the projects. it was observed that:*

Project	Project Details	Verification findings
1) Buhili Primary School	Renovation of 4 classrooms	Completed and in use
2) Purchase of land for construction of level 4 Hospital	Purchase of Land for construction of level 4 Hospital	Land seen and tittle deed provided to auditor for review and verification
3) Emwaniro for a new classroom	Construction of a new classroom	Completed and in use
4) North Kisa Location Chief's Office	Construction of North Kisa Location Chief's Office	Completed and in use
5) Khwisero Police Station	Construction of 4 door toilet	Completed and in use
6) Ibinda Primary School	Renovation of classrooms	Completed and in use

4.0 Tax Compliance and Defective Workmanship

318. The fund contracted the construction of a modern dining hall at Eshinutsa Secondary school in November 2013 at a contract sum of Kshs 6,366,418 and in October 2012 for the construction of a multipurpose dining hall at Emalindi Girls' Secondary school at a contract sum of Kshs 6,599,750. During the year under review the CDF allocated and disbursed Kshs 3,570,000 and Kshs 2,100,000 for the dining hall and dormitory respectively. However, tax was not withheld and remitted to the KRA from the payments made. Further, details of how provisional sum of Kshs 770,000 in the contract was utilized were not made available for audit review. In addition, poor workmanship in the construction of the dining hall at Emalindi Girls' Secondary school was evident from the cracked floors and weak pavements and the project was incomplete.
319. The fund consequently failed to comply with the tax law on withholding taxes and did not ensure efficient completion of the projects.

Response by the Fund Account Manager

320. The constituency transfers money to the Project management committee who implement projects. During the implementation it's when the contractors are paid, and this is the point the withholding taxes should be withheld. Therefore, the constituency could not withhold taxes at the point of transferring funds to the PMC.
321. Constituencies were appointed as withholding agents by KRA in August 2018. From this period the constituency has put in place controls and measures to ensure the PMCs withhold the taxes and are remitted
322. The provisional sum of Kshs 770,000 under Eshinutsa Sec School for Dining hall was utilized on plumbing works, electricity and serving tables. For Emalindi Girls' Sec School dining hall, there are pending works as per the Works officer, but the building is partially complete.

Committee Observations

323. *The Committee observed that:-*

- (i) CDF allocated and disbursed Kshs 3,570,000 and Kshs 2,100,000 for the construction of a dining hall and dormitory respectively.*
- (ii) Tax was not withheld and remitted to the KRA from the payments made.*
- (iii) A provisional sum of Kshs 770,000 in the contract was utilized were not made available for audit review.*
- (iv) Poor workmanship in the construction of the dining hall at Emalindi Girls' Secondary school was evident from the cracked floors and weak pavements.*
- (v) The fund failed to comply with the tax law on withholding taxes and did not ensure efficient completion of the projects.*
- (vi) Due to time constraint the Office of the Auditor General was not able to visit the projects to ascertain its status and therefore the matter was still pending.*

Committee Recommendations

- (i) *Within three months of the adoption of this report the NGCDF Board in consultation with the County Public Works Office should assess the status and structural integrity of the Emalindi Girls' Secondary school.*
- (ii) *The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, which provides that "The Constituency Development Fund Committee may make appropriate consultations with the relevant Government departments to ensure that cost estimates for the projects are realistic." 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.*
- (iii) *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.*
- (iv) *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.*

FINANCIAL YEAR 2015/2016

1.0 Follow up of previous year's audit issues

324. The International Public Sector Accounting Standards (Cash Basis) financial statement presentation format prescribed by the Kenya Public Accounting Standards Board requires the management to include the action taken on the previous year's Auditor's recommendations. In the year 2014/2015, Khwisero CDF had adverse audit opinion. However, the report on follow-up of Audit issues raised in the audit report has been included in the financial statements for the year under review as required. Therefore, the presentation of the financial statements does not conform to Public Sector Accounting Standards Board Reporting template and Public Finance Management Act, 2012.

Response by the Fund Account Manager

325. The final Auditor's report for 2014/2015 financial year had not yet been received by constituency hence the statement had not been prepared. However, the report on progress on follow up of audit issues has been prepared and provided to the auditor for review.

Committee Observation

326. The Committee observed that the Fund Account Manager admitted that the final Auditor's report for 2014/2015 financial year was not received by constituency at the time of audit hence the statement was not prepared. However, they were later prepared and availed to the auditor for review.

Committee Recommendations

327. The Committee recommends that the Accounting Officer: -
- (i) ensures that the Fund Account Managers: -
 - a) keeps financial and other records that are accurate, reliable, and complete;
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that *"The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time"*.
 - c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that *"Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"*; and
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that *"An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury"*.
 - (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Non-remittance of Taxes

328. Included under other grants and transfers of Kshs 42,146,459 was Kshs 18,542,121 paid by the Khwisero Constituency Management in respect to road construction works during the year under review. However, the management only remitted Kshs 707,468 to KRA as 6% VAT and 3% withholding tax, leaving a balance of Kshs 882,148 not remitted as required. No explanation was given for non-remittance of Kshs 882,148 to KRA.

Response by the Fund Account Manager

329. The constituency transfers money to the Project management committee who implement projects. During the implementation it's when the contractors are paid, and this is the point the withholding taxes should be withheld. Therefore, the constituency could not withhold taxes at the point of transferring funds to the PMC.

330. Constituencies were appointed as withholding agents by KRA in August 2018. From this period the constituency had put in place controls and measures to ensure the PMCs withhold the taxes and are remitted.
331. When CDF could fund road works, the Constituency Roads Officer (the technical person in the field) could prepare BQs and even payment certificates. All payments were done based on such certificate calculations.

Committee Observations

332. *The Committee observed that:-*

- i. The query arose due to non-remittance of taxes to KRA.*
- ii. The Constituency had put in place controls and measures to ensure the PMCs withhold the taxes and are remitted.*

Committee Recommendations

333. *The Committee recommends that:-*

- i. 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.*
- ii. 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.*
- iii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

3.0 Non-utilization of Funds

334. Included in the transfer to other Government units of Kshs 27,757,312 is Kshs 2,100,000 allocated during the year under review towards purchase of land for Emung'abo Health Centre. The money was transferred to the Health Centre's PMC during the month of October 2016. However, by the time of audit, the money was still in the Health Centre's PMC bank account. Further, it was noted that there was no evidence that the land had been identified and that due procurement process followed.

Response by the Fund Account Manager

335. Land was later purchased, fenced, the health facility constructed plus toilet and even furnished. (Land purchase Agreement, Valuation report, BQ for the building, PMC minutes on implementation, official schedules and receipts utilized during implementation, photographs and minutes of stakeholders on site after completion were submitted to the auditor for verification).

Reaction from Members

336. *Although the Committee observed that the matter was addressed satisfactorily. It tasked the Office of the Auditor General to conduct physical verification of the project before it pronounces itself on the matter.*

Committee Observation

337. *Following physical verification carried out by the Office of the Auditor General it was observed that:*

Project	Project Details	Verification findings
Emugh'abo Health Centre	<ul style="list-style-type: none">i. Construction to completion of a Health Centre Building and toilets to completionii. Purchase of Land	<ul style="list-style-type: none">i. Both building and toilet were completed and are in use.ii. Land was purchased (documentation was provided to the auditor for review and verification).

OTHER MATTERS

1.0 Budget Performance

338. The Fund budgeted for a receipt of Kshs 172,544,000 including Kshs 26,939,102.43 brought forward from FY 2014/15. However, the actual expenditure was Kshs 91,608,214 resulting in an under expenditure of Kshs 80,965,786. Consequently, the fund did not operate within the approved budget, and this might impact negatively in respect of service delivery to the constituents.

Response by the Fund Account Manager

339. Under-expenditure was due to delayed funds disbursement from the ex-chequer. During the year under review, the budget was Ksh.116,780,065. However, the Constituency received Ksh.58,780,065 as balance for the financial year under review. These funds were through AIE No. A825931 dated 27th Sept 2016. A breakdown of respective projects is attached

for your confirmation. The Board needs to improve on funds disbursement so that the budgetary allocation is received within the financial year and spent.

Committee Observations

340. *The Committee observed that:-*

- (i) This was occasioned by the late disbursement of funds to the constituencies by the exchequer. The projects were later funded in the subsequent year.*
- (ii) The AIE No. 825931 dated 27th Sept 2016 for Kshs 58,780,065 was availed for audit review. The matter stands resolved.*

Committee Recommendation

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

2.0 Project Analysis

342. Khwisero CDF had an approved plan to implement a total of 240 projects valued at Kshs 601,997,135. However, 173 projects valued at Kshs 233,271,507 were complete, 59 projects valued at Kshs 66,226,943 were ongoing, 4 projects valued at Kshs 2,615,000 had stalled.

Response by the Fund Account Manager

343. The Funds were received later. The projects were implemented and completed. The projects implemented are:

- i) Buhili Primary School (sh.650,000)- was allocated funds for land purchase, but changed to classrooms renovation (Reallocation approval from the Board, deposit slip and PMC minutes were submitted to the auditor for review)
- ii) Khwisero District Hospital Land (sh.1,000,000) - was later purchased (deposit slip, Agreement of sale/purchase, PMC minutes and copy of title deed were submitted to the auditor for review).
- iii) Audit fee (sh.500,000)- was reallocated to Emwaniro for a new classroom (Reallocation approval from the Board, code list, Completion and handover certificates for the classrooms were submitted to the auditor for review).
- iv) Kisa North Chief's office (sh.315,000)- was completed (deposit slip, Completion & Handover certificates and photo of the office were submitted to the auditor for review).
- v) Roads (sh.1,000,000)-Initially was for lease of murram site. However, was changed due to devolution for construction of toilets at the Khwisero Police Station, Sh.500,000 and renovation of classrooms at Ibinda Primary School, sh.500,000 (deposit slip to Police PMC account, minutes, Reallocation approval from the Board & PMC bank account statement on funds flow were submitted to the auditor for review).

All were completed and are in use. Also attached is the updated Project Implementation Status Report including the projects.

Committee Observations

344. *The Office of the Auditor was instructed to carry a physical verification of the projects. it was observed that:*

Project	Project Details	Verification findings
1. Buhili Primary School	Renovation of 4 classrooms	Completed and in use
2. Purchase of land for construction of level 4 Hospital	Purchase of Land for construction of level 4 Hospital	Land seen and tittle deed provided to auditor for review and verification
3. Emwaniro for a new classroom	Construction of a new classroom	Completed and in use
4. North Kisa Location Chief's Office	Construction of North Kisa Location Chief's Office	Completed and in use
5. Khwisero Police Station	Construction of 4 door toilet	Completed and in use
6. Ibinda Primary School	Renovation of classrooms	Completed and in use

3.5 REPORTS ON THE AUDITED ACCOUNTS OF LURAMBI CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

LURAMBI CONSTITUENCY

345. Mr. Humphrey Sechero Tieni, the Fund Manager appeared before the Committee on 5th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Lurambi Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Stalled construction of Lurambi CDF office at Kakamega town

346. Included in the non-current assets disclosed is the all-office building at an amount of Kshs 52,464,576 as at 30th June 2014. The project which commenced in 2008/2009 was last funded in 2011/2012 even though the release of the funds was delayed to 2013/2014. The project stalled with both the external and internal walls erected on both the ground floor and first floor awaiting roofing. The building therefore possesses a danger to the environs because is bushy and deserted. The building has stalled since 2011 and hence no benefits have been derived from the expenditure amounting to Kshs 52,464,576.00.

Response by the Fund Account Manager

347. The construction of the office building started in the financial year 2008/2009. It was estimated to cost Kshs 155,953,860.00 (One Hundred Fifty-Five Million, Nine Hundred Fifty-Three Thousand Eight Hundred Sixty) only. The building was supposed to be a six-storey building to be funded over several years given the minimal fund that was being allocated per constituency and the different sectors that must be funded e.g., bursary, sports, environment, education etc.
348. Thus, due to limited resources the CDF office could not construct the building in a short scope of time. Hence, the CDF committee agreed with the County Government of Kakamega in an MOU to hand over the building to the county. In exchange the county government would implement CDF projects worth Kshs 54,200,000. This was to be executed upon approval by the board.
349. However, the County Government of Kakamega could not continue with the works since the CDF did not receive authority from NGCDF Board. Completion of the stalled Lurambi CDF office was initiated following a visit by the Board of Directors from the NG-CDF Board on the 16th of January 2020. The NGCDF Board advised the NGCDFC to prepare the new Bill of quantities for completion of the project.
350. The FAM requested the Public Works officers for the revised Bill of quantities. On receipt of the request, the Public Works office advised the NGCDFC to carry out structural integrity tests & post Geo-technical site on the stalled building. The FAM communicated to Chief Engineer Materials, Ministry of Transport, Infrastructure, Housing & Urban Development. The tests were done, and report availed. Thereafter, the pending works (roofing and ground

floor) were contracted afresh at a cost of Kshs 28,970,524. The bid documents for the completed works are annexed.

Committee Observations

351. *The Committee observed that: –*

- i. The audit issue was not satisfactorily responded to when the Lurambi NGCDF appeared before the committee.*
- ii. The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- iii. The committee also planned for a field visit which was undertaken on 10th May 2023.*
- iv. During the field visit the Fund Accounts Manager furnished the committee with the copies of BQs, Certificate of Completion.*
- v. Roof had been fitted at second floor, however, external walling for first and second floor had not been done.*
- vi. Ground floor currently accomodates Lurambi NG-CDF Office.*
- vii. Members were satisfied with the works done so far through the stewardship of the current Member of Parliament who had ensured that ground floor offices were being utilized.*

Committee Recommendation

352. *The Committee recommends that the Lurambi NG-CDF and the NG-CDF Board should source for more funds to complete the building so that value for money can be realized.*

OTHER MATTERS

1.0 Going concern status.

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

Response by Fund Account Manager

354. The fund was aligned to the constitution by enactment of a new act; The National Government Constituency Development Act 2015 which ensures the fund is utilized for national government functions only. Therefore, the issue of going concern was resolved.

Committee Observation

355. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statements

356. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires the management to include among financial statements submitted for audit a report on the action taken to address previous year Auditor's recommendations. In the year 2013/2014, Lurambi CDF had a qualified opinion. However, a report on follow-up of the audit issues raised was not included in the financial statements for the year under review. Therefore, the presentation of the (Cash Basis) does not conform to IPSAS (Cash Basis) format prescribed by the National Treasury and the Public Finance Management Act, 2012.
357. The statement of receipts and payments reflects a deficit of Kshs. 23,536,903 implying the cash brought forward of Kshs. 53,674,887 and the outstanding imprest of statement of responsibilities and Note 14 to financial statements is omitted. Further, pending bills (payables) totaling Kshs. 27,246,811 (Note 15.2 and 15.3) were not supported with schedules showing detail of the bills.
358. In view of the foregoing, the presentation, accuracy, and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed.

Response by Fund Account Manager

359. At the time of audit, the certificate of audit of 2013/2014 financial year had not been received at the time of financial reporting. However, the report on follow-up of the audit was done and presented to the auditors. The allocation for 2014/15 was Kshs. 104,002,833.00. However, Kshs. 127,539,736.40 was spent. The extra amount spent of Kshs. 23,536,903.40 was out of the balance b/f Kshs. 54,068,361.75 as shown in the bank reconciliation of June 2014 Kshs. 27,246,811 was not pending bill, they were projects that were not funded due to delay of release of funds by the exchequers. However, the projects were funded in the subsequent financial years.

Committee Observation

360. *The Committee observed that the query arose because at the time of audit, the certificate of audit of 2013/2014 financial year had not been received at the time of financial reporting. However, the report on follow-up of the audit were prepared and presented to the auditors. The matter was marked resolved.*

Committee Recommendations

361. The Committee recommends that the Accounting Officer: -

- (i) ensures that the Fund Account Managers: -
 - a) keeps financial and other records that are accurate, reliable, and complete;
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".
 - c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".
- (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Budgetary Control and Performance

362. During the year under review, the Fund's budgeted receipts amounted to Kshs 158,071,195 but only Kshs 127,539,736 was received thus resulting in under funding by Kshs. 30,531,458. Further, budgeted Projects worth Kshs 30,531,458 were not implemented as shown below:

Receipt/Expense	Approved Budget Kshs.	Actual Expenditure Kshs.	Variation Kshs.	% Variation
RECEIPTS				
Transfer from CDF Board	158,071,195	127,539,736	30,531,458	19%
Sub Total	158,071,195	127,539,736	30,531,458	
PAYMENTS				
Compensation of Employees	2,650,000	1,749,699	900,301	34%
Use of Goods and Services	2,804,170	2,778,468	25,702	1%
Committee Expenses	9,090,085	9,076,199	13,886	0%
Transfer to other Government Units	75,004,649	53,632,759	21,371,890	28%

Other grants and transfers	48,350,867	44,926,246	3,424,620	7%
Social Security Benefits	36,000	21,600	14,400	40%
Acquisition of Assets	14,635,424	11,854,765	2,780,659	19%
Other Payments	5,500,000	3,500,000	2,000,000	36%
TOTAL	158,071,195	127,539,736	30,531,458	19%

Response by Fund Account Manager

363. The projects amounting to Kshs 30,531,458 were not funded due to delay of release of funds by the exchequer. The projects that were later funded and completed. (PIS and photos were submitted to the auditor for review and verification)

Committee Observations

364. *The Committee observed that:-*
- The query was occasioned by the late disbursement of funds to the constituencies by the exchequer. The projects were later funded in the subsequent year; and*
 - The project list schedules and photos were availed to the Office of the Auditor General for review.*
 - The query was adequately addressed and resolved.*

Committee Recommendation

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

3.1 Unaccounted for Equipment

366. The fund paid Lurambi Information Resource Centre Kshs 500,000 to establish an Information, Communication and Technology Centre. However, the procured information and communication technology equipment could not be verified as there were no stores records. Further, equipment's so procured were not in store at the time of audit as they were reportedly stolen. Further, there were no police abstract to confirm the theft. In the circumstance, the expenditure amounting to Kshs. 500,000 was not accounted for.

Response by the Fund Account Manager

367. Lurambi CDF funded Lurambi Information Resource Centre PMC – Kshs 500,000.00 towards the acquisition of ICT equipment. The equipment were bought and installed at Lurambi Youth Empowerment Centre. They were used for some months and thereafter stolen. The suspect was before Kakamega Law courts. The case was still ongoing.

- | | |
|-------------------------|------------|
| (a) MOU | } Provided |
| (b) Receipts/invoices | |
| (c) Letter from the CID | |

- (d) Letter from LIRC
PMC

Committee Observations

368. *The Committee observed that:-*

- (i) Report on stolen ICT equipment was submitted to the auditor for review.*
- (i) No evidence was provided to show a court case was ongoing or confirmation of court case appearance.*
- (ii) There was no proof that the matter was reported to the police.*
- (iii) There was no charge sheet availed, occurrence book (OB) Number or even witnesses' statements.*

Committee Recommendations

369. *Within three (3) months of the adoption of this report the Fund Account Manager should aggressively pursue stolen property and provide the following to the auditor for review and verification:*

- i. Evidence to show that a court case was ongoing or confirmation of court case appearance.*
- ii. Proof that the matter was reported to the police.*
- iii. Charge sheet, occurrence book (OB) Number or witnesses' statements.*

3.2 Irregular Procurement of Strategic Plan

370. The fund procured a strategic plan at a cost of Kshs 3,000,000 through request for quotation method of procurement instead of open tender as provided for by the public procurement regulations. The chosen method rendered the procurement irregular. Consequently, it has not been possible to ascertain that the fund obtained value for money from expenditure of Kshs 3,000,000.

Response from the Fund Account Manager

371. Wrong method was used during procurement of strategic plan, it was an oversight. This was due to limited procurement staff at the county office which has been improved over time. The NG-CDF Board has also conducted several trainings which include training on Public Procurement and Disposal Act. Otherwise, proper procurement and disposal procedures are being followed.

Committee Observations

372. *The Committee observed that the procurement method used i.e., request for quotation method of procurement instead of open tender as provided for by the public procurement regulations was in contrary to Public Procurement and Disposal Act 2005 and Regulations 2006.*

Committee Recommendation

373. *The Committee recommended that: –*

- i. The Committee recommends that the Fund Account Manager ensures compliance with provisions of Public Procurement and Asset Disposal Act, 2015 and Public Procurement Regulations, 2020.*
- ii. That the NGCDF Board, in conjunction with the Public Procurement Regulatory Board undertakes training and/or re-training of all its Fund Account Managers on procurement laws and regulations within six (3) months of the tabling of this Report.*

4.1 Stalled construction of Administration Police Camp

374. The other grants and transfer balance of Kshs 44,780,028 includes Kshs 1,500,000 disbursed for the construction of a one storey block of houses at Butso Administration Police (AP) camp. However, audit verification revealed that the project stalled before completion with the walling less than halfway done.

Response by the Fund Account Manager

375. Due to limited resources available to the constituency through CDF fund, the scope of the project was substructure and walling to window level. However, Butso East AP Staff Houses projects was later funded in the subsequent year and the projects were completed and in use. A copy of payment certificates and photos were submitted to the auditor for review.

Committee Observations

376. *The Committee observed that:-*

- i. The scope of the project was substructure and walling to window level.*
- ii. After physical verification by the Office of the Auditor General it was confirmed that Butso East AP and Staff Houses project were funded in the subsequent year and the projects were completed and in use.*

Committee Recommendation

377. *The Committee recommends that Fund Account Managers should endeavor to work and plan with realistic budgetary provision/estimates before embarking on projects.*

4.2 Unsupported for Bursary Expenditure

378. During the year under review the fund disbursed Kshs 13,254,700 in various Bursaries. However, acknowledgement Letters/ receipts were received for disbursements totaling to Kshs 1,009,000 only out of Kshs 6,993,200 that was supported by a schedule of beneficiaries list. Consequently, bursary totaling to Kshs 5,984,200 had not been accounted for as at 30th June 2015. In view of the foregoing, the propriety of the expenditure of Kshs 7,484,200 could not be confirmed.

Response by the Fund Account Manager

379. Kshs 6,993,200 was bursary issued to tertiary institutions. However, at the time of audit Kshs 5,984,200 had not been acknowledged. However, the office was still making follow-ups. The institutions have since submitted the receipts which were later availed to the auditors and copies provided.

Committee Observations

380. *The Committee observed that:-*

- i. As at the time of audit the institutions had not submitted their acknowledgements.*
- ii. The receipts and acknowledgement letters were later provided by the institutions and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

381. *The Committee recommends that;*

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

5.1 Construction of a Three Storey Classroom Block

382. Included in the balance of Kshs 53,632,750 was a sum of Kshs 2,000,000 disbursed to Kakamega primary school for the construction of a three – storey classroom block under a co-funding arrangement with the stakeholders. Along with previous years' contributions, the grants cumulative to the project by the CDF amounted to Kshs 6,300,000. However, the grants contravened the laws governing the operations of the fund because they were not meant to finance whole project or a defined phase of a project as the law requires.

Response by the Fund Account Manager

383. The project was being co-funded by Lurambi CDF, Parents Association, Old Boys Association and County Government of Kakamega. To date each partner had contributed as follows.

Lurambi CDF	Kshs 6,300,000.00
Parents Teachers Association	Kshs 10,174,000.00
Old Boys Association	Kshs. 3,600,000.00
County Government	Kshs. 5,000,000.00

384. Lurambi NG-CDF was responsible for the construction of second and third floor respectively.

Committee Observation

385. *The Committee observed that the Fund Account Manager provided a satisfactory explanation. The query was adequately addressed and resolved.*

5.2 Purchase of Land.

386. Further, the fund disbursed Kshs 2,000,000 for purchase of land worth Kshs 3,500,000 for a secondary school. However, no ownership documents were presented for audit review and as a result, the propriety and value for the money of expenditure could not be ascertained.

Response by Fund Account Manager

387. Maraba Secondary School was funded Kshs 2,000,000.00 towards acquisition of two acres of land at Kshs 3,500,000.00, Kshs 1,995,000.00 was paid as part payment. Attached are the copies of:

- (a) Sale Agreement
- (b) Search Certificate
- (c) Valuation report
- (d) Title Deed

388. The balance was paid, and land transferred to the name of the school.

Committee Observation

389. *The sale agreement, search certificate, valuation report and title deed were availed reviewed and verified. The query was adequately addressed and resolved.*

6.1 CDF Office not handed over

390. Construction of CDF office at Eshisiru Shopping Centre was commissioned during the year at a contract sum of Kshs 14,054,535. However, the office was not handed over to the fund and was therefore not in use as at 30th June 2015.

Response for the Fund Account Manager

391. The construction of the CDF office at the contract sum of Kshs 14,054,535.00 was completed and was being used as a satellite office serving Butso South and Butso Central wards.

Committee Observations

Following physical verification by the Committee and the Auditor General, it was observed that:

- i. Although the building was completed. It was under-utilized.*
- ii. No other government agencies were occupying the building as alluded by the Fund Account Manager.*
- iii. In this query, the management may have failed to plan with the concerned government ministries and agencies to occupy the available space in the building.*

Committee Recommendation

392. *The Committee recommends that the NGCDF Board should engage with relevant Ministries or Government Agencies to ensure that the building is fully occupied so that the value for money can be realized.*

6.2 Stalled Construction of Old Constituency Development Fund Office

393. As previously reported, construction of the stalled old Lurambi CDF offices in Kakamega town was approved by the CDF board during the year 2008/2009. The allocation for the project over the years totaled to Kshs 65,000,000 out of which Kshs 50,964,576 was spent on the construction works leaving a balance of Kshs 14,035,424 unspent.
394. On 28th January 2014 the fund through the member of parliament signed a memorandum of understanding (MOU) with the county government of Kakamega for the transfer of the project to the county government at a consideration of Kshs 54,200,000 to be settled through funding of the projects of equivalent amount which at the time of audit had not been effected by the County Government. **Annex 4** to the financial statement which is summary to the fixed assets register reflects expenditure on the building under building and structures comprising of old building valued at Kshs 52,464,576 and new building (Eshisiru Centre) valued at Kshs 11,464,576. However, the financial statements do not disclose the details of the MOU. In the circumstance, the propriety and value-for-money of the expenditure of Kshs 62,429,152 on the projects could not be confirmed.

Response by Fund Account Manager

395. Works office advised the NG-CDF to carry out structural integrity tests and post Geo-technical site on the stalled building. (Annex 2). The FAM communicated to Chief Engineer Materials, ministry of Transport, Infrastructure, Housing and Urban Development. The tests were done, and report availed (Annex 3). Thereafter, the pending works (roofing and Ground Floor) were contracted afresh at a cost of Kshs 28,970,524.

Committee Observations

396. *The Committee observed that: –*

- i. The audit issue was not satisfactorily responded to when the Lurambi NGCDF appeared before the committee.*
- ii. The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- iii. The committee also planned for a field visit which was undertaken on 10th May 2023.*
- iv. During the field visit the Fund Accounts Manager furnished the committee with the copies of BQs, Certificate of Completion.*
- v. Roof had been fitted at second floor, however, external walling for first and second floor had not been done.*
- vi. Ground floor houses Lurambi NG-CDF Office.*
- vii. Members were satisfied with the works done so far through the stewardship of the current Member of Parliament who had ensured that ground floor offices were being utilized.*

Committee Recommendation

397. *The Committee recommended that the Lurambi NG-CDF and the NG-CDF Board should source for more funds to complete the building so that the value for money can be realized.*

7.0 Project Implementation and Management.

398. Over the period of two (2) years to 30 June 2015 the fund allocated a total of Kshs 181,745,059 to one hundred forty-seven (147) projects. However, these included construction of two (2) staff houses for administration police, three (3) houses for health centers and construction of classrooms in 14 schools allocated funds in 2013/2014 as detailed below.

399. Five (5) projects worth Kshs 4,400,000 were abandoned while works on five (5) other allocated Kshs 4,000,000 had not commenced as at 30th June 2015. Seventy-three (73) projects were ongoing. Only sixty-six (66) projects were completed during the year ended 30th June 2015.

400. In view of the foregoing, the residents of Lurambi constituency and the fund have not obtained value for the money invested in the abandoned and incomplete projects.

Sector/Status	Abandoned		Not Started		Ongoing		Complete	
	No	Value Kshs	No	Value Kshs	No	Value Kshs	No	Value Kshs
Administration				-	9	24,953,500	2	3,600,000
Agriculture								
Education	4	2,400,000	1	1,000,000	48	64,838,630	49	29,222,931
Environment			1	500,000	3	2,500,000		-
Health					8	9,282,759		-
ICT			1	1,000,000				

Market			1	1,000,000				
Road	1	2,000,000					11	31,447,239
Security			1	500,000	3	4,000,000	4	1,500,000
Sports					2	2,000,000		
Total	5	4,400,000	5	4,000,000	73	107,574,889	66	65,770,170

Response by the Fund Account Manager

401. The projects were not funded due to delay of release of funds by the exchequer (project list schedules indicating the status and supporting documents were submitted to the auditor for review).
402. All the projects which were to be implemented by 30 June 2015 have been fully implemented. The Projects were fully funded, completed and in use.

Committee Observations

403. *The Committee observed that:—*

- i. The audit issue was not satisfactorily responded to when the Lurambi NGCDF appeared before the committee.*
- ii. The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- iii. The Auditors were instructed to carry a physical verification of the 147 projects.*

404. Verification of 30 projects sampled out of 147 projects revealed that 8 projects were still incomplete. The incomplete projects are:

No.	Project	Project Details	Status
1.	NG-CDF Office in Kakamega town	Office Block	Not Complete
2.	Matende Secondary School	Teachers' quarters	Not Complete
3.	Kakamega Township Primary School	Latrines	Not Complete
4.	Mwiyala Primary School	Classrooms	Not Complete
5.	Kakamega Primary School for deaf	Classrooms	Not Complete
6.	Kakamega Primary School	Classrooms	Not Complete
7.	Ebwambwa Primary School	Classrooms	Not Complete
8.	Daisy Special School	Dining hall	Not Complete

Committee Recommendation

405. *Within three months of adoption of this report Lurambi NG-CDF should prioritize in Financial Year 2023/24 budget proposal to allocate funds to incomplete projects, to enable it to complete all the pending projects so that value for money can be realized.*

FINANCIAL YEAR 2015/2016

1.0 Transfer to Other Government Units Kshs. 24,967,931.00

406. Included in the Kshs 24,967,931 in respect of transfer to other Government Units is Kshs 1,200,000 which was disbursed by the CDPC to Shisasari Primary School PMC for construction of two (2) classrooms. The school had received Kshs 500,000.00 in the financial year 2014/15 making a total of Kshs 1,700,000.00 for the same project. However, physical audit verification exercise conducted on 2nd September 2016 revealed that the classrooms had been roofed, plastered, floored and the doors and windows had been fitted with panes, but painting had not been done.

Response by the Fund Account Manager

407. Lurambi CDF funded Shisasari Primary School PMC with Kshs 1,200,000.00 for the construction of two classrooms in the financial year 2015/16. It further funded the same school with Kshs 500,000.00 for completion of the two classrooms.
408. The 7200mm is the whole area of the slab of the classroom. However, the difference 1200mm (4feets) were provisions for the pavement slabs around the classrooms. The project implementation was done in consultation with the County Public Works who certified the project and issued a final report on the project.

Committee Observation

409. *The Committee observed that the matter was satisfactory. The query was adequately addressed and resolved.*

OTHER MATTER

1.0 Budget Performance

410. During the year under review, the approved budget for Lurambi CDF was Kshs 110,183,370 but received Kshs 109,683,370 resulting in an underfunding by Kshs 500,000. In addition, the constituency Development Fund recorded an overall under expenditure of Kshs. 60,928,714 as analysed below:

ITEM	Original Budget	Adjustments	Final budget	Actual figure	Variance	% of unutilized Fund
EXPENDITURE	110,183,370	30,351,458	140,714,828	140,214,828	500,000	0.4%
Compensation of employee	2,676,000	615,000	3,291,000	2,179,320	1,111,680	33.8%
Use of goods and services	7,240,503	3,213,543	10,454,046	9,014,680	1,439,366	13.8%
Transfer to other government entities	54,086,867	2,854,044	56,940,911	24,967,931	31,972,980	56%
Other grants & other payments	44,680,000	21,500,000	66,180,000	42,460,663	23,719,337	36%
Acquisition of assets	1,500,000.00	2,348,871	3,848,871	1,164,120	2,684,751	70%
Total	110,183,370	30,531,458	140,714,828	79,786,714	60,928,114	

Response by the Fund Account Manager

411. The projects were not funded due to delay of release of funds by the exchequer. (Project list schedules indicating the status and supporting documents were submitted to the auditor for review)

Committee Observation

412. *The Committee observed that project list schedules indicating the status and supporting documents were availed to the Office of the Auditor General for review and verification. The query was adequately addressed and resolved.*

Committee Recommendation

413. *The Committee recommends that the National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

2.0 Project Implementation Performance

414. The fund implemented a total of 237 projects/programmes in different sectors as at 30th June 2016. However, it was noted that: (i) twenty (24) projects which represent 10% of the projects costing Kshs 27,050,000.00 had not started (ii) One hundred and twenty-two (122) projects which represents 52% of the projects costing Kshs 172,397,798.40 were still ongoing (iii) Ninety-one (91) projects representing 38% of the projects costing Kshs 89,560,116.49 had been completed as at the time of audit in the month of August 2016 and three categories are analyzed as follows:

ITEM	Not Started		Ongoing		Complete	
	No	Value	No	Value	No	Value
Administration	2	1,500,000	8	32,829,700	2	3,596,706
Education	15	13,050,000	82	110,671,850	62	35,456,586
Environment	1	500,000	7	4,413,490	2	-
Health	0	-	12	12,882,759	1	1,580,000
ICT	1	1,000,000				
Markets	1	1,000,000				
Roads	2	8,500,000			19	46,821,825
Security	2	1,500,000	10	8,600,000	5	1,585,000
Sports			3	3,000,000		
Total	24	27,050,000	122	172,397,798	91	89,560,117

Response by the Fund Account Manager

415. The projects were not funded due to delay of release of funds by the exchequer. (Project list schedules indicating the status and supporting document were submitted to the auditor for review)

Committee Observation

416. *Following physical verification by the Office of the Auditor General .The Management response was found to be satisfactory. The issue of disbursement of funds is beyond the control of NG-CDF.*

Committee Recommendation

417. *The National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

3.0 Stalled Lurambi CDF Office

418. The construction of Lurambi CDF office with a technical valuation of Kshs 54,168,070 had stalled. The office was to be handed over by the Lurambi CDF management to the County Government of Kakamega according to the memorandum of understanding (MOU) dated 28th January 2014, but as at the time of audit this had not been finalized. The county Government was supposed to take over and compensate the CDF office Kshs 54,168,070. No reason has been given why the handing over of the CDF office building to the County Government as provided for in the MOU was not affected.

Response by the Fund Account Manager

419. County Government of Kakamega could not effect the MOU since the CDF did not receive authority from NG-CDF Board.

Committee Observations

420. *The Committee observed that:-*

- i. The audit issue was not satisfactorily responded to when the Lurambi NGCDF appeared before the committee.*
- ii. The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- iii. The committee also planned for a field visit which was undertaken on 10th May 2023.*
- iv. During the field visit the Fund Accounts Manager furnished the committee with the copies of BQs, Certificate of Completion.*
- v. Roof had been fitted at second floor, however, external walling for first and second floor had not been done.*
- vi. Ground floor houses Lurambi NG-CDF Office.*
- vii. Members were satisfied with the works done so far through the stewardship of the current Member of Parliament who had ensured that ground floor offices were being utilized.*

Committee Recommendation

421. *The Committee recommends that the Committee recommended that the Lurambi NGCDF and the Board source more funds to complete the first and second floors of the building so the value for money can be realized.*

3.6 REPORTS ON THE AUDITED ACCOUNTS OF NAVAKHOLO CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

NAVAKHOLO CONSTITUENCY

422. Mr. Thomas Ontweka, the Fund Manager appeared before the Committee on 5th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Navakholo Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Incomplete Financial Statements

423. The Financial Statements as at 30th June, 2014 presented for audit review have not compiled with the requirements of IPSAS as a statement of budget performance is not included and details of compensation of key employees and Constituency Development Fund Committee are not disclosed.
424. During the year under audit, the Fund did not maintain a general ledger from which it could periodically balance the accounts. Thus, the accounts are not extracted from a ledger and a trial balance but are directly extracted from the cash books and a vote book. This implies that proper books of account were not kept.
425. Consequently, it has not been possible to confirm the completeness and accuracy of the financial statements as at 30 June 2014.

Response by the Fund Account Manager

426. Budget performance was elaborated in the statement of appropriation that was included in the financial statement.
427. The Constituency maintains an expenditure return which serves as the ledger and forms the basis for the preparation of financial statement. A trial balance is not part of the financial statement but it's a source document for preparation of financial statement. The trial balance was provided to the auditor for review.

Committee observation

428. *The Committee observed that a trial balance which is a source document for preparation of financial statement was provided to the Office of the Auditor General for review.*

Committee Recommendations

429. *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 ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

2.0 Unauthorized Project Payments

430. Two payment vouchers totalling Kshs 2,169,539.68 in respect of rehabilitation of roads were not supported by the committee minutes approving the expenditure. As a result, the propriety of the expenditure could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

431. Voucher number 36b and 43 amounting to Kshs 1,381,379.68 and Kshs 788,160 respectively (totaling Kshs 2,169,539.68) were supported by committee minutes of 13th April 2014 number NAV CDFC/MIN 4/04/2014. These documents were availed to the auditor for review and verification.

Committee Observation

432. *The Committee observed that vouchers number 36b and 43 amounting to Kshs. 1,381,379.68 and Kshs. 788,160 respectively (totaling Kshs. 2,169,539.68) that were supported by committee minutes of 13th April, 2014 number NAV CDFC/MIN 4/04/2014, were later submitted to the Office of the Auditor General for review.*

Committee Recommendations

433. *The Committee recommends that:-*

- i. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*
- ii. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

3.0 Unaccounted for scholarships and Educational Benefits

434. Schedules availed in respect of bursaries only added up to Kshs 5,924,000.00 as compared to the total expenditure of Kshs 6,300,000.00 reflected in the financial statements. The overstatement of Kshs 376,000.00 remain unaccounted for as at 30 June 2014.

Response by the Fund Account Manager

435. The correct expenditure schedule amounting to Kshs 6,300,000.00 as extracted from the cashbook was availed for verification.

Committee Observation

436. *The Committee observed that the Fund account manager availed the cashbook to the Office of the Auditor General and amended schedules for verification.*

Committee Recommendation

437. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*

4.0 Unsupported Expenditure

a) Navakholo District Commissioner's Office

438. An amount of Kshs 1,500,000 was paid out for the completion of the armory, wiring and septic tank at the District Commissioner's Office Navakholo. However, the tender minutes and bid documents for the award of the works were not availed for audit review.
439. It was also not clear why the amount paid out of Kshs 1,500,000.00 was different from the contractors' priced bills of quantity figure of Kshs 1,687,370 giving a difference of Kshs 187,370.00. Further, it was not explained why this bill of quantities' figure was the same as that for putting up toilets at Burangasi Primary School by the same contractor given the difference in the nature of work.

Response by the Fund Account Manager

440. The project was initially being funded by the Lurambi CDF at a contract sum of the DCC's office was Kshs 7,235,475. After split of Navakholo from Lurambi, Navakholo funded the PMC with Kshs 1,500,000 to undertake the extra works (electrical works, mechanical

works, armoury RC walling, entry ramp & septic tank) The PMC implemented the project at a cost of Kshs 1,085,000.

Committee Observation

441. *Following physical verification by the Office of the Auditor General, it was noted that the project was completed and in use but it was not labeled hence it could not be confirmed whether it was done by CDF.*

Committee Recommendation

442. *The Committee recommended that the Navakholo NG-CDF should label all the projects that have been implemented by the NG-CDF.*

b) Burangasi Primary School – pit latrines

443. The fund allocated an amount of Kshs 1,600,000.00 out of its emergency funds to Burangasi Primary School to put up twenty (20) pit latrines to replace those that had collapsed out of which expenditure amounting to Kshs 1,392,000.00 was incurred. However, the project file containing among others formal requests for the emergency assistance, tender minutes, certificate of works done and even the handing over report were not made available for our audit review.
444. It has not been possible to confirm the propriety of the expenditure of Kshs 1,392,000.00 and whether the constituency obtained value for money in the transaction.

Response by the Fund Account Manager

445. The project documentations were misplaced in the sub-county treasury office where they are kept but they have since been availed to the auditor for verification.

Committee Observations

446. *The Committee made the following observations:-*

- (i) This was a case where management failed to provide documents for audit within the statutory timelines since the project documentations were misplaced in the sub-county treasury office. Nevertheless, all the necessary documents were later availed and verified by the Office of the Auditor General thereby resolving the matter.*
- (ii) This was a case of poor recording keeping by the sub-county treasury office.*

Committee Recommendations

447. *The Committee recommends that:-*

- (i) The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide*

information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that "(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury" on the timely submission of documents.

(ii) The sub-county treasury office should strengthen the maintenance of books and ensure that officers in that office are continuously trained in basic record keeping.

(iii) The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.

c) Chebuyusi High School

448. An amount of Kshs 1,500,000.00 was allocated and disbursed to Chebuyusi High School for the purpose of walling and fitting fixture (shutters) to the first floor of a resource Centre at the school. However, out of the total Kshs 1,500,000.00 disbursed, payment vouchers for only Kshs 1,099,700 were made available for audit verification. Further, the bank statements reflected a balance of only Kshs 2,047.05 leaving a balance of Kshs 389,252.95 unaccounted for as at 30 June 2014.

Response by the Fund Account Manager

449. The project was initially started by Lurambi CDF at a contract sum of Kshs 6,554,350. After the split Navakholo CDF funded the project with Kshs 1,500,000 which was paid as follows; The first payment vouchers (payment certificate) was for Kshs 1,099,700 and the 2nd was for Kshs 389,252.95. The payment voucher for Kshs 389,252.95 was provided to auditors.

Committee Observation

450. *The Committee observed that the explanation provided was satisfactory. The payment vouchers were also availed to the Auditors for review and verification. The query was adequately addressed and resolved.*

5.0 Cash and Bank Balances Inaccuracies

451. The Bank reconciliation statement for the CDF bank account at Co-operative bank as of 30 June 2014, indicates payment in cash book not yet recorded in bank statement of Kshs 1,133,527.00 which included a figure of Kshs 760,000.00 in respect of cheques payable to various schools and colleges for students' bursaries. However, the schedules in support of

the Kshs 760,000.00 adds up to only Kshs 656,000.00 resulting to an overstatement by Kshs 104,000.00.

452. Consequently, it has not been possible to confirm the accuracy of the cash and bank balances of Kshs 1,133,527.00 as at 30 June 2014.

Response by the Fund Account Manager

453. The correct expenditure schedule amounting to Kshs 760,000.00 as extracted from the cashbook was availed for verification.

Committee Observation

454. *The Committee observed that the expenditure schedule was availed to the Office of the Auditor General for review and verification. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy, and completeness of the Financial Statements

455. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires the Management to include among the financial statements presented for audit, a report action taken to address previous year auditor's recommendations. In the year 2013/ 2014, Navakholo CDF had a Qualified Opinion. However, a report on follow-up of the audit issues raised was not included in the financial statements for the year under review. As a result, the presentation of the financial statements does not conform with IPSAS (Cash Basis) format prescribed by the National Treasury and Public Finance Management Act, 2012.
456. Further, the statement of receipt and payments reflects a surplus of Kshs 3,782,561 while the statement of assets reflects a deficit of Kshs 46,202,048 resulting in a difference (deficit) of Kshs 42,419,487.
457. In addition, the cash and cash equivalents balance of Kshs 3,782,562 differs with the cash flow statement balance of Kshs 3,781,951.52 and statement of assets deficit of Kshs 46,202,048. The fixed assets register balance is Kshs 12,850,000. However, the balance brought forward figure of Kshs 511,995 has not been disclosed.
458. In view of the foregoing, the accuracy, and completeness of the financial statements for the year ended 30 June 2015 cannot be ascertained.

Response by the Fund Account Manager

459. The 2013/2014 Auditor General Report for Navakholo CDF was not yet released to the constituency by the time of submission of 2014/2015 financial statements. However, the report on follow-up the year 2013/14 were availed to the auditor for review.

460. The financial statements for the year 14/15, statement of receipts and payments was erroneously posted with the balance from the previous FY 2013/14 of Kshs 49,984,609 under receipts which subsequently led to a surplus of Kshs 3,782,560.90.
461. However, the correct treatment ought to have been Kshs 56,987,414.50 as receipts under the FY 2014/15 against payments in the same period of Kshs 103,189,462 leading to a deficit of Kshs 46,202,048.10 as included in statement of receipts and payments and evidenced under the surplus / deficit for the statement of financial asset and liabilities.
462. We noted an incorrect cash opening balance was posted to the cash flow statement. The corrected cash flow statement was submitted to the auditor for review.

Committee Observations

463. *The Committee observed that;*

- i. At the time of preparation of the 2014/2015 financial statements. The 2013/2014 Auditor General Report for Navakholo CDF was not yet released to the constituency. However, the report on follow-up the year 2013/14 was later availed to the auditor for review.*
- ii. The Fund Account Manager admitted that the financial statements for the year 14/15, statement of receipts and payments was erroneously posted with the balance from the previous FY 2013/14 of Kshs 49,984,609 under receipts which subsequently led to a surplus of Kshs 3,782,560.90.*
- iii. He noted that the correct treatment ought to have been Kshs 56,987,414.50 as receipts under the FY 2014/15 against payments in the same period of Kshs 103,189,462 leading to a deficit of Kshs 46,202,048.10 as included in statement of receipts and payments and evidenced under the surplus / deficit for the statement of financial asset and liabilities.*
- iv. He also noted that an incorrect cash opening balance was posted to the cash flow statement. The corrected cash flow statement was submitted to the auditor for review.*

Committee Recommendations

464. *The Committee recommends that the Accounting Officer: -*

(i) ensures that the Fund Account Managers: -

- a. keeps financial and other records that are accurate, reliable, and complete;*
- b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with*

receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and

d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".

(ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Cash and Cash Equivalents

465. Included in the cash and cash equivalents balance of Kshs 3,782,562 is cash-at-bank of Kshs 3,689,413 which however differs from the corrected cash book balance of Kshs 6,507,166 resulting in an unexplained difference of Kshs 2,817,753. Consequently, the accuracy of the reported bank balance of Kshs 3,689,413 cannot be confirmed.

Response by Fund Account Manager

466. Included in the cash and cash balance of Kshs 3,782,562 is cash at bank of Kshs 3,689,413 and outstanding imprest of Kshs 93,149 from our books of account for the year ended 30th June 2015. NOTE: There was no corrected cash book balance of Kshs 6,507,166.

467. The cashbook balance was Kshs 3,689,413.

Committee Observation

468. *The Committee observed that the cashbook extracts were availed to the Auditor for review and verification. The query was adequately addressed and resolved.*

3.0 Budgetary Control Equivalents

469. The summary statement of appropriation indicates that the Fund budgeted and received grants totalling to Kshs 106,972,024 from the National CDF Management Board. However, actual expenditure was Kshs 103,189,463 and thus exceeded the budget of Kshs 36,869,763 by amount of Kshs 66,319,700. The original approved budget was not presented for audit to authenticate the statement presented which is summarized below; (table 1)

470. In view of the discrepancy, it has not been possible to confirm the budgetary performance of the Fund and whether the statement of appropriation presents fairly the operations of the Fund during the year under review.

Revenue/Expense Item	Final Budget	Actual Expenditure	Variation	Percentage Variation
RECEIPTS	(Kshs)	(Kshs)	(Kshs)	
Transfers from CDF Board	106,972,024	106,972,024	-	0%
PAYMENTS				
Compensation of Employees	725,600	1,420,000	(694,400)	-96%
Use of goods and services	776,893	2,985,042	(2,208,149)	-284%
Committee Expenses	4,628,045	10,279,305	(5,651,260)	-122%
Transfers to other Government Units	10,882,759	30,787,937	(19,905,178)	-183%
Other grants and transfer	19,055,641	44,833,819	(25,778,178)	-135%
Social Security Benefits	10,800	33,360	(22,560)	-209%
Acquisition of Assets	764,675	12,850,000	(12,085,325)	-1580%
Other Payments	25,350	-	25,350	100%
TOTALS	36,869,763	103,189,462	(66,139,699)	-180%

Table 1

Response by the Fund Account Manager

471. The actual allocation of Navakholo CDF for financial year 2014/2015 was Kshs 102,774,829. During the year the constituency received Kshs 56,987,414.50 as funding from NG CDF board and had an opening balance for the year was Kshs 49,984,609 hence having the total available funds at Kshs 106,972,023. The expenditure of Kshs 103,189,463 was the actual expenditure for the year. The extra expenditure was incurred from the opening balance for the year.

Committee Observation

472. The Committee observed that the financial statements showing actual expenditure for the year were availed for audit review and verification. The query was adequately addressed and resolved.

4.0 Project Implementation and Management

473. During the year under review, the Fund allocated a total amount of Kshs 104,055,592 for a total of seventy-six (76) projects. As at 30 June 2015, twenty (20) projects allocated Kshs 42,268,651 were ongoing while twenty-six (26) projects allocated Kshs 14,000,000 and falling under the education sector had not commenced at the time of the audit in March 2016 as detailed below (see table 2).
474. The delay in implementing forty-six (46) projects implies that services were not responsively and promptly provided to the public and constituents as required by the Constitution of Kenya.

Sector/Status	Stalled		Not Completed		Ongoing		Complete	
	No.	Value	No.	Allocation (Kshs)	No.	Allocation (Kshs)	No.	Allocation (Kshs)
Administration					3	7,864,725	3	13,257,735
Education			26	14,000,000	9	23,921,167	19	20,329,106
Environment					1	500,000		
Health					3	4,482,759		
Water					1	1,600,000		
Market					1	2,000,000	1	1,600,000
Road					1	900,000	6	11,100,000
Security							1	1,500,000
Sports					1	1,000,000		
Total			26	14,000,000	20	42,268,651	30	47,786,841

Table 2

Response by the Fund Account Manager.

475. The project implementation was affected by the delayed funding by the exchequer which resulted in under absorption. All the projects for the year under review were completed and in use. The project implementation status was submitted to the auditor for review.

Committee Observations

476. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors were instructed to carry a physical verification of the projects.*
- (iv) However, verification report was not received, hence existence of the 46 projects could not be confirmed.*

Committee Recommendations

477. *The Committee recommends that:-*

- (i) The Navakholo NGCDF and the Board, auditors to physically confirm the completion of these projects three months after adoption of this report.*
- (ii) The Accounting Officer ensures that the Fund Account Managers avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.*

5.0 Transfer to other Government Units – Irregularities in the Implementation of CDF Projects

478. During the year under review, the Fund reported transfers amounting Kshs 30,787,936 to other Government Units. The transfers included a sum of Kshs 15,600,000 spent on projects in three health institutions and three secondary schools. However, physical verification revealed the works several irregularities including un-approved variations,

abandoned and stalled projects, commissioning of new projects without completing earlier ones and poor workmanship. As a result, the grants totaling to Kshs 15,600,000 were not efficiently spent and the constituents did not realize value for money from the expenditure.

Response by the Fund Account Manager

479. The projects earmarked for implementation from 2013-2015 were all been implemented and in use.

Committee Observations

480. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee in Nairobi.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors conducted a physical verification of the projects and were satisfied with the projects.*

Committee Recommendations

481. *The Committee recommends that:-*

- i. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.*
- ii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

6.0 Other Grants and Transfers – Irregularities in the implementation of Projects

482. Included in the other grants and transfers balance of Kshs 44,833,819 is a sum of Kshs 6,801,148 used to implement two projects namely grading a road at Kshs. 4,501,148 and construction of District Office at a cost of Kshs 2,300,000. However, poor workmanship was evident in respect of the road works while the district office was not completed and occupied without a finished floor, ceiling and other fittings thus implying that the contractor was paid the full contract price before the works were completed. Consequently, public funds were not spent efficiently as required by the law and the Fund did not obtain value for money from the expenditure totalling to Kshs. 6,801,148.

Response by the Fund Account Manager

483. Navakholo CDF transferred Kshs 2,300,000 to the PMC to implement the project. During the time of audit, the contractor was still on site and the defects liability period had not lapsed. The poor workmanship was later addressed before the release of retention for both projects and the anomalies corrected. The projects are currently complete and in use.

Committee Observations

484. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee in Nairobi.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors conducted a physical verification of the projects and were satisfied with the projects.*

Committee Recommendation

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

7.0 Acquisition of Assets – Unprocessed land for the CDF Office

486. During the year under review, the Fund acquired assets worth Kshs 12,850,000.00 including land bought at Kshs 850,000 for the CDF office. However, the CDF paid the seller the full value without transfer documents and title deed. As at the time of audit inspection, the CDF had not obtained the title deed to the land. In the circumstance, it has not been possible to establish ownership of the land by the Fund and this has cast doubt on the propriety of the Kshs 850,000 and to the seller.
487. Further, included in the asset purchase balance of Kshs 12,850,000 is Kshs 7,950,000 incurred on construction of Navakholo CDF Office against the total contract price of Kshs 12,000,000. However, tender committee minutes confirming the method of procurement used and award of the tender were not made available for audit review.
488. In addition, there were irregular variations in materials, for example use of Gauge 30 sheets in roofing instead of the billed gauge 26 in the construction works among other irregularities related to the building which was not completed anyway.
489. In view of the foregoing, it has not been possible to confirm that the Fund obtained value for money on the expenditure of Kshs 12,850,000 reported to have been incurred on acquisition of assets.
490. At the time of audit, the ownership documents for CDF office land were available but the title deed was issued on 17th March 2021. At the time of audit the tender committee minutes were not availed but have now been availed to the auditor for verification.

Response by the Fund Account Manager

491. The procurement documents for the construction of CDF office at Kshs 12,000,000 were not availed during audit review but were later availed to the auditor for verification. The variation in use of iron sheets of Gauge 30 instead of gauge 26 for roofing was because of more costs incurred on the substructure.

Committee Observations

492. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee in Nairobi.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors conducted a physical verification of the projects and were satisfied with the projects, title documents were also submitted.*

Committee Recommendations

493. *The Committee recommends that:-*

- i. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.*
- ii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

8.0 Use of Goods and Services

494. The schedule in supporting expenditure of Kshs 2,985,048 incurred on amounts for use of goods and services revealed that except for bank charges amounting to Kshs 7,245 and rent charges of Kshs 30,000 which adds to a total of Kshs 37,245, the remainder of the balance amounting to Kshs 2,947,797 was paid out in cash to officers at the CDF. Therefore, nearly all the procurement for items of use of goods and services was effected in cash. Given the inherent weaknesses of the controls over cash payments, it was not possible to confirm whether the payments represented value received.
495. Further, note 3 to the financial statements indicates the expenditure on rent amounting to Kshs 240,000 (also categorized under use of goods and services) while the detailed schedule availed in support of the account reflects Kshs 30,000 as rent paid. The difference in the two sets of information was not explained.
496. According to the note, the expenditure item use of goods and services was only composed of two components of rent at Kshs 240,000 and specialized materials and services at Kshs 2,745,042 with other items like office and general supplies and utilities respectively reported at nil. This is unrealistic and thus the information in the Note is not fairly stated and misleading.
497. Consequently, the propriety of the expenditure of Kshs 2,985,042 under use of goods and services cannot be confirmed.

Response by the Fund Account Manager

498. The Kshs 2,985,048 incurred on amounts for use of goods and services was paid out in cash. However, in the subsequent years the office worked with the procurement officer of the Kakamega county to ensure proper procurement methods are used.
499. Kshs 240,000 was the actual expenditure for rent for the whole year. The lease agreement for the rent was submitted.

Committee Observation

500. *The documents were availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

The Committee Recommends that:-

- i. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.*
- ii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*
- iii. The Committee recommends that the Fund Account Manager should ensure that procurement of goods, works and services should be competitive in accordance to the Public Procurement and Asset Disposal Act of 2015 and the Regulations, 2020 which provides that "Procurement of goods, works and services under these Regulations shall be competitive in accordance with the provisions of section 157(3)(b) of the Act".*

FINANCIAL YEAR 2015/2016

1.0 unsupported Balances

501. Included in the Kshs 24,967,931 in respect of transfer to other Government Units is Kshs 1,200,000 which was disbursed by the CDPC to Shisasari Primary School PMC for construction of two (2) classrooms. The school had received Kshs 500,000.00 in the financial year 2014/15 making a total of Kshs 1,700,000.00 for the same project. However, physical audit verification exercise conducted on 2nd September 2016 revealed that the classrooms had been roofed, plastered, floored and the doors and windows had been fitted with panes, but painting had not been done.

Response by Fund Account Manager

502. The constituency maintains an expenditure return which serves as the ledger and forms the basis for the preparation of financial statements. A trial balance is not part of the financial statement but it's a source document for preparation of financial statement. The trial balance has since been provided to the auditor for review.

Committee Observation

503. *The Committee observed that the trial balance and ledgers were later availed to the Auditor for review and verification. The query was adequately addressed and resolved.*

2.0 Board of Survey Report

504. During the year under review, the Management did not provide the Board of Survey Report for audit review to confirm the cash balances as at June 2016. Consequently, it has not been possible to confirm that cash and cash equivalents balances of Kshs 72,515,051 is fairly stated.

Response by the Fund Account Manager

505. The Board of Survey Report has since been availed in support of Kshs 72,515,051.

Committee Observation

506. *The Committee observed that the Board of Survey Report in support of Kshs 72,515,051 was availed to the Auditor for review and verification. The query was adequately addressed and resolved.*

Committee Recommendations

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

3.0 Unaccounted for Disbursement

508. The CDF management disbursed a total of Kshs 7,600,000 to 13 secondary schools and Kshs 15,900,000 to 11 primary schools during the year under review for various projects. However, the project returns from the schools were not availed for audit review.
509. In the circumstances, it was not possible to ascertain propriety of the expenditure of Kshs 23,500,000 disbursed to various schools.

Response by the Fund Account Manager

510. During the time of audit, the expenditure returns were with the PMC's who had not submitted them to the CDF office. The PMCs later submitted the expenditure returns and were availed to the auditor for review.

Committee Observation

511. *The project management committee availed a sample of the expenditure returns to the Auditor for review.*

Committee Recommendation

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

4.0 Unsupported Expenditure

513. The CDF management made payments to Bushiri, Ironga and Buhayi Primary Schools totalling Kshs 2,900,000. The payments were, however, not supported with the relevant documentary evidence. Consequently, it has not been possible to ascertain the propriety of the expenditure of Kshs 2,900,000.

Response by Fund Account Manager

514. The project documentation evidence for Bushili Primary and Buhayi Secondary schools have since been availed to the auditor for verification. Furthermore, completion certificates for both schools were also availed for verification.
515. Note: Ironga Primary School was erroneously captured since NGCDF Navakholo has never funded a project by the name.

Committee Observation

516. *The Fund Account Manager availed the payment certificates.*

Committee Recommendation

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

5.0 Transfer to Health Institutions

5.1 Construction of Paediatric Ward at Navakholo Health Centre

518. A local contractor was paid Kshs 1,200,000.00 on 21 December 2015 being second interim payment for the construction of a paediatric Ward at Navakholo Health Centre. The payment was however not supported with a detailed payment certificate indicating the value of work done as per the bill of quantities.
519. In addition, it was noted that the project appears stalled as the contractor has not been on site for the last one year.

520. Consequently, the propriety of the payment of Kshs 1,200,000 could not be ascertained.

Response by the Fund Account Manager

521. The payment certificate was availed to the auditor for verification. However, the project is not complete and not in use.

Committee Observations

522. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors were instructed to carry a physical verification of the projects.*
- (iv) it was observed after physical verification that the project was not complete and not in use.*

Committee Recommendation

523. *The Committee recommended that the Navakholo NGCDF and the Board to source for more funds to complete the projects so the value for money can be realized.*

5.2 Construction of Health Staff Houses

524. During the year under review, the CDF management paid Kshs 1,774,255 to Navakholo CDF Health PMC as a grant for the construction of staff houses at Sisokhe, Namirama and Bushiri Health Centers. However, no supporting documents were attached except for the CDFC meeting minutes.

525. In addition, the project files for the three houses were not availed for audit verification hence it was not possible to confirm how much was the contract price and how much has been transferred towards the projects.

526. Physical verification of the projects on 13 March 2017 revealed the following unsatisfactory issues: -

- (i) Namirama staff house was not in use and the floor has big cracks, Sisokhe staff house though in use had not been handed over.
- (ii) In both staff houses, rainwater installations were done at a cost of Kshs 75,946 as per the bill of quantities. However, the works had not been done.
- (iii) Consequently, the authenticity of the payment of Kshs 1,774,255 could not be ascertained.

Response by the Fund Account Manager

527. The payment certificate was availed to the auditor for verification. Furthermore, the project (Sisokhe, Namirama and Bushiri) are complete and in use. Occupational certificate attached.

Committee Observations

528. The Committee observed that: –

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee.
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.
- (iii) The Auditors were instructed to carry a physical verification of the projects where it was noted that the project was in use.

OTHER MATTERS

1.0 Budget Controls and Performance

529. The Fund had budget receipts of Kshs 234,778,208 including Kshs 114,444,432 brought forward from 2014/2015. However, the actual receipts of Kshs 64,023,188 as analysed below.

Components	Actual Expenditure /Receipts Kshs.	Current Year Budget Kshs.	Difference between Actual and Budget Kshs.	Difference %	Remarks
Receipts	116,987,414	234,778,208	(117,790,794)	(50.17)	Under allocation
Payments					
Salary payments	2,464,703	2,590,974	(126,271)	(4.87)	Under expenditure
Goods and services	11,889,414	13,654,793	(1,765,379)	(12.93)	Under expenditure
Transfer to Other Government units	34,555,207	130,406,308	(95,851,173)	(73.50)	Under expenditure
Other Grants and transfers	49,330,209	85,117,585	(35,787,376)	(42.04)	Under expenditure
Acquisition of Assets	0	3,008,476	(3,008,476)	(100.00)	Unutilized funds

530. Further, the management underspent on all the five (5) components; compensation of employees, use of goods and services, transfer to other government units, other grants and transfers and acquisition of assets by between 4.87% to 100%.

531. Consequently, the Fund did not operate within the approved budget and negatively impacted delivery of prompt for services for the constituents.

Response by the Fund Account Manager

532. There was under expenditure on the 5 components since some of the funds allocated for that year had not yet been released by the exchequer.

Committee Observation

533. *The late disbursement of funds by the exchequer affects delivery of prompt service to the constituents. The matter therefore stands resolved.*

Committee Recommendation

534. *The Committee recommends that the National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

2.0 Project Analysis

535. The Fund management had an approved plan to implement a total of 128 projects valued at Kshs 82,100,000. However, 3 projects valued at Kshs 1,000,000 were completed, 86 projects valued at Kshs 60,800,000 had not started and 39 projects valued at Kshs 20,300,000 were ongoing.

Sector/Status	Completed		Not Started		Ongoing	
	No.	Kshs.	No.	Kshs.	No.	Kshs.
Sports	3	1,000,000				
Primary Schools			16	10,000,000	37	18,800,000
Secondary Schools			12	32,000,000	0	
Health			0	8,000,000	2	1,500,000
Environment			50	500,000	0	
Security			8	10,300,000		
Administration			86	60,800,000		
Total	3	1,000,000	86	60,800,000	39	20,300,000

Response by the Fund Account Manager

536. There was delay in project implementation due to late disbursement of funds from exchequer. However, on receipt of funds the projects were implemented to completion.

Committee Observations

537. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors were instructed to carry a physical verification of the projects.*
- (iv) Following physical verification of 8 sampled projects it was observed as follows:*

No.	Name	Project/Works	Amount	Observation
1.	Navakholo District Commissioner Office	Construction of District Commissioners Office	2,500,000	The project is complete. But not labelled.
2.	Ingotse High School	Completion of twin lab	9,733,680	Not complete. But it is partially in use.
3.	Shinoyi Secondary School	Completion of twin lab	7,200,000	Not complete. But it is partially in use.
4.	Namirama Health Centre	Construction of staff houses	2,467,654	The project is complete. But not in use.
5.	Tanga Primary School	Construction of one class room	500,000	The project is complete. But not labelled.
6.	Chebunyi Muslim Primary School	Construction of 4 classes	2,500,000	The project is complete. But not in use.
7.	St kizito girls sec school	Construction of twin dormitory	7,100,000	The project is complete. But not in use.
8.	Navakholo Health Centre	Construction of pediatric ward	3,000,000	The project stalled.

Committee Recommendation

538. *The Committee recommends that:-*

- i. The Navakholo NGCDF and the Board should immediately ensure that the completed projects are fully utilized so that the value for money can be realized.*
- ii. Within three months of adoption of this report the National Treasury and the NG-CDF Board should allocate funds to Navakholo NGCDF to enable it to complete all the pending projects.*
- iii. Navakholo NG-CDF should label all the projects that have been implemented by the NG-CDF.*

3.7 REPORTS ON THE AUDITED ACCOUNTS OF SHINYALU CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

SHINYALU CONSTITUENCY

539. Mr. Julius Oketch, the Fund Manager appeared before the Committee on 5th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Shinyalu Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Accuracy and completeness of the financial statements

540. The Fund did not comply with standard template contained in the Gazette pronouncement issued by IPSAS Board on the presentation of the financial statements as the statement of cash flows was not prepared. Further, the General Ledgers from which the financial statements were to be prepared were not maintained.
541. Consequently, the accuracy and completeness of the financial statements could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

542. The statement of cashflow were included in financial report and availed for Audit review, also a comprehensive annual expenditure return, which serves as the general ledger and from which the financial statements were availed for Audit review.

Committee Observation

543. *The Committee observed that the management revised cash flow statement and ledgers in compliance with International Public Sector Accounting Standards (IPSAS) and submitted them to the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

544. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*
- (i) keeps financial and other records that are accurate, reliable, and complete;*
 - (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

- (iii) *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- (iv) *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

2.0 Cash and Cash equivalents

- 545. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs 1,948,622.20 as at 30 June 2014. However, the financial statement figure of Kshs. 1,948,622.20 differs with cash book balance of Kshs. 136,241.20 by unexplained difference of Kshs 1,812,381.00.
- 546. Further, the bank reconciliation statement made available showed the balance as per bank certificate of Kshs 4,503,275.25 but was not supported by certificate of bank balances and board of survey.
- 547. In the circumstances, the accuracy of the cash and cash equivalents balance of kshs 1,948,622.20 could not be confirmed as at 30 June 2014.

Response from the Fund Account Manager

- 548. Kshs. 136,214.20 was the correct cashbook balance as at 30th June 2014, the financial statements have been amended to reflect the correct position. The corrected financial statements were provided to the auditor for review.

Committee Observations

- 549. *The Committee observed that:-*
 - i. *corrected financial statements were not availed during the audit process.*
 - ii. *the updated cash book and certificates of bank balance and board of survey report were later submitted and verified by the office of the Auditor General.*

Committee Recommendations

- 550. *The Committee recommends that the Accounting Officer:-*
 - (i) *ensures that the Fund Account Managers:-*
 - a) *keeps financial and other records that are accurate, reliable, and complete;*

- b) *adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c) *adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d) *adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
- (ii) *engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

3.0 Transfers to other government entities

551. Included in the reported amount for transfers to other Government Entities in the statement of receipts and payments is an amount of Kshs 23,300,000.00 disbursed to various institutions. However, there were no Project Management Committee minutes and inspection reports to confirm the use of the disbursed funds. As a result, the propriety of the funds could not be confirmed as at 30 June 2014.

Response from the Fund Account Manager

552. At the time of audit most sampled projects had not handed over their records. Copies of the project management minutes, completion certificates and acceptance and inspection certificates have been availed for review.

Committee Observation

553. *The Committee observed that though Project Management Committee minutes and inspection reports to confirm the use of the disbursed funds were later availed and verified, it was not clear why this was not explained during the audit process.*

Committee Recommendation

554. *The Committee recommends that:-*

- i. *The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – "(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to*

provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.

- ii. *The Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

4.0 Other grants and payments

555. Included in the reported balance of Other Grants and Payments of Kshs. 1,437,933.00 paid out to four (4) projects out of the emergency fund as at June 2014. However, projects status and management committee minutes of the four projects were not made available for audit verification. Consequently, the propriety of the expenditure of Kshs 1,437,933.00 payments could not be confirmed as at 30 June 2014

Response from the Fund Account Manager

556. Copies of PMC records including all procurement documents were availed to the auditor for review.

Committee Observation

557. *The Committee observed that this was a case where documents were not provided for audit within the statutory timelines but were later provided, hence resolving the matter.*

Committee Recommendation

558. *The Committee recommends that:-*

- i. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not—(b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*

- ii. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

FINANCIAL YEAR 2014/2015

1.0 Accuracy and completeness of the financial statements

559. The international public sector accounting standards (IPSAS) – Cash basis financial statements presentation format prescribed by the Kenya Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditors' recommendations. In the year 2013/2014, Shinyalu CDF received an adverse audit opinion. However, in report on follow-up of the issues raised in the audit report has not been included in the financial statements for the year under review as required. Therefore, the presentation of the financial statements does not conform to IPSAS (cash basis) as prescribed by Kenya Public Sector Accounting Standards Board and in accordance with the Public Finance Management Act 2012.
560. Further, the statement reflects a restated cash at bank balance of Kshs 3,358,223.00 and cash on hand of Kshs 1,948,622. However, analysis of the prior year adjustments made on the balances have not been provided for audit review.
561. Note vii of the statements of receipts and payments indicates that the Fund received four Authority to incur Expenditure (AIE) certificates totaling Kshs 94,083,500. However, the summary statement of appropriations reflects receipts totaling to Kshs 86,684,463 resulting in an expenditure variance of Kshs 7,399,037.
562. In the circumstances, the accuracy, completeness and presentation of the financial statement balances as at 30 June 2015 cannot be confirmed.

Response from the Fund Account Manager

563. During the time of preparation of the statements the constituency had not received the final audited report hence did not include the report in the financial statements. However, the financial reports were revised and the report on prior year audit issues included and provided to the auditor for review.

Committee Observations

564. *The Committee observed that:-*

- (i) *The Fund Account Manager did not comply with the International Public Sector Accounting Standards (IPSAS) framework in the preparation of financial statements.*

(ii) *The Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General.*

(iii) *The query was adequately addressed and resolved.*

Committee Recommendations

565. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*

- (i) *keeps financial and other records that are accurate, reliable, and complete;*
- (ii) *should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

2.0 Budgetary control and performance

566. During the year under review, the Fund's budgeted receipts totalled to Kshs 158,173,858. However, only Kshs 94,083,500 was received, resulting in under- funding of Kshs 64,090,359. Consequently, projects of equivalent value were not implemented. Under the circumstance, the Fund did not meet its targets in providing services to the constituents.

Response from the Fund Account Manager

567. The budget underperformance was as a result of peace meal funding from the ex-chequer. The projects were later funded in the subsequent financial year and have since been completed; updated PIS were availed to the auditor for review.

Committee Observation

568. *The Committee observed that although the project was later funded in the subsequent financial year. Inadequate funding from the ex-chequer delayed completion of the projects within the period when they were supposed to be completed.*

Committee Recommendation

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

3.0 Project Implementation and Management

570. The Fund's project budgeted for in the two financial years 2013/2014 and 2014/2015 and allocated to Kshs 20,082,758 and Kshs 55,996,510 respectively but were not completed. As at May 2016, five projects allocated Kshs 5,200,000 were either abandoned or had stalled while the implementation of twenty-four others allocated Kshs 8,900,000 had not actually commenced.
571. As a result of delays in completion of projects, the Fund did not meet its planned and budgeted delivery of services to the constituents. Further, the delay and / or failure to implement projects over long periods could raise project costs besides distorting subsequent years budget.

Response from the Fund Account Manager

572. The projects were completed as seen in the current PIS.

Committee Observation

573. *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 were implemented and in use. The query was adequately addressed and resolved.*

Committee Recommendation

574. *The Committee recommends that the National Treasury should ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

4.0 Committee expenses

575. Available records indicate that during the year under review, the Fund spent a total of kshs 7,991,687.00 on committee expenses. However, the balance differs with the supporting schedule balance of kshs 10,703,000.00 leading to unexplained variance of Kshs 2,711,313.00. Under the circumstance, the accuracy and propriety of the expenditure totalling to Kshs 7,991,313.00 could not be ascertained.

Response from the Fund Account Manager

576. Kshs. 7,991,687.00 was the correct balance for committee expenses. The schedule of Kshs. 10,703,000 had some errors which led to the discrepancy from the actual expense. The updated schedules have been prepared and availed to the auditor for review.

Committee Observation

577. *The Committee observed that the accounting Officer admitted the error and noted that attendance schedules and expenditure returns were submitted for verification to the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

578. *The Committee recommends that the Accounting Officer should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

FINANCIAL YEAR 2015/2016

1.0 Accuracy, completeness, and presentation of the financial statements

579. The international public sector accounting standards (IPSAS)- cash basis, financial statements presentation format prescribed by the Kenya Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditors' recommendations. In the year 2014/15 Shinyalu CDF received an adverse audit opinion. However, the annual report and financial statements under review do not have details of follow up of the issues raised in the audit report as required. Therefore, the presentation of the financial statement does not conform to IPSAS (Cash Basis) as prescribed by Kenya Public Sector Accounting Standards Board and in accordance with the Public Finance Management Act 2012. In the circumstances, the accuracy, completeness and presentation of the financial statement balances as at 30 June 2015 do not conform to the requirement.

Response from the Fund Account Manager

580. During the time of preparation of the statements the constituency had not received the final audited report hence did not include the report in the financial statements. However, the financial reports were revised and the report on prior year audit issues included and provided to the auditor for review.

Committee Observation

581. *The Committee observed that the management revised financial statements in compliance with International Public Sector Accounting Standards (IPSAS) and submitted them to the Office of the Auditor General for verification. The query was adequately addressed and resolved.*

Committee Recommendations

582. *The Committee recommends that the Accounting Officer: -*
- (i) ensures that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards*

prescribed and published by the Accounting Standards Board from time to time”.

- c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that “Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible”.*
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that “An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”.*
- (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

2.0 Statutory Deduction – NHIF

583. The NG-CDF Shinyalu Constituency had three (3) number of employees, all earning gross salary ranging between kshs 15,000 to kshs 21,000 per month and eligible for deduction of National Hospital Insurance Fund (NHIF) of Kshs 600 and Kshs 750 respectively. However, it was noted that the Fund deducts only kshs 180 across board of the three staff thus going against the NHIF regulations 2015 legal notice no 14, which states that effective 1st April 2015 any employee earning a gross income ranging from kshs 15,000 to 19,999 should pay a premium of kshs 600 per month and those earning a gross income between kshs 20,000 and kshs 24,999 be deducted kshs 750 per month. In the circumstances, the fund is in breach of the law which will attract voidable expenses in terms of penalties.

Response from the Fund Account Manager

584. The management acknowledges the audit findings. The error on statutory deductions was noted and the correct rate of premiums implemented in subsequent months. Copies of the payroll of subsequent months were availed for review.

Committee Observation

585. *The Committee observed that the management acknowledged the audit findings and the error on statutory deductions was noted and the correct rate of premiums implemented in subsequent months.*

Committee Recommendation

586. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager complies with the provisions of NHIF regulations 2015 legal notice no 14.*

3.0 Unpresented cheques

587. The NG- CDF Shinyalu Constituency had stale cheques totalling kshs 4,683,108 which had not been reversed back to cash book as at the end of 30th June 2016 as requirement in good bookkeeping practice. In the circumstances, it was not possible to ascertain accuracy of the cash and cash equivalents balance reported in the financial statements as at 30 June 2016.

Response from the Fund Account Manager

588. The unpresented cheques were payments for bursary. The stale cheques were reversed and the cash book updated accordingly. The cashbook extract was provided to the Office of the Auditor General.

Committee Observation

589. *The Committee observed that the stale cheques were reversed and the cash book updated accordingly. The explanation offered was satisfactory and therefore the matter was resolved.*

Committee Recommendation

590. *The Committee recommends that the Accounting Officer: -*

- (i) ensures that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- (ii) The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.*
- (iii) The NGCDF Board engages the Public Sector Accountings Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all National Government -CDF constituency staff.*

OTHER MATTERS

1.0 Budget control and performance

591. The Fund approved budget receipts were Kshs 199,042,632 which includes kshs 70,284,039 brought forward from 2014/2015. However, actual receipts amounted only Kshs 130,684,039. Consequently, the Fund did not operate within the approved budget and the result impacted negatively on the planned services delivery to the constituents.

Response from the Fund Account Manager

592. The budget underperformance was as a result of inadequate funding from the exchequer. The projects have since been completed as seen in the current Project Implementation Status (PIS).

Committee Observation

593. *The Committee observed that although the projects were completed late exchequer releases impacted negatively on project implementation.*

Committee Recommendation

594. *The Committee recommends that the National Treasury should release funds on time to the National Government Constituencies Development Fund Board as budgeted for implementation of projects.*

2.0 Project implementation and management

595. The NG-CDF Shinyalu Constituency was to implement a total of 172 projects. However, 3 projects with a total cost of Kshs 1,500,000 stalled, 22 projects with a total cost Kshs 7,100,000 were not started, 74 projects with a total cost of Kshs 97,995,962 were ongoing while only 73 projects with a total cost of Kshs 136,534,731 had been completed. In view of the foregoing, the Fund did not deliver the planned service to the constituents and did not therefore achieve its development objectives.

Response from the Fund Account Manager

596. The projects have since been completed as seen in the current Project Implementation Status (PIS) and project photos.

Committee Observations

597. *The Committee observed that: –*

- i. The audit issue was not satisfactorily responded to when the Shinyalu NGCDF appeared before the Committee.*
- ii. The Committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- iii. The Auditors were instructed to carry a physical verification of the 99 projects.*
- iv. Following physical verification of 11 projects out of 99 projects it was established that 5 projects were still incomplete or had missing gaps. This implies that if we extrapolate then 45 projects may still be incomplete. The incomplete projects are:*

Project	Verification findings
Musembe Dispensary	Completed but not operational
Shimbuye Boys	Incomplete
Shambwali Secondary School dormitory	Incomplete
Shambwali Tea factory Land	The gated land verified, factory not operational, title deeds couldn't be confirmed
Musembe Dispensary	Completed but operational

Committee Recommendation

598. *The Committee recommends that the Shinyalui NGCDF and the Board to source for more funds to complete the projects so the value for money can be realized.*

3.8 REPORTS ON THE AUDITED ACCOUNTS OF MUMIAS WEST CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

MUMIAS WEST CONSTITUENCY

599. Ms. Christine Muyaka, the Fund Manager appeared before the Committee on 5th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Mumias West Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Accuracy of the Financial Statement

600. The financial statements as of 30 June 2014 presented for audit review did not include a statement of cash flows contrary to the requirements of IPSAS No. 1 and the Public Sector Accounting Standards Board. As a result, it had not been possible to confirm the accuracy and completeness of the financial statements as of 30th June, 2014.

Response from the Fund Account Manager

601. NG-CDF adopted IPSAS cash reporting framework for the first time in the financial year 2013/14 and the preparation of the cashflow was not mandatory statement in the template. However, the cash flow statement extract had been prepared and provided to the auditor for review.

Committee Observation

602. *The Committee observed that although the matter stands resolved. It is worthy to note that during the year under review preparation of the cashflow was not mandatory. NGCDF started using IPSAS cash reporting framework for the first time in the financial year 2013/14.*

Committee Recommendations

603. *The Committee recommends that the Accounting Officer:-*

- (i) keeps financial and other records that are accurate, reliable, and complete.*
- (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- (iii) should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible".*
- (iv) should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards; and prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury"*

2.0 Irregular Staff Recruitment

604. During the year under review, the fund recruited three staffs namely a clerical officer, a clerk of works and an account assistant at a monthly salary of Kshs. 16,692.00, Kshs. 24,662.00 and Kshs. 19,323.00 respectively adding up to Kshs. 60,677.00. However, the recruitment documents (advert, interview report) were not provided for audit review. Consequently, it has not been possible to confirm whether the employees were sourced competitively.

Response from the Fund Account Manager

605. Recruited staffs were sourced competitively as evidenced by a copy of the advertisement and minutes of interview panel meeting which were provided to the auditor for review.

Committee Observation

606. *The Committee observed that as per the documents reviewed by the Auditor General, due process was followed in the recruitment of staff. The Office of the Auditor General established that they were sourced competitively as evidenced by a copy of the*

advertisement and minutes of interview panel meeting which were provided for review and verification.

Committee Recommendations

607. The Committee recommends that:-

- i. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act” regarding statutory timelines on submission of documents for audit.*
- ii. *The Accounting officer should ensure that the Fund Account Managers comply with the provisions of the Constitution and Employment Act, 2007 when recruiting or terminating staff.*

3.0 Unsupported CDF Office

608. The Mumias West CDF office constructed at cost of Kshs. 8,991,397.80 was occupied without formal hand over and a completion certificate as required. The rights and obligations of both parties have not been confirmed as fully met which may lead to litigations. As a result, it has not been possible to confirm the propriety of the expenditure of Kshs. 8,991,397.80 as of 30 June, 2014.

Response from the Fund Account Manager

609. The construction of the office was started with the larger Mumias constituency. After the split Mumias West maintained the former account for the larger Mumias hence continued funding the construction of the office. The office fell under the jurisdiction of Mumias East and was handed over to the Mumias East constituency. Mumias East NG CDF office was occupied with a formal hand over and a completion certificate issued and presented to the auditor for review.

Committee Observation

610. *The Committee observed that the Auditor General’s Office concurred with the response and confirmed that Mumias East NG-CDF office was occupied with a formal hand over and a completion certificate issued and presented to the auditor for review. The query was adequately addressed and resolved.*

4.0 Nugatory Dispensary Expenditure

611. A dispensary constructed at a cost of Kshs. 2,700,000.00 remained unutilized and declared as inhabitable by Public Health Office. The fund did not receive value for money spent on the project and the residents have not obtained the expected service delivery.

In the circumstances, the propriety of the expenditure of Kshs. 2,700,000 could not be confirmed as of 30th June 2014.

Response from the Fund Account Manager

612. Emuchimi Health Centre Project was completed in 2011 and remained unutilized due to inadequate staffing. The County Government of Kakamega through the Sub County Medical Officer of Health (SMOH) agreed to take over the projects. The letter from SMOH confirming the county will utilize the facility was provided to the auditor for review.

Committee Observations

613. *During the field visit on 9th May 2023 the Committee observed that: -*
- i. the building was done to the required standards and was habitable.*
 - ii. the Fund Accounts Manager handed over the facility to the Kakamega County and submitted the handover report to the Committee.*
 - iii. the query was adequately addressed and resolved.*

5. Unsupported Bursary Expenditure

614. Included under Grants and other Payments are bursary awards amounting to Kshs. 17,725,000.00 whose supporting documents and schedules of beneficiaries were not provided for audit review. Consequently, it has not been possible to confirm the propriety of the bursary expenditure of Kshs. 17,725,000.00 as of 30th June 2014.

Response from the Fund Account Manager

615. Mumias West constituency paid Kshs. 21,526,240.00 during the year. Kshs 17,725,000 was part of the bursary expense for that financial year. The Supporting documents and schedules for Kshs. 21,526,240 bursary beneficiaries have since been provided to the auditors for review.

Committee Observation

616. *The committee observed the supporting documents and schedules for Kshs. 21,526,240 bursary beneficiaries were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

617. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

6.0 Unimplemented Projects

618. Out of the Ksh. 5,882,760, Ksh. 4,482,760 was to fund four health centres. The change of NG CDF Act led to the NG CDF not funding the devolved functions and funding for the projects was stopped hence the projects stalled at roofing stage. The constituency has been in communication with the Sub County Medical Officer (SMOH) to pick up the projects and complete the projects. The letter from the SMOH indicating the takeover process has been provided to the auditor for review. As a result, the residents of Mumias West Constituency were denied the planned services.

Response from the Fund Account Manager

619. Out of the Ksh. 5,882,760, Ksh. 4,482,760 was to fund four health centres. The change of NG CDF Act led to the NG CDF not funding the devolved functions and funding for the projects was stopped hence the projects stalled at roofing stage. The constituency has been in communication with the Sub County Medical Officer (SMOH) to pick up the projects and complete the projects. The letter from the SMOH indicating the takeover process has been provided to the auditor for review.
620. Further, two projects of St. Vincent Butende Secondary and Matawa youth polytechnic were later funded and completed. The completion certificates and photos for the two projects have been provided to the auditors for review.

Committee Observation

621. *The Committee observed that the matter was partially resolved as the staff houses were not completed and that they were declared devolved but the two schools i.e., St. Vincent Butende Secondary and Matawa youth polytechnic were completed.*

Committee Recommendation

622. *The Committee recommends that the Mumias West NG-CDF should hasten the takeover process by approaching the Kakamega County Government and formally handover the projects.*

7.0 Committee Allowances

623. The Fund did not provide supporting documents for an expenditure of Kshs. 7,024,464.00 in respect of the Committee allowances for the year under review. Consequently, the propriety of the expenditure could not be confirmed as of 30th June 2014.

Response from the Fund Account Manager

624. Ksh. 7,024,464 is the total of note 5 (use of goods and services) to the financial statements Ksh. 5,878,464.05 and note 6 (committee expenses) of Ksh. 1,146,000. The schedules and supporting documents for the use of goods and services and committee expenses were provided to the auditor for review.

Committee Observation

625. *The Committee observed that the supporting documents and schedules for Ksh. 7,024,464 which was the total of note 5 (use of goods and services) to the financial statements Ksh. 5,878,464.05 and note 6 (committee expenses) of Ksh. 1,146,000. were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

626. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*

8.0 Cash and Cash Equivalents

627. The statement of financial assets and liabilities reflects cash and cash equivalents of Kshs. 22,755,741.70 as of 30th June 2014. However, included in the schedule of unrepresented cheques amounting to Kshs. 1,816,620.85, Kshs. 1,156,620.85 are stale cheques as shown by the issue date as reflected in the bank reconciliation statement.
628. Further, it is not clear why a huge sum with some cheques dating back to September 2010 for the needy recipients would remain unrepresented.

In the circumstances, it has not been possible to confirm the accuracy of the cash and cash equivalents balance of Kshs. 22,755,741.70 as of 30th June 2014.

Response from the Fund Account Manager

629. Ksh. 1,156,620.85 were stale as of 30th June 2014. The stale cheques relate to bursary awards whose physical cheques could not be traced in the office dating back to September 2010.
630. The stale cheques were reversed and reissued to other needy cases in the cash book and the cashbook extract has been provided to the auditor for review.

Committee Observation

631. *The Committee observed that the Cheques were reversed and new ones issued to other needy cases. The cashbook extract was submitted and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

632. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*

- (i) keeps financial and other records that are accurate, reliable, and complete;*
- (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- (iii) should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- (iv) should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statements

633. The international public sector accounting standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires the management to include among the financial statements presented for audit, a report on actions taken to address previous year auditor's recommendations. In the year 2013/2014, Mumias West CDF had an adverse opinion. However, a report on follow up of the audit issues raised was not included in the financial statement for the year under review. Therefore, the presentation of the financial statements does not conform to IPSAS (Cash Basis) format prescribed by the National Treasury and the Public Finance Management Act, 2012.

634. Further, the assets as acquired in the year valued at Kshs. 2,200,000 differ with the increase of Kshs. 1,961,715.

635. Consequently, the accuracy of the financial statements for the year ended 30 June 2015 could not be ascertained.

Response from the Fund Account Manager

636. At the time of preparation and submission of the financial statements for 2014/15 financial year, the Constituency had not received the previous year certificate and as such was unable to include a report on progress on follow up of auditor recommendations.
637. However, the report on progress on follow up of prior year audit recommendations and a revised summary of fixed asset register have been provided to the auditor for review.
638. The constituency refurbished the office with Ksh. 1,200,000 and purchase of bicycles at 1,000,000 as reflected in note 10 to the financial statement. The summary of fixed asset register had an error during the preparation of the financial statements and has been amended to reflect the correct position. The summary statement of fixed asset register was provided to the auditors for review.

Committee Observations

639. *The Committee observed that: -*

- i. The Committee observed that at the time of preparation of the financial statements Mumias West CDF had not received the Audit Certificate for the for the previous year.*
- ii. The Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General.*
- iii. The query was adequately addressed and resolved.*

Committee Recommendations

640. *The Committee recommends that: -*

- i. The NG-CDF Board should conduct continuous capacity building on financial reporting standards for staff at the Constituency offices to improve the quality of reporting and enhance compliance; and*
- ii. The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

OTHER MATTERS

1.1 Budgetary Performance

641. The Fund budgeted and received from the Constituencies Development Fund Board Secretariat a total of Kshs.125,405,589 including Kshs. 22,755,742 brought forward from the previous year. However, only Kshs. 89,742,138 was spent thus resulting in an under - expenditure Kshs. 35,737,450.
642. The management attributed the under expenditure to late disbursement of funds by the Board which in turn resulted in delayed implementation of projects.

Response from the Fund Account Manager

643. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption. However, the projects were completed in the 2015- 16 FY.
644. The AIEs and extracts of the bank statements were availed for audit review and verification.

Committee Observations

645. *The Committee observed that:*
- (i) The underutilization of the funds was due to late disbursement of funds by the exchequer.*
 - (ii) The projects were implemented in the subsequent financial years.*
 - (iii) AIEs and extracts of the bank statements were availed for audit review and verification.*

Committee Recommendation

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

1.2 Project Implementation and Management

647. During the two financial years ended 30 June 2015, the Fund planned to undertake two hundred and seventy (270) projects at a total budget of Kshs. 229,537,508. However, as at 30 June 2015, seventy one (71) projects allocated Kshs. 64,522,495.00 had not been completed works on thirty-nine (39) projects allocated Kshs. 51,600,000 had not started and 6 projects allocated Kshs. 5,100,000 were abandoned. The status of thirteen (13) projects allocated Kshs. 6,250,000.00 could not be confirmed as relevant information was not provided.
648. The delay in implementation of the projects meant that the constitutional requirement for prompt and responsive services to the public was not met and the constituents did not get value for the money invested in the projects.

Response from the Fund Account Manager

649. The delayed disbursement by the exchequer resulted in delays in implementation of the projects. However, the projects have since been completed. The completion certificates by public works officer and project implementation status have been provided to the auditor for review.

MUMIAS WEST CDF BUDGET ANALYSIS F/Y 2014/2015				
Receipt/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
Receipts	Kshs	Kshs	Kshs	
Transfers from CDF Board	125,405,589	102,649,847	22,755,742	0
Proceeds from Sale of Assets	0	0	0	
Other Receipts	56,000	56,000	0	
Sub totals	125,461,589	102,705,847	22,755,742	0
Payments				
Compensation of employees	1,558,243	1,558,243	-	100
Use of goods and services	9,882,171	9,882,171	-	100
Committee Expenses	972,730	751,000	221,730	77
Transfers to other Government Units	39,066,415	36,284,130	2,782,284.80	93
Other grants and transfers	71,635,149	38,979,954	32,655,195	54
Social Security Benefits	146,880	68,640	78,240	47
Acquisition of assets	2,200,000	2,200,000	-	100
Other Payments	-	-	-	
TOTALS	125,461,589	89,724,138	35,737,450	71.5

Table 2:

Mumias West Constituency Project Implementation Status for the period 2013/2014 - 2014/2015

Sector/status	Abandoned		Not Known		Stalled		Not started		Ongoing		Complete	
	No	Value allocated (Kshs)	No	Value disbursed (Kshs.)	No	Value	No	Value allocated (Kshs.)	No	Value (Kshs.)	No	Value disbursed (Kshs.)
Administration	0	-	0	-	0	-	5	12,000,000	7	15,003,836	28	13,771,560
Emergency	0	-	0	-	0	-	0		0	-	2	8,964,725
Education	0	-	7	3,850,000	0	-	0		43	33,395,001	73	50,411,338
Environment	2	1,700,000	2	800,000	0	-	16	18,800,000	9	7,002,139	23	12,546,956
Health	0	-	0	-	0	-	1	1,200,000	4	4,482,759	7	2,300,000
Market	2	1,700,000	2	800,000	0	-	15	17,600,000	4	2,319,380	3	5,523,478

Road	2	1,700,000	-	0	-	1	800,000	0	-	1	2,500,000
Security	0	-	2	800,000	0	1	1,200,000	4	2,319,380	2	3,023,478
Sports	-	-	-	0	-	0	-	0	-	2	3,023,478
Total	6	5,100,000	13	6,250,000	-	39	51,600,000	71	64,522,495	141	102,065,013.00

Committee Observations

650. *The Committee Observed that:-*

- i. *The delay in the implementation of the projects was due to late disbursement of funds by the National Treasury and the explanation by the Fund Account Manager was satisfactory.*
- ii. *The completion certificates by public works officer and project implementation status were provided to the auditor for review.*

Committee Recommendation

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

FINANCIAL YEAR 2015/2016

1. Other Grants and Other Payments

1.1 Mocks and Continuous Assessment Tests (CATs)

652. During the year under review, the Fund was allocated Kshs. 3,000,000 for mocks and exams and disbursed Kshs. 1,040,000 to the project management committee account.
653. The budgeted amount for 8562 candidates was Kshs. 599,340 for one (1) term. However, the project management committee paid Kshs. 1,040,000 for term three (3) in October and November 2015 resulting to an unexplained overpayment of Kshs. 440,660.

Response from the Fund Account Manager

654. The budgeted amount of Kes. 599,340 catered for 8562 class 7 and 8 pupils' Mocks. Ksh. 440,660 catered for 8814 pupils from classes 5 & 6. Hence the actual expenditure for mocks and exams was Kes. 1,040,000.
655. PMC minutes and request from ministry of education were provided to the auditor for review.

Committee Observation

656. *The Committee observed that the PMC minutes and request from Ministry of Education were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

1.2 Water

657. The Fund disbursed Kshs. 1,300,000 to Musanda Market water pump and additional Kshs. 200,000 from defunct Mumias West CDF bank account for drilling and installation of water pump at the same market. However, the following anomalies were noted for the first work undertaken.
- (i) The money was still intact in the account and no justification was provided for transferring the money in a project account when the PMC was not ready for the project.
 - (ii) No CDFC Minutes and estimates were provided for audit scrutiny.

Response from the Fund Account Manager

658. As at the time of audit, the project had not started due to the challenges of staffing at the works office which led to a delay in the preparation of the Bills of quantities. The Bills of quantities were later prepared, and the project undertaken to completion. The Bills of quantities, completion certificate and photos were provided to the auditor for review.

Committee Observation

659. *The Committee observed that the relevant documentation to show that the project was later undertaken to completion were submitted and this was verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

- i. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act.*
- ii. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

1.3 Security

660. The Fund disbursed Kshs. 2,000,000 to Musanda Police Station PMC for construction of a police station. However, physical verification during the month of February 2017 revealed the following unsatisfactory issues:

- (i) The walling was done using blocks instead of natural quarry dressed stones as per the bills of quantities.
- (ii) The doors were to be of wrot mahogany hardwood supported on frames of similar but instead the same had been changed to steel door without any site instruction.
- (iii) The floor was cracking even before the contractor completed the work.
- (iv) The ceiling was 6mm and not 12mm chip board supported as per specification and was noted to be of poor quality.

Consequently, the propriety of other grants and other payments of Kshs. 3,740,660 could not be confirmed.

Response from the Fund Account Manager

661. The project was still ongoing. There were no readily available natural quarry stones in the area and as a result there was the need to change to concrete blocks to avoid delays in implementation of the project.

662. The works officer issued a site instruction for the repair of the floor, the change of the doors from hard wood to the steel doors and the ceiling from the 12mm to 6mm chip board. The site instructions were with the project management committee and were later handed to the constituency who provided it to the auditors for review.

Committee observations

663. *The Committee observed that:-*

- (i) The change/variation order was a common recurrence in many constituencies. The change impacted negatively on the value and the performance of the project.*
- (ii) As per the Auditor General's last field visit the project was still pending and specifications and requirements listed on BOQ was not adhered to; and*
- (iii) The last physical verification done by the Office of the Auditor General on February 2017 revealed the following:-*
 - a) The walling was done using blocks instead of natural quarry dressed stones as per the bills of quantities.*
 - b) The doors were to be of wrot mahogany hardwood supported on frames of similar but instead the same had been changed to steel door without any site instruction;*
 - c) The floor was cracking even before the contractor completed the work; and*

- d) *The ceiling was 6mm and not 12mm chip board supported as per specification and was noted to be of poor quality.*
- (iv) *The clarification with the support letter from the Sub-County works officer satisfactorily addressed the matter.*

Committee Recommendations

664. *The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, which provides that "The Constituency Development Fund Committee may make appropriate consultations with the relevant Government departments to ensure that cost estimates for the projects are realistic." 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.*

2. Acquisition of assets

665. Included in the acquisition of assets figure of Kshs. 3,460,712 is Kshs. 509,200 reflected as for purchase of bicycles and motorcycles. However, the fund purchased a motorcycle Yamaha AG 200cc from Toyota Kenya Ltd at a cost of Kshs. 700,000 and thereby overspending by Ksh. 190,800 which should have been spent towards office renovation. This re-allocation was not approved by NGCDF Board.

Response from the Fund Account Manager

666. The Yamaha AG 200cc Motorcycle was purchased at Kes 509,200 from Toyota Kenya Ltd. The invoice and contract with Toyota have been provided to the auditor for review. Kes 190,800 was spent on renovation of NG CDF Office as evidenced by the payment voucher which has been provided to the auditor for review.

Committee Observations

667. *The Committee observed that:-*

- (i) *The invoice and contract with Toyota Kenya Ltd indicating that the motorcycle was purchased at a cost of Kes 509,200 instead of the alleged Kshs. 700,000 was submitted to the auditor for review.*
- (ii) *The payment voucher of Kshs 190,800 for money spent on the renovation of NG-CDF Office was presented to the Auditor for review.*
- (iii) *The query was adequately addressed and resolved.*

OTHER MATTERS

2.0 Budget Performance

668. The Fund's summary statement of appropriation, recurrent and development for the year reveals variances in the budget and actual expenditure as indicated in the table.

Budget variance

Receipt/Expense Item	Final Budget	Actual on comparable Basis	Budget Utilization Difference	Difference
Receipt				
Transfer from the Board	142,899,474.05	142,399,474.05	500,000.00	0.1%
Payments				
Compensation of Employees	2,193,702.60	2,124,051.85	69,650.75	0.1%
Use of goods and services	9,234,237.10	6,542,210.20	2,692,026.90	29%
Transfer to Other Government Units	66,277,064.65	61,420,000.00	4,857,064.65	8%
Other grants and transfers	60,757,849.70	60,278,796.00	479,053.70	0.1%
Acquisition of Assets	3,460,715.20	3,460,715.20	0	100%
Total	141,923,569.25	133,825,773.25	8,097,796.00	

Response from the Fund Account Manager

669. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption. However, the projects were completed in the FY 2016 -17. The AIEs and extracts of the bank statements were availed for audit review. verification.

Committee Observation

670. The Committee observed that variances in the budget and actual expenditure was occasioned by the late disbursement of funds. The AIEs and extracts of the bank statements were availed for audit review. The query was adequately addressed and resolved.

Committee Recommendation

671. The Committee recommends that the National Treasury should always release funds budgeted for implementation of projects on time to avoid these queries.

2.0 Project implementation

672. The Fund implemented a total of 182 projects/programmes in different sectors as at 30 June 2016 as budgeted. Four (4) projects valued at Kshs. 3,000,000 were abandoned and one (1) project valued at Kshs. 3,500,000 stalled. Twenty-six (26) projects valued at Kshs. 31,171,724 were on going and forty-six (46) projects valued at Kshs. 234,710,396 were completed as detailed in table.

Sector	Budgeted projects/programmes	Actual/Implementation Project		
		Not started	Ongoing	Completed
Sports	82	41		41
Primary Schools	38	29	8	1
Secondary Schools	22		22	
Health	3	-	3	-
Environment	34	29	1	4
Security	3	1	2	
Total	182	100	36	46

Response from the Fund Account Manager

673. The delayed disbursement by the exchequer resulted in delays in implementation of the projects. However, the projects were completed. The completion certificates by public works officer and project implementation status have been provided to the auditor for review.

Committee Observations

674. *The Committee observed that: –*

- i. The audit issue was not satisfactorily responded to when the Mumias West NGCDF appeared before it.*
- ii. The committee therefore instructed the Fund Account Manager to provided additional information and documents to Auditors.*
- iii. The Auditors carried physical verification of the 31 projects and confirmed that all the projects were completed and are in use.*

Committee Recommendation

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

3.9 REPORTS ON THE AUDITED ACCOUNTS OF MATUNGU CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

MATUNGU CONSTITUENCY

Ms. Mary Mwaki, the Fund Manager appeared before the Committee on 6th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Matungu Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

2.1 Accuracy and Completeness of the Financial Statements

676. The Fund did not comply with standard templates contained in the Gazette pronouncement issued by IPSAS Board on the presentation of the financial statements as the statement of cash flows was not prepared. Further, the General Ledgers from which the financial statements were to be prepared were not maintained as at 30 June 2014. Consequently, the accuracy and completeness of the Financial Statements could not be confirmed.

Response by the Fund Account Manager

677. CDF adopted IPSAS cash reporting framework for the first time in this financial year 2013/14. During this period preparation of the cashflow was not a mandatory requirement. However, the cashflow was prepared and provided to the auditors for review.
678. The Constituency maintains an annual expenditure returns, which serves as the general ledger and is used to prepare the financial statements. The annual expenditure returns were provided to the auditor for review.

Committee Observation

679. *The Committee observed 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.*

Committee Recommendations

680. *The Committee recommends that the Accounting Officer: -*

(i) ensures that the Fund Account Managers: -

- a. keeps financial and other records that are accurate, reliable, and complete;*
- b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

- c. *adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d. *adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
- (iii) *engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*
- (iv) *The Committee recommends that the NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices to work in tandem with the Fund Account Manager, beginning FY 2023/24 within the 6% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, preparation of quarterly financial and project implementation reports, and timely submission of the statements and documents to the Auditors by the Constituency Offices.*

2.0 Other Grants and Payments

681. The statement of receipts and payments reflects Kshs.38,040,220 as other grants and transfers as at 30 June 2014. Included in the balance of Other Grants and Transfers is an amount of Kshs.796,949.00 the Fund paid out to a chemist for grading and gravel patching of a road. A completion certificate was issued to the effect that the works were executed as per specifications in the Bills of Quantity. However, physical verification on the roads undertaken revealed that no gravel patching was done. Further, grading was poorly done manually, and grass is already growing on the road with gaping potholes which were not properly filled. In the circumstances, it has not been explained how the Fund intends to enforce the contract terms and ensure completion of the project.

Response by the Fund Account Manager

682. The road project was awarded to Matawa barefoot chemist as the contractor to undertake the project. The project was perfectly done to completion as per the Bills of Quantities. Payment for the said works were made on the basis of technical expertise from the constituency roads engineer (CRO) who issued a certificate as per the Bills of Quantities. Gravel patching was done as detailed in the Bills of Quantities.

Committee observation

683. *The Committee observed that the Fund Account Manager provided a satisfactory explanation to the Committee. The query was adequately addressed and resolved.*

Committee Recommendation

684. *The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015 “which provides that “the Constituency Development Fund Committee may make appropriate consultations with the relevant Government departments to ensure that cost estimates for the projects are realistic.” the Fund Account Manager and PMCs should therefore endeavor to 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.*

3.0 Committee Allowances

685. The statement of receipts and payments reflects Kshs. 3,406,500 as committee allowances as at 30 June 2014. However, the fund surrendered payments of Kshs. 1,380,000.00 being payments for committee allowances and other expenses without the committee minutes, stores and procurement records being made available for audit review.

Consequently, the propriety of the total expenditure of Kshs. 1,380,000.00 could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

686. Payment Voucher numbers 132 and 131 of Kshs.692,500 and 687,500 respectively totaling to the Kshs. 1,380,000.00 have been availed to the auditors for review. Included in the payment Vouchers are committee meeting minutes, committee payment schedules and other service payments receipts totaling to Kshs. 1,380,000.00 hence confirming the propriety of the expenditure.

Committee Observation

687. *The Committee observed that the the payment voucher, the committee minutes, stores and procurement records which were not provided during the audit period to support the expenditure of Kshs. 1,380,000.00 were later provided and verified by the auditors.*

Committee Recommendation

688. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

OTHER MATTERS

1.0 Going concern.

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

Response by the Fund Account Manager

690. A new act; The National Government Constituency Development Act 2015 has been enacted thus guaranteeing sustainability and continued existence of the fund. Hence, concern status of the Matungu Constituency Development Fund is not doubtful.

Committee observations

691. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

2.0 Transfer to Other Government Entities

692. The Fund reported an amount of Kshs. 37,026,463.00 as Transfer to Other Government Units which include a total amount of Kshs. 9,700,000.00 paid for four projects during the year. The four projects include a classroom construction, Mung'ungu Health Centre construction, procurement of a 51-seater bus for Charles Khalaba Secondary school and classroom construction at Musamba youth polytechnic.
693. However, physical verification revealed that the projects were poorly executed with substandard materials due to lack of technical supervision.

Consequently, the Fund hasn't received value for money spent on projects as at 30 June 2014.

Response by the Fund Account Manager

Classroom Construction at Ikulumwoyo Primary School

694. The total cost as outlined in the Bills of Quantities for construction of two classrooms at Ikulumwoyo Primary school was Kshs. 1,600,000. At the time of audit visit to the institution, our office had issued a total of 800,000/= and a further 800,000/= was disbursed later towards end of March 2015. Therefore, the said project was still under construction at the time of audit.

695. Ultimately, Kshs. 1,600,000 for the construction of the two classrooms was disbursed and the project is complete and in use. All payment were done with recommendation by the public works officer. The retention funds were later paid after the defect liability period and the works officer ensured there were no defects.

Mung'ungu Health Centre

696. The CDFC Matungu vide minute No.5/11/2012 approved Kshs. 1,000,000.00 to be paid to Mung'ungu Health Centre towards the construction of male wards. The Bills of Quantities for completion of this project estimate the cost to be Kshs 2,600,000. Kshs. 1,700,000 was disbursed to this project and a further Kshs. 800,000.00 disbursed later. The project is complete and in use.

Purchase of Bus (Isuzu FRR 33L) for Khalaba Secondary School - (6,700,000.00.Kshs)

697. The purchase of the bus was included in our project proposal through Code list number 4-930-037-206-3110708-0104-002-001 cost initially estimated at Kshs 7,000,000.00. Further, the cost of the bus is within the government stipulated rates and that tendering was done prior to purchase as per the documents attached in the payment voucher. Find attached a copy of the Logbook detailing the school as the owner of the Bus.

Musamba Youth Polytechnic

698. The Funds Clerks of Works and the Sub-County Works officer were involved as technical experts in execution of works at Musamba Youth Polytechnic. The project is complete and in use.

Committee Observation

699. *The Committee observed that at the time of the audit, supporting documents for the expenditure of Kshs. 9,700,000.00 for four (4) projects had not been provided for audit. The supporting documents were however later submitted to the auditor and verified.*

Committee Recommendations

700. *The Committee recommends that:-*

- i. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*
- ii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statement

701. The International public Sector Accounting Standards (Cash Basis) financial statement presentation format prescribed by the National treasury requires the management to include among financial statements presented for audit, a report on actions taken to address previous year auditor's recommendations. In the year 2013/2014, Matungu CDF had a qualified opinion. However, a report on follow-up of audit issues raised was not included in the financial statements does not conform to IPSAS (Cash Basis) format prescribed by the National Treasury and the Public Finance Management Act, 2012.
702. The cash and equivalents balance brought forward of Kshs. 48,179,280 was not disclosed under the statement of receipt and payments resulting in a deficit of Kshs. 190,049,902.90. The non-disclosure of the balance is not tenable under the IPSAS (Cash Basis) presentation format.
703. The statement of appropriations is not complete as it does not disclose both financial budgeted and actual receipts.
704. In view of the foregoing, the accuracy, completeness, and presentation of the financial statements for the year ended 30 June 2015 could not be confirmed.

Response by the Fund Account Manager

705. We regret the omission of the report on follow-up of audit issues raised in the previous year auditor's recommendations, however we have prepared it and availed to the auditor for review.
706. The statement of receipts and payments reflects the actual receipts and actual payments incurred during the year since we report under the cash basis of accounting. The cash and cash equivalent were reflected in the statement of assets and liabilities as balance brought forward.
707. There was an error in the preparation of statement of appropriation which has been corrected. The amended statement of appropriation was provided to the auditor for review.

Committee Observations

708. *The Committee observed that:-*

- i. The Fund Account Manager admitted the omission of the report on follow-up of audit issues raised in the previous year auditor's recommendations and confirmed that the error was corrected, and the amended statement was availed to the auditor for review.*

- ii. The Fund Account Manager also acknowledged that he did not comply with the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.

Committee Recommendations

709. The Committee recommends that the Accounting Officer: -
- (i) ensures that the Fund Account Managers: -
 - a. keeps financial and other records that are accurate, reliable, and complete;
 - b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".
 - c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and
 - d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".
 - (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Budget Control performance Analysis

710. The Fund's budget for the year under review amounted to Kshs. 166,240,537 which included Kshs. 48,179,280 brought forward from the year. However, only Kshs. 136,747,659.90 was spent during the year thus resulting in under-expenditure of Kshs. 29,858,877 as detailed below:

Receipt /Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilisation Differences	%of Utilisation
RECEIPT	KSHS.	KSHS.	KSHS.	
Transfers from CDF Board	166,606,537	117,333,757	-	142
Proceeds from Sale of Assets		-	-	
Balance brought forward	-	-	-	
Payments				

Compensation of Employees	4,296,920	2,394,560	1,902,360	56
Use of goods and services	1,755,962	1,660,765	95,197	95
Committee Expenses	4,749,830	4,580,891	168,939	96
Transfers to Other Government Units	100,280,929	77,780,928	22,500,001	78
Other grants and transfer	51,341,236.07	46,148,857	5,192,379	90
Social Security Benefits	-	-	-	0
Acquisition of Assets	800,000.00	800,000	-	100
ESP	366,000.00	366,000	-	100
Other Payments	3,015,659.40	3,015,659	-	100
TOTAL	166,606,537	136,747,660	29,858,877	82

711. In the circumstances the Fund did not comply with budget regulations and did not meet its output targets or deliver all services expected by the residents of Matungu Constituency.

Response by the Fund Account Manager

712. Kshs. 29,858,877.20 was the cashbook balance as at 30th June 2015. The huge balance was occasioned due to the late receipt of funds from the exchequer hence we were not able to achieve all the targeted objectives for that financial year. However, the pending projects were undertaken and completed in the subsequent financial year.

Committee Observation

713. *The Committee observed that underutilization and under- expenditure of the funds was due to late receipt of funds from the exchequer. The projects were later undertaken and completed in the subsequent financial year.*

Committee Recommendation

714. *The Committee recommends that the National Treasury should release funds on time to the National Government Constituencies Development Fund Board as budgeted for implementation of projects.*

2.2 Funding of Projects Not Budgeted for

715. During the year under review, the Fund disbursed a total Kshs. 2,995,000 to two health centres for completion of prefabricated houses. Although the expenditure had not been provided for the budget.

Response by the Fund Account Manager

716. Ksh. 2,995,000 was a reallocation from four health centres to Namulungu Health Centre Ksh. 1,496,379.50 and Khalaba Health Centre Ksh. 1,498,620.50. This reallocation was approved by the Board vide letter CDFBOARD/MATUNGU/VOL.1/12 which has been provided to the auditor for review. Therefore, these projects were budgeted for as they were approved by the Board.

Committee Observation

717. *The Committee observed that the Ksh 2,995,000 was approved by the Board vide letter CDFBOARD/MATUNGU/VOL.1/12. The approval was later submitted to the Office of the Auditor General for review and verification. The query was satisfactorily addressed.*

2.2 Irregular Re-allocation of Funds Kshs. 1,200,000.00

718. The Fund reallocated Kshs. 1,200,000 budgeted for renovation works at Matungu SDA Secondary School to purchase of land and construction of classrooms plus and an administration block for a new Secondary School. However, the allocation was not authorized by the CDF Board, and was therefore irregular.

Response by the Fund Account Manager

719. Expenditure was approved by the NG-CDF Board refer to code list attached.

Committee Observation

720. *The Committee observed that the expenditure was approved by the NG-CDF Board. The query was satisfactorily addressed.*

2.3 Committee Expenses

721. The approved budget for committee expenses amounted to Kshs. 3,027,100. However, expenditure incurred was Kshs. 4,580,891.00 resulting in over-expenditure of Kshs. 1,551,791 which was not approved.

Response by the Fund Account Manager

722. The NG-CDF Board disburses fund to constituencies in a piece-meal manner, therefore the Kshs. 1,551,791.00 indicated above reflects money for 2013/14 FY disbursed and spent during the FY under audit.

Committee Observation

723. *The Committee observed that the over-expenditure was attributed to the piecemeal release of funds by the NG-CDF Board to the constituencies. The Kshs. 1,551,791.00 reflects money for 2013/14 FY disbursed and spent during the financial year under audit. The query was satisfactorily addressed.*

Committee Recommendation

724. *The committee recommends that the National Treasury should ensure timely release of funds to enable implementation of projects approved by the NG-CDF Board.*

3.0 Project Implementation Status

725. The Fund budgeted to implement two hundred and twenty-three (223) projects costing Kshs. 197,954,576 during the year under review. As at 30 June 2015, seventy three (73) projects allocated Kshs. 61,844,410.00 were complete, one hundred and forty six (146) projects allocated Kshs. 133,110,166 were on-going and four (4) projects allocated. 3,000,000 were abandoned. The data is tabulated below:

Sector/Status	Abandoned		Re-allocated		Ongoing		Complete	
	No	Value	No	Value Kshs.	No	Value Kshs.	No	Value Kshs.
Administration					7	26,569,704	2	2,000,000
Agriculture						0		
Education					62	73,700,000	71	59,844,410
Environment					10	3,339,355		
Health			4	3,000,000	3	2,500,000		
Market						0		
Road					61	22,000,000		
Security					1	1,200,000		
Sports					2	3,801,106		
Total			4	3,000,000	146	133,110,166	73	61,844,410

726. No satisfactory explanation why the CDF management failed to complete one hundred and forty-six (146) projects and abandoned the four projects. The unsatisfactory performance has denied the constituents important public service that had been budgeted for.

Response by the Fund Account Manager

727. There were delays in receipt of funds from exchequer. However, projects were completed at the time funds were received.

Committee Observation

728. The Committee observed that the delay in the implementation of the projects was due to late disbursement of funds by the exchequer. The projects were later completed and are in use. The query was satisfactorily addressed.

Committee Recommendation

729. *The committee recommends that the National Treasury should ensure timely release of funds to enable implementation of projects approved by the NG-CDF Board.*

FINANCIAL YEAR 2015/2016

1.0 Accuracy, Completeness and Presentation of the Financial Statement

730. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the Kenya Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditor's recommendations. In the year 2014/2015, Matungu CDF had adverse audit opinion. However, the report on follow-up of the issues raised in the audit report has not been included in the financial statements for the year under review as required. Therefore, the presentation of the Financial Statements does not conform to IPSAS (Cash Basis) as prescribed by Kenya Public Sector Accounting Standards Board and in accordance with the Public Finance Management Act, 2012. In the circumstances, the completeness and presentation of the financial statement as at 30 June 2016 could not be confirmed.

Response by the Fund Account Manager

731. At the time of preparation of the financial statements they had not received the final audit certificate from the auditor general hence did not include it in the financial statements. However, it was later prepared and availed to the auditor for review.

Committee Observation

732. *The Committee observed that at the time of preparation of the financial statements the final audit certificate from the auditor general had not been received and hence was not included it in the financial statements. However, the Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General and the matter therefore stands resolved.*

Committee Recommendations

733. *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 Committee recommends that the NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices to work in tandem with the Fund Account Manager, beginning FY 2023/24 within the 6% administrative allocation to the Board. This will strengthen the maintenance of books of accounts,*

preparation of financial statements, preparation of quarterly financial and project implementation reports, and timely submission of the statements and documents to the Auditors by the Constituency Offices.

2.0 Cash and Cash Equivalent

734. The cash and Cash equivalents of balance of Kshs. 894,099 includes stale cheques totaling Kshs. 178,044 which had not been reversed in the cash book as at 30 June 2016. In the circumstances, it was not possible to confirm the accuracy of the cash and cash equivalent balance of Kshs. 894,099 reflected in the statements of assets and liabilities.

Response by the Fund Account Manager

735. The stale cheques totaling Kshs. 178,044 were reversed on 24/08/2016, 30/09/2016 and 03/10/2016 and the cash book extract provided to the auditors for review. (*Annex 12*)

Committee Observations

736. *The Committee observed that the stale and unrepresented cheques were later reversed and replaced. The cash book extract was verified by the auditors.*

Committee Recommendations

737. *The Committee recommends that the Accounting Officer: -*
- (i) ensures that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
 - (ii) The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.*

- (iii) *The NGCDF Board engages the Public Sector Accountings Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all National Government -CDF constituency staff.*

3.0 Expenditure Returns

738. The management disbursed funds to various institutions during the year under review. However, it was noted that the institutions did not maintain proper books of account and did not file requisite returns for the funds disbursed to them.
739. Further, it was observed that the institutions listed below were using payment vouchers format not approved by the NG-CDF board.

Payee	Date	Amount(kshs)
Ebusambe Sec School	17/07/2015	1,000,000
Eshibanze Sec School	17/07/2015	1,000,000
Makunda Sec School	17/07/2015	1,000,000
Matungu Special primary School	17/07/2015	1,000,000
Namasanda Health Centre	26/08/2015	1,000,000
Bulanda Primary School	28/09/2015	1,000,000
Namanga Primary School	28/09/2015	1,000,000
Mwira Secondary School	30/11/2015	1,000,000
Khalaba Secondary School	09/12/2015	900,000
Ebusambe Secondary School	22/01/2016	900,000
Indangalasia Secondary School	09/12/2015	800,000
Total		10,600,000

Response by the Fund Account Manager

740. At the time of audit, the PMCs had not been sufficiently trained on expenditure returns. The management, however, ensured all PMCs were subsequently trained on financial stewardship and accountability. All PMCs availed all expenditure returns.
741. The PMCs were using their own format of payment vouchers, but they were trained to use the correct approved payment vouchers. Training report and bank statements for the said projects were submitted.

Committee Observations

742. *The Committee observed that:-*

- (i) At the time of audit, the PMCs had not been sufficiently trained on expenditure returns and they were using their own format of payment vouchers;*
- (ii) The PMCs were subsequently trained on financial stewardship and accountability; and*
- (iii) The expenditure returns were submitted and verified by the Office of the Auditor General.*

(iv) *The query was adequately addressed and resolved.*

Committee Recommendations

743. *The Committee recommends that the Accounting Officer: -*

- i. Engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*
- ii. The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

4.0 Bursary Funds

744. The management disbursed bursary funds totaling Kshs.13,614,000 to various institutions listed below. However, it was noted that none of the institutions acknowledged receipt of the funds and as a result it was not possible to ascertain that the funds reached the intended recipients/institutions.

Date	PV. NO	Payee	Details	Amount
21/12/15	91	Western College of Computer & Technology	Payment for bursary awards for 2015/16 FY	200,000
19/7/15	22	Sundry Institution	Payment for bursary awards for 2014/15 FY	400,000
4/2/2016	128	Sundry Institutions	Payment for bursary beneficiaries 2015/16 FY	1,463,000
29/6/16	13	Sundry Institutions	Payment for bursary beneficiaries 2015/16 FY	265,000
8/2/2016	131	Sundry Institutions	Payment for bursary beneficiaries	158,000
16/6/16	6	Sundry Institutions	Payment for tertiary institutions bursary beneficiaries	1,750,000
16/6/16	182	Sundry Institutions	Payment for university bursary beneficiaries	3,666,000
15/6/16	5	Sundry Institutions	Payment for secondary school bursary beneficiaries	5,712,00
				13,614,000

Response by the Fund Account Manager

745. Institutions that benefited from the bursary award scheme were asked to acknowledge receipt of the monies. As at the time of audit the institutions had not submitted their acknowledgements. However, the acknowledgment receipts were received and were provided to the auditor for review.

Committee Observations

746. The Committee observed that:-

- i. The Committee observed that as at the time of audit the institutions had not submitted acknowledgment receipts.
- ii. The receipts and acknowledgement letters were later provided and verified by the Office of the Auditor General.

Committee Recommendations

747. The Committee recommends that:-

- i. Within three months of the adoption of the report, the National Government Constituencies Development Fund Board reviews the 2015 Guidelines on Issuance of Bursaries to Beneficiaries.
- ii. The NG-CDF Board should develop an overarching bursary policy framework with a mechanism for manual and electronic funds transfer in the disbursement of bursaries cheques, and beneficiary institutions to issue acknowledgement document upon receipt of the cheques. In addition, the auditors should verify bank statements where receipts are not available.

OTHER MATTER

1.0 Budget Control and Performance

748. The Fund approved budget receipts was Kshs. 153,389,194 including Kshs. 29,858,877 brought forward from previous year as analyzed below.

Receipt/ Expense Item	Original Budget	Adjustment s	Final Budget	Actual On Comparable Basis	Budget Utilisation Difference s	% Of Utilisation
	A	B	c=a+b	d	e=c-d	f=d/c%
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers From CDF Board	123,530,317	29,858,877	153,389,194	91,858,877	61,530,317	59.9%
Proceeds From Sale of Assets				-	-	
Other Receipts	-					
Total	123,530,317	29,858,877	153,389,194	91,858,877	61,530,317	59.9%
Payments						
Compensation of	2,708,500	1,902,360	4,610,860	3,013,740	1,597,120	65.4%

Employee						
Use of goods and services	7,016,908	264,137	7,281,045	5,778,956	1,502,089	79.4%
Transfer To other Government Units	77,768,111	22,500,001	100,268,112	40,942,905	59,325,207	40.8%
Other grants And Transfer	33,662,856	5,192,379	38,855,235	38,855,235	0	100.0%
Acquisition of Assets	2,373,942	-	2,373,942	2,373,942	-	100.0%
Other Payments		-	-	-	-	
Total	123,530,317	29,858,877	153,389,194	90,964,778	62,424,416	59.3%

749. Further, the Fund incurred an under-expenditure on three notable expenditure items: compensation of employees, use of goods and services and transfer to other government units at an average rate of 38.13%. Consequently, the Fund did not operate within its approved budget, and this may negatively impact on the planned service delivery to the constituents.

Response by the Fund Account Manager

750. There were delays in receipt of funds from exchequer. However, projects were completed when the funds were received the photos and completion certificates were provided to the auditor for review.

Committee Observations

751. *The Committee observed that the under-expenditure was as a result of late disbursement of funds by the Exchequer. The projects were later completed when the funds were received. The photos and completion certificates were provided to the auditor for review*

Committee Recommendation

752. *The Committee recommends that the National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

1.0 Project Implementation and Management

753. The management was to implement a total of 414 projects. However, four (4) projects valued at Kshs. 2,995,000.00 were re-allocated, four (4) valued at Kshs. 2,200.000 had not started, ninety-nine (99) valued at Kshs. 111,280,317 were ongoing and three hundred and seven (307) valued at Kshs. 234,057,542 were completed. The project implementation status is analyzed below:

Sector /Status	Abandoned		Re-allocated		Ongoing		Complete	
	No	Value	No	Value Kshs.	No	Value Kshs.	No	Value Kshs.
Administration					7	26,569,704	2	2,000,000
Agriculture						0		
Education					62	73,700,000	71	59,844,410
Environment					10	3,339,355		
Health			4	3,000,000	3	2,500,000		
Market						0		
Road					61	22,000,000		
Security					1	1,200,000		
Sports					2	3,801,106		
Total			4	3,000,000	146	133,110,166	73	61,844,410

754. No satisfactory explanation why the CDF management failed to complete one hundred and forty six (146) projects and abandoned the four projects. The unsatisfactory performance has denied the constituents important public service that had been budgeted for.

Response by the Fund Account Manager

755. This was caused by delays in receipt of funds from the exchequer. However, projects were completed when the funds were received the photos and completion certificates were provided to the auditor for review.

Committee Observations

756. *The Committee observed that: -*

- i. This was caused by delay in receipt of funds from exchequer. However the projects were later completed when the funds were received. The photos and completion certificates were submitted to the auditor for review.*
- ii. Following physical verification by the Office of the Auditor General. The Management response was found to be satisfactory. The issue of disbursement of funds is beyond the control of NG-CDF.*

Committee Recommendation

757. *The National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

3.10 REPORTS ON THE AUDITED ACCOUNTS OF MUMIAS EAST CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

MUMIAS EAST CONSTITUENCY

758. Mr. Justus Ogutu Noo, the Fund Manager appeared before the Committee on 6th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Mumias East Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Accuracy of the Financial Statement.

759. The statement of financial assets and liabilities as at 30 June 2014 reflects net assets of Ksh. 21,952,756.00. However, the constituency Development Fund did not maintain a General Ledger from which it could periodically extract balances for preparation of the financial statements. Further, the fund did not maintain proper books of account.

Consequently, the accuracy of the net assets balances totaling Ksh. 21,952,756.50 could not be confirmed as at 30 June 2014

Response by the Fund Account Manager

760. A General Ledger showing a comprehensive Annual Expenditure Return that were maintained and used to generate the financial statements has been availed to the auditor for review.

Committee observation

761. *This query arose due to late submission of the documents which was later submitted. Late submission of documents for audit verification is an offence under the Public Audit Act 2015.*

Committee Recommendation

762. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

2.0 Incomplete CDF Office Occupation

763. The constituency Development Fund Office was constructed at a cost of Ksh. 8,991,397.80 and occupied without official handover by the contractor. The legal rights and obligations of both parties may not have been complied with, which may result into litigation. In the circumstances, it has not been possible to confirm the completeness of the Office and whether value for money was obtained in the transaction as at 30 June 2014.

Response by the Fund Account Manager

764. The CDF office construction was carried out by the parent Mumias constituency. During the division, Mumias East inherited the office.
765. The occupation of the office was done at a time when the contractor had practically completed construction and was making good defects on the building during the defects liability period. Official handover conducted and certificate of practical completion and handing over Minutes of 15/01/2014) were submitted.

Committee observation

766. *The Committee observed that the explanation offered by the Fund Account Manager was satisfactory. The query was adequately addressed and resolved.*

3.0 Committee Allowances

767. During the year, the fund spent Ksh. 494,000.00 on committee allowances. However, schedules of the reported committee allowances of Ksh. 494,000.00 were not made available for audit review. As a result, the propriety of the expenditure could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

768. The Schedule were later availed to the auditor for verification.

Committee Observation

769. *The Committee observed that the Fund Account Manager did not provide at the time of the audit, schedules to support the expenditure of Kshs 494,000.*

Committee Recommendation

770. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

4.0 Unsupported Bursaries

771. The fund disbursed bursaries amounting to Ksh. 5,668,000.00 to Secondary Schools, Ksh. 2,519,000.00 to tertiary Institutions, Ksh. 94,000.00 to special Institutions and Ksh. 808,000.00 for Mocks and CATs respectively all adding up to Ksh. 9,089,000.00 as at 30 June 2014. However, schedules of beneficiaries and supporting minutes were not made available for audit review.

In view of the foregoing, the propriety of the expenditure of Ksh. 9,089,900.00 could not be confirmed as at 30 June 2014

Response by the Fund Account Manager

772. The schedules of beneficiaries and minutes approving the beneficiaries were later availed to the auditor for verification (schedules of beneficiaries and supporting Minutes of 24/02/2014, 31/03/2014, 10/04/2014, 25/04/2014 and 01/06/2014).

Committee Observation

773. *The Committee observed that 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. The supporting documents were however later availed and verified by the auditors.*

Committee Recommendation

774. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

5.0 Mwitoti Administration Police Camp.

775. Included in the figure of other grants and transfers in the statement of receipts and payments, is an amount of Ksh. 800,000.00 paid out for the construction work of an Administration Police Camp at Mwitoti. However, no supporting documentation to confirm ownership of the land on which the camp was being built had been provided for audit review. Further, the project was reportedly initiated by the former Mumias Constituency Development Fund before split, hence it was not clear the portion of the project the current CDF was to undertake.

Consequently, the propriety of the expenditure of Ksh. 800,000.00 could not be confirmed as at 30 June 2014

Response by the Fund Account Manager

776. The land transfer process was still ongoing as at the time of audit. The title deed was obtained in 2015. Ksh. 800,000 was spent on completion of the AP Camp including (plaster works, fitting steel doors and windows with glasses, flooring and gable end walling). A copy of the same was submitted to the auditor for review. (Copy of title deed, codelist, Reallocation Letter, Payment Voucher, Minutes for 25/04/2014).

Committee Observations

777. *The Committee observed that:-*

- i. At the time of the audit, the Fund Account Manager had not provided for audit review the documentation to confirm ownership of the land on which the camp was being built.*
- ii. The supporting documents (title deed, codelist, Reallocation Letter, Payment Voucher, Minutes for 25/04/2014) were later availed and verified by the auditors.*

Committee Recommendation

778. *Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

6.0 Unsupported Employee Compensation

779. The CDF recruited 4 (four) staff at payroll cost of Ksh. 486,214 per annum. However, recruitment records such as copies of advertisement and minutes of interviews were not made available to confirm that the appointments were done competitively and in accordance with the regulations of the CDF Act 2012. Further, the fund provided payrolls for three months amounting to Ksh. 234, 507 for audit verification. The difference of Ksh. 251,707.00 remained unsupported.

In the circumstances, the Employee Compensation expenditure of Ksh. 251,707.00 could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

780. The office had since availed the advertisement and selection panel report towards the staff recruitment to the auditor for clearance. The 4 Staff were competitively recruited through the advertisement dated 28/08/2013 and the interviews conducted on 10/9/2013. The Ksh. 486,214 spent on recruited staff was based on payroll and a minute approving the expenditure provided. (Payrolls, Advertisement and Minute of 13/09/2013)

Committee Observation

781. *The Committee observed that supporting documents for compensation of employees were not availed for audit review. They were, however, submitted later to the auditor for verification. The query was adequately addressed and resolved.*

Committee Recommendation

782. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

7.0 Undetermined Assets Ownership

783. The fund has not changed the ownership documents of the land parcel East/Wanga/Eluche/2645 where the office is situated and Motor Vehicle GKA 585T Bus to its name as required. Further the values of the land and motor vehicle were not disclosed in the notes to the financial statements as required. Consequently, the accuracy and ownership of the land and Motor Vehicles could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

784. The Mumias East CDF Committee took note of the need to change Ownership of Office Land and CDF Bus GK 585T to the name of CDF Board as required. These are assets that earlier belonged to the former larger Mumias Constituency.
785. The Motor Vehicle was earmarked for disposal by donating it to the newly established Kenya Medical Training College (KMTC) Shianda. The request was presented to the NGCDF Board and approved as per their Ref: NG-CDFB/PROC/035/2020-2021 dated 13th July 2021.
786. The values of the said assets were later disclosed in the financial statement as required under Other Important Disclosures, Fixed Assets Register as Office Land Ksh. 700,000 and CDF Bus Isuzu NPR66 Ksh. 3,080,000 at cost respectively

Committee Observation

787. *The Committee observed that the supporting documents for land (title deed) and ownership of the vehicle(log book) were not provided for audit review. They were however submitted later to the auditor for verification. The query was adequately addressed and resolved.*

Committee Recommendation

788. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

FINANCIAL YEAR 2014/2015

1.0 Presentation and Completeness of the Financial Statements

789. According to the International Public Sector Accounting Standards (Cash Basis) Financial statements presentation format prescribed by the National Treasury requires the management to include the action taken on the previous year auditor's recommendations. In the year 2013/14, Mumias East CDF had a qualified opinion. However, no report on the progress on follow up of audit issues was included in the financial statements for the year under review.

In the circumstances, the presentation of the financial statements for the year ended 30 June 2015 were not in conformity with IPSAS (Cash Basis)

Response by the Fund Account Manager

790. As at the time of preparation of Financial Statement, Mumias East CDF had not received the Audit Certificate for the FY 2013/14. The certificate was received later in 2015.
791. A report on the progress on follow up of audit recommendations in the year 2013/14 was later availed to the auditor for verification.

Committee Observations

792. *The Committee observed that:—*

- i. The Fund Account Managers experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in the preparation of financial statements;*
- ii. 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; and*
- iii. The committee also observed that the Mumias East CDF had not received the Audit Certificate for the FY 2013/14*

Committee Recommendations

793. 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.
- ii. The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.

2.0 Budgetary Control and Performance

794. During the year under review, the fund received an amount of Ksh. 52,538,781 as compared to the approved budget of Ksh. 105,077,562 implying an underfunding of Ksh. 52,538,781

795. Consequently, the fund failed to meet its budget targets and service delivery obligations on project implementation to the constituents.

Item	Final Budget	Actual Receipts Expenditure	Difference	Percentage Of Utilization Of Funds
Transfers from CDF Board	105,077,562	52,538,781	52,538,781.20	50%
Total	105,077,562	52,538,781	52,538,781	
Payments				
Compensation of employees	2,000,000	1,297,118	702,882	65%
Use of goods and services	2,770,957	2,647,685	123,272	96%
Committee expenses	4,140,000	3,501,347	638,653	85%
Transfers to other government units	64,417,690	26,368,759	38,048,931	41%
Other grants and transfers	51,775,225	35,330,656	16,444,569	68%
Social security benefits	30,000	10,600.00	19,400	35%
Acquisition of assets	0	2,215,072.20	(2,215,073)	0%
Other payments	30,000	20,560	9,440	69%
Total	125,163,873	71,391,798	53,772,075	57%

Response by the Fund Account Manager

796. This was occasioned by the late disbursement of funds to the constituencies by the exchequer. The projects that had not been funded later received funds in the subsequent year.

Committee Observation

797. *The Committee observed that this was occasioned by the late disbursement of funds to the constituencies by the exchequer. The projects were later funded in the subsequent year.*

Committee Recommendation

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

3.0 Project Implementation and Management

799. The fund's total project allocation for two years ending 30 June 2015 amounted to Ksh. 175, 074,445 out of which projects with allocations amounting to Ksh. 55,919,899 remained ongoing and incomplete, two hundred and twenty-two (222) projects costing Ksh. 95,931,000 were completed while fifty-five (55) projects with allocation of Ksh. 23,223,546 were not yet started as of March 2016.

800. Among the ongoing projects were staff houses in four (4) health institutions with an allocation of Ksh. 2,252,759 which stalled due to inadequate funding as analyzed.

801. In view of the foregoing, the fund has not executed and managed project implementation to deliver value for money for the constituents.

	Not Started		Ongoing		Complete		Total(kshs)
	No.	Allocation (Kshs)	No.	Allocation (Kshs)	No	Allocation (Kshs)	
Administration	0		12	11,235,526	8	12,348,558	23,584,083.35
Agriculture	0		0	-	1	82,200	82,200.00
Education	10	17,000,000	20	31,206,915	147	75,871,679	124,078,593.54
Environment	33	2,623,546	12	2,006,077	4	280,000	4,909,623.05
Health	1	1,800,000	4	4,482,759	12	3,502,000	9,784,759.00
Market	10	800,000		-	-	-	800,000.00
Road	0	-	0	-	2	360,750	360,750.00
Security	1	1,000,000	9	6,940,000	7	3,454,536	11,394,536.00
Sports	0	-	41	48,623	41	31,277	79,900.26
Total	55	23,223,546	98	55,919,899	222	95,931,000	175,074,445.20

Response by the Fund Account Manager

802. This was occasioned by the late disbursement of funds to the constituencies by the exchequer, however, the NGCDF Board released the remaining balance of funds Ksh. 52,538,781.20 in the succeeding financial year to Mumias East CDF.
803. Although the funds were released after the closure of financial year, Mumias East CDF has since made use and implemented the projects as budgeted.
804. Funding of the prefabricated staff houses in four (4) health institutions at Khaunga, Musango, Lusheya and Kamashia Health Centres was a conditional grant of Ksh. 1,120,689.75 each.
805. The projects were later implemented, completed and are currently in use since 2015.(Project Implementation Status Report and copies of completion certificates)

Committee Observations

806. *The Committee observed that:-*

- i. Slow implementation of projects was occasioned by the late disbursement of funds by the National Treasury*
- ii. Mumias East implemented the projects as budgeted and the projects are in use.*
- iii. Construction of the prefabricated staff houses in four (4) health institutions at Khaunga, Musango, Lusheya and Kamashia Health Centres was completed, and they are in use since 2015. The project was a conditional grant of Ksh. 1,120,689.75 each.*

Committee Recommendations

807. *The Committee recommends that;*

- i. The Accounting Officer ensures that the Fund Account Manager and PMCs undertake feasibility studies before undertaking huge projects for smooth implementation.*
- ii. 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.*

4.0 Transfer to Other Government Units

808. During the year under review, the fund transferred Ksh. 26,368,759 to other government units. Included in the amount is Ksh. 4,700,000 disbursed to schools and school project grants.
809. However, physical verification of the projects in 4 schools (Ebubere, Shitoto, Lubinu and St. Stephen Secondary Schools) revealed that construction work carried out were not as per specifications.

Response by the Fund Account Manager

810. The implementation of projects in the listed 4 Schools was later completed after the audit process and the projects are in use.
811. The projects are done under the supervision of an officer from the works office who gives the specifications and monitors its implementation. The works officer provided the status and final completion certificate for the projects provided to the auditor for review. (Completion Certificates for the 4 schools projects)

Committee Observation

812. *Following physical verification carried out by the Office of the Auditor General. It was established that the four (4) Schools were later completed and are in use. The query was adequately addressed and resolved.*

Committee Recommendation

813. *The Committee recommends 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.*

5.0 Industrial Development Centre

814. The construction of an industrial development center was procured at a cost of Ksh. 2,640,078 which was completed but not yet handed over. However, the work done was not as per specification in the bills of quantity (BQ) as eight windows measuring 1200 X 1200 millimeters had not been fixed instead of the billed 1200 X 1500 millimeters. Gutters had not been installed at the back of the building though the same was billed. Further, there was no inspection and acceptance committee report on the building and although full amount of Ksh. 2,640,078 had been paid and the building was in use, handing over had not been completed.

Response by the Fund Account Manager

815. The building was constructed and completed accordingly by December 2015. Project exit meeting was held from which final payment advice was generated. The building was occupied soon after.

Committee Observation

816. *The Committee observed that:-*
- i. Following physical verification carried out by the Office of the Auditor General. It was established that the building was constructed and completed in August 2015.*
 - ii. Project final payment advice was discussed during the exit meeting. The building was occupied soon after.*
 - iii. Inspection and Acceptance Committee Report & Handing Over Report, Completion Certificate were verified by the Office of the Auditor General.*
 - iv. The query was adequately addressed and resolved.*

Committee Recommendations

817. *The Committee recommends that:*

- (i) The Accounting Officer ensures that the Fund Account Manager and PMCs undertake feasibility studies before undertaking huge projects for smooth implementation.*
- (ii) 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.*

6.0 Unaccounted for Disbursements for Sports

818. The fund disbursed to project management committee Ksh. 600,000 for sports. However, the expenditure returns were not provided for audit review. Consequently, the propriety of the expenditure could not be confirmed.

Response by the Fund Account Manager

819. The sports expenditure returns were later availed to the auditor for verification.

Committee Observation

820. *Following physical verification by the Office of the Auditor General and review of the expenditure returns. The Committee observed that the query was adequately addressed and resolved.*

Committee Recommendation

821. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

7.0 Fixed Assets Register

822. The summary of fixed assets registers at annex 4 shows an opening balance of Ksh. 13,852,296 and closing balance of Ksh. 15,396,792 as at 30 June 2015. However, the statement of receipts and payments includes acquisition of assets worth Ksh. 2,215,073 during the year giving rise to a closing balance of Ksh. 16,067, 369. Therefore, there is an unexplained understatement of Ksh. 670,577

As a result, the accuracy and completeness of the fixed assets summary could not be confirmed.

Response by the Fund Account Manager

823. This was an oversight that has since been rectified and presented to the auditor for review. (Schedule for Acquisition of Assets)

Committee Observation

824. *The Office of the Auditor General rectified the report and reinstated figure of Kshs. 670,577 in the assets register.*

Committee Recommendation

825. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

FINANCIAL YEAR 2015/2016

1.0 Inaccuracies and Presentation of the Financial Statements

826. The international public sector accounting standards (Cash Basis) Financial statements presentation format prescribed by the Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditor's recommendations. In the year 2014/15, Mumias East CDF had an adverse Audit opinion. However, the report on follow up of audit issues raised in the audit report had not been incorporated in the financial statements during the year under review as required.
827. In the circumstances, the completeness and presentation of the financial statements as at 30 June 2016 could not be confirmed

Response by the Fund Account Manager

828. As at the time of preparation of Financial Statement, Mumias East CDF had not received the Audit Certificate for the FY 2014/15. The certificate was received later in 2016.
829. A report on the progress on follow up of audit recommendations in the year 2014/15 was availed to the auditor for verification.

Committee Observations

830. *The Committee observed that:-*

- (i) The Committee observed that at the time of preparation of the financial statements Mumias East CDF had not received the Audit Certificate for the FY 2014/15. The certificate was received later in 2016.*
- (ii) The Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General.*
- (iii) The query was adequately addressed and resolved.*

Committee Recommendations

831. *The Committee recommends that:-*

- (i) The NG-CDF Board should conduct continuous capacity building on financial reporting standards for staff at the Constituency offices to improve the quality of reporting and enhance compliance; and*
- (ii) The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

2.0 Unaccounted for Funds

832. The management disbursed Ksh. 16,000,000 towards the construction of Wanga College of Science and Technology. However, it was not possible to ascertain that the funds were received and used for the intended purposes since neither the returns nor bank statements were availed for audit.

833. Further it was noted that the management was to disburse Ksh. 10,000,000 to sangalo Institute of Science and Technology which was appointed as a mentor institution charged with the implementation of the project by the Ministry of education but instead disbursed Ksh. 16,000,000 resulting to an unexplained overpayment of Ksh. 6,000,000

Response by the Fund Account Manager

834. Wanga College of Science and Technology was the initially proposed name for the the Wanga Technical Training Institute in Mumias East. The Wanga TTI project was a Co-funded project between Mumias East NGCDF which was required to provide construction site and commit Ksh. 10,000,000 for the construction and the Ministry of Education which committed Ksh. 40,000,000. The NGCDFC committed a further Ksh. 6,000,000 for acquisition of Land.

835. Sangalo Institute of Science & Technology was predetermined as a Mentor institution by the Ministry of Education and charged with the implementation of the project.

836. NGCDFC transferred its Ksh. 10,000,000 funding to Sangalo Institute of Science & Technology account held in the name of the project.

837. The overall implementation of the project was undertaken by the mentor Institution.

838. The construction of the TTI project was completed.

839. Ksh. 6,000,000 was transferred to a Mumias East CDF Project Management Committee which handled the acquisition of Land for the construction of TTI as a separate project from the construction project.

Committee Observation

840. *Following physical verification carried out by the Office of the Auditor General and authentication of expenditure returns, bank statements. The Committee noted that the query was adequately addressed and resolved.*

Committee Recommendation

841. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

3.0 Cash and Cash Equivalents

842. During the year under review, the management did not avail for audit the board of survey report. As a result, the nil balances in respect to cash at hand and standing imprests reflected in the notes to the financial statements could not be confirmed as correct.
843. Further it was noted that the Ksh. 5,860,560 reflected in the financial statements under cash and cash equivalents differs with the cash book balance figure of Ksh. 5,267,888 by Ksh. 592,672.

Consequently, it was not possible to ascertain that the cash and cash equivalents balance of Ksh. 5,860,560 reflected in the financial statements was fairly stated

Response by the Fund Account Manager

844. The Balance used in the preparation of financial statement was the actual Cashbook Balance.
845. The correct cashbook extract later availed to the auditor for verification.

Submission by the Fund Account Manager

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

Committee Observation

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

Committee Recommendation

848. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

4.0 Irregular Procurement

849. The three (3) Contractors quoted for the construction of an administration block at Musango Mixed Secondary School as follows

Firm	Amount
Amadon General Agencies	2,030,826
Contract Service Associates	1,500,000
Mamok & Home Company	1,442,655

850. The contract was awarded to M/S Contract Service Associates who quoted Ksh. 1,500,000 although the firm was the second lowest bidder. The firm had also been deemed non-responsive on grounds that he had no financial capacity for the work.
851. In view of the above, the procurement laws and regulations were violated.

Response by the Fund Account Manager

852. The PMC's had grossly overlooked key aspects in their evaluation of responsive bidders instead subjective terms i.e the manner of presentation was used. Despite Mamok and Home Company being the lowest bidder, it did not prove to be responsive enough in terms of technical competence. The company lacked a profile for construction works and had no proven experience of undertaking similar works. With such shortcoming, the lowest bid alone could not therefore guarantee award of tender to M/S Mamok & Home Company. The NGCDFC intervened and the project was completed and is now in use.

Committee Observation

853. *Following physical verification by the Office of the Auditor General and the explanation given by the Fund Account Manager. The Committee observed that the query was adequately addressed and resolved.*

Committee Recommendation

854. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

5.0 Unsupported Expenditure

855. The fund made payments totaling Ksh. 4,622,145 being Ksh. 3,896,600 to Mumias District Education Board and Ksh. 725,545 to Mumias East CDF Sports. However, the payments were not supported with relevant documents.

Consequently, it was not possible to ascertain the propriety of the expenditure

Response by the Fund Account Manager

856. The payments of Ksh. 3,896,600.00 to Mumias District Education Board was meant for Exam Mocks and CATs and other education activities which were implemented and completed. The payments of Ksh. 725,545.00 to Mumias East CDF Sports kitty which was implemented and completed. The expenditure returns were later availed to the auditor for review.

Committee Observation

857. *The Fund Account Manager's explanation was satisfactory. The query was adequately addressed and resolved.*

Committee Recommendations

858. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

OTHER MATTERS

2.4 Budget Control and Performance.

859. The fund budget receipts were Ksh.166,990,294 inclusive of Ksh. 55, 659,080 brought forward from 2014/15. However, the actual expenditure was Ksh. 105,391,193 resulting in an under expenditure of Ksh. 61,599,101.

Consequently, the fund did not operate within the approved budget and this could have negatively impacted service delivery of services to the constituents.

Response by the Fund Account Manager

860. Underutilization was occasioned with the delay of release of funds from the exchequer.
861. Mumias East NGCDF made use and implemented all the projects in the succeeding financial year as budgeted thus fulfilling the intended objectives.

Committee Observations

862. *The Committee observed that:*

- i. The underutilization of the funds was due to late disbursement of funds by the exchequer.*
- ii. The projects were implemented in the succeeding financial year as budgeted.*

Committee Recommendation

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

2.0 Project Implementation and Management

864. The management was to implement a total number of 150 projects valued at Ksh. 71,103,742. However, ten (10) projects valued at ksh. 6,456,000 had not started, 74 projects valued at Ksh. 45,766,118 were ongoing and 66 projects valued at Ksh. 18,881,624 were completed.

865. Failure to implement and complete projects as budgeted for will negatively affect achievement of development objectives in the constituency.

Response by the Fund Account Manager

866. Underutilization was occasioned with the delay of release of funds from the exchequer. Mumias East NGCDF made use and implemented all the projects in the succeeding financial year as budgeted thus fulfilling the intended objectives.

Committee Observation

867. *The Committee observed that the underutilization of the funds was due to late disbursement of funds by the National Treasury and the explanation by the Fund Account Manager was satisfactory.*

Committee Recommendation

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

3.12 REPORTS ON THE AUDITED ACCOUNTS OF IKOLOMANI CONSTITUENCY NG-CDF THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

IKOLOMANI CONSTITUENCY

869. Mr. Tom Orwa, the Fund Manager appeared before the Committee on 6th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Ikolomani Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Accuracy and Completeness of the Financial Statements

Accuracy and Completeness of the Financial Statements

870. The financial statements balances concerning Committee Allowances, Other Grants and Transfers, Use of Goods, and Services differed with the supporting schedules presented for audit review. Further, the acquisition of assets of KShs, 750,105.00 was wrongly classified. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2014 could not be confirmed.

Response by the Fund Account Manager

871. All the anomalies in classifying expenses and other payments were duly noted and corrected. In addition, the construction of buildings of Kshs 750,105 has been removed from the use of goods and services and posted to the acquisition of assets as per the revised financial statements. The revised financial statements and supporting schedules were availed to the auditor for review and verification. Copies annexed.

Committee Observations

872. *The Committee observed that the anomalies in classifying expenses and other payments were noted and corrected. The revised financial statements and supporting schedules were submitted and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

873. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers: -*
- a) keeps financial and other records that are accurate, reliable, and complete.*
 - b) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

- c) *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible".*
- d) *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

2.0 Other Grants and Transfers

874. The Fund spent KShs 2,450,150.00 on the preparation of a strategic plan for the period 2013/2018 which had not been launched by the time of audit in March 2015 and was therefore not freely available to the constituents for use in proposals development. Further, included in the amount is KShs. 655,000.00 charged as reimbursable which had no supporting documents. Consequently, the propriety of the expenditure of KShs. 2,450,105.00 could not be ascertained as at 30 June 2014.

Response by the Fund Account Manager

875. The strategic plans were distributed to various stakeholders within the constituency after approval during the meeting held on 9th June 2014 as per the Constituency Development Fund Committee Meeting minutes. A copy of the Minutes was availed to the auditor for review and verification.
876. Additionally, the figure of KShs 655,000.00 was invoiced by the consultant as part of his fees and was paid as part of the contract. A copy of the contract indicating the clause on reimbursable, and the respective invoices were availed to the auditor for verification. Copies annexed.

Committee Observation

877. *The Committee was satisfied with the explanation provided by the Fund Account Manager. However, it noted that the documents were not submitted during the audit period.*

Committee Recommendation

878. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – "(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act"*

3.0 Transfers to Other Government Agencies

3.1 Purchase of Land

879. The Fund disbursed Kshs. 6,500,000.00 for the purchase of land to two primary schools, an administration police camp, a district hospital, and a youth polytechnic. Audit verification, however, revealed that ownership documents had not been obtained. As a result, the propriety of the expenditure and the ownership of the parcels of land could not be confirmed as of 30 June 2014.

Response by the Fund Account Manager

880. At the time of the audit verification, the project management committees had not availed the land ownership documents since they were still processing them. All of the title deeds were processed and submitted apart from Iguhu District Hospital which had succession challenges and has been handed over to the County Government of Kakamega. The details are as follows.

No.	Name of Project	Amount Disbursed	Status
1.	Shianjetso Primary School	1,500,000.00	The school has acquired Title Deed No. KAKAMEGA/SHISEJERI/1712 A copy was availed to the auditor for review and verification.
2.	Shitoli Primary School	500,000.00	The school has acquired Title Deed No. KAKAMEGA/SHITOLI/769 A copy was availed to the auditor for review and verification.
3.	Imulama AP Camp	500,000.00	The AP Camp has acquired Title Deed No. IDAKHO/SHISESO/1648
4.	Iguhu District Hospital	1,500,000.00	The process of acquisition of title was transferred to the County Government of Kakamega occasioned by the repealing of the CDF Act 2013. A copy of the land sale agreement, a copy of the Succession Case Number, and a copy of the transfer letter was availed to the auditor for review and verification.
5.	Shieywe Polytechnic	2,500,000.00	The Polytechnic has acquired two Title Deeds No. IDAKHO/LUKOSE/1801 and IDAKHO/LUKOSE/1846. Copies have been availed to the auditor for review and verification.

Committee observation

881. *Following physical verification by the Office of the Auditor General, it was observed as follows:*

Project	Project Details	Verification findings
Shianjesto Primary School- FY 2013/14	i)Purchase of land ii)Construction of 4 door pit latrines	Land seen and construction of pit latrines completed
Iguhu District Hospital- FY 2013/14	Purchase of land	Land seen and copy of the land sale agreement, a copy of the Succession Case Number, and a copy of the transfer letter was availed to the auditor for review and verification.
Shihalia Primary School- FY 2015/16	Construction of 8 No. storey classrooms	Building completed and in use

Committee Recommendation

882. *The Committee recommends that the Fund Account Manager to liaise with the NG-CDF Legal Department to sort out the outstanding land issues, i.e., transfer, succession and acquisition of the title deeds for Iguhu District Hospital.*

3.2 Purchase of School Bus

883. The Fund disbursed KShs 3,000,000.00 in October 2013 for the purchase of a school bus to St. Michael Shiamusinjiri Secondary School. However, the bus was acquired in February 2015 at Kshs. 4,797,000.00 a price that exceeded the lowest quoted bid of KShs. 4,397,000.00 by KShs 403,000.00. No explanation has been provided for the non-compliance with procurement regulations and responsibility for not saving Kshs. 403,000.00 in the transaction by using the lowest quoted bidder.

Response by the Fund Account Manager

884. The tendering process for the purchase of the Bus was done by the Project Management Committee. Whereby the committee decided to purchase an Isuzu Bus which was supplied by General Motors, as opposed to the relatively cheaper Nissan model supplied by Cooper Motors since the Nissan model failed at the technical evaluation. Thus, General Motors

was selected to supply the bus since they were the Least evaluated bidder. This is evident by the Project Management Committee Meeting held on 17th June 2014 vide minute number: MIN 3/17/6/2014. A copy of the minutes, approved code lists and other relevant documentation were availed to the auditor for review and verification.

Committee Observation

885. *The Committee confirmed that the Project Management Committee met on 17th June 2014 vide minute number: MIN 3/17/6/2014. A copy of the minutes, approved code lists and other relevant documentation were availed to the auditor for review and verification. The query was adequately addressed and resolved.*

3.3 Purchase of Land and Construction of a workshop

886. An amount of Kshs. 2,500,000.00 was disbursed to Shieywe Youth Polytechnic for construction of a workshop and purchase of 1.25 acres of land. However, the audit review revealed that the land was not supported by a title deed nor physical possession of the land.
887. Further, electrical works for the workshop costing KShs. 221,510.00 had not been installed even though paid for as the contractor had been paid KShs. 1,342,680.00 out of the contract sum of KShs. 1,600,000.00 inclusive of the electricals works.

Response by the Fund Account Manager

888. The Polytechnic has acquired two Title Deeds No. IDAKHO/LUKOSE/1801 and IDAKHO/LUKOSE/1846.
889. At the time of the audit verification, the electrical works were partially done. Part of the balance to be paid to the contractor was inclusive of electrical works. Thereafter the contractor completed all the works as per the BQ and the project is complete and in use. Copies of payment certificates, completion certificates and sample photos were availed to the auditor for review and verification.

Committee Observation

890. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations have been provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

The Committee recommends that the Accounting Officer ensures that:-

891. *Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

3.4 Our Lady of Assumption Shitoli Secondary School

892. An amount of KShs. 2,000,000.00 disbursed to the school for the construction and equipment of a laboratory in 2013/2014 was an addition to KShs. 1,000,000.00 advanced in 2011/2012. However, audit examination revealed poor workmanship in form of cracked floors, faded wall paints, exposed gas pipes, lack of middle workbenches plus sinks, unlockable side cupboards, and missing chemical rooms among others all of which could not be quantified. Further, laboratory fittings valued at KShs. 96,250.00 had not been delivered.

In the circumstances, the propriety of the expenditure of KShs. 2,000,000.00 could not be confirmed as of 30 June 2014.

Response by the Fund Account Manager

893. After the audit verification, the contractor made good all the defects noted before the Project Management Committee (PMC) released his retention money. Copies of the completion certificate, PMC Minutes and sample photos were availed to the auditor for review and verification.

Committee Observation

894. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

The Committee recommends that the Accounting Officer ensures that:-

895. *Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

3.5 Shianjetso Primary School

896. An amount of KShs 1,500,000.00 was disbursed to the school for the purchase of 3 parcels of land and construction of one 4 door pit latrine. However, the bills of quantities in respect of the toilets which had also not been constructed was not made available for audit review. Further, the land was procured at an amount of KShs 1,130,000.00 leaving an expected balance of KShs. 370,000.00. However, a review of bank statements availed indicated a balance of KShs. 219,434.00 giving an unexplained difference of KShs. 150,000.00 as at 30 June 2014.

Response by the Fund Account Manager

897. At the time of the audit verification the pit latrines had not been constructed since the school was facing a challenge of where to sink the pit latrine due to inadequate land space. However, after the purchase of land, the pit latrine was eventually constructed and are complete and in use. I have availed a copy of the schedule of materials, completion certificate and sample photo the auditor for review and verification.
898. Further, the project cost is usually inclusive of the administration cost which is as per the CDF Act 2013. The total costs of the land (Kshs 1,130,000) together with the cost of surveying, processing of title deed (Kshs 103,300), and project administration (Kshs 50,000) came to Kshs 1,283,300.00 leaving a balance of about Kshs 219,434. Also, there was a balance brought forward of Kshs 2,734.00 to give a bank balance of approximately Kshs 219,434.00. Copies of the respective land sale agreements, PMC minutes, payment vouchers and other relevant documentation were availed to the auditor for review and verification.

Committee Observation

899. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Following physical verification by the Office of the Auditor General, it was observed as follows:

Project	Project Details	Verification findings
Shianjesto Primary School- FY 2013/14	i)Purchase of land ii)Construction of 4 No door pit latrines	Completed and in use.

Committee Recommendation

900. *The Committee recommends that the Accounting Officer ensures that:-*

Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”

3.5 Iremele Secondary School

901. An amount of Kshs. 4,500,000.00 was disbursed to the school for the purchase of land and the construction of four (4) classrooms. However, the four classrooms which were budgeted to cost Kshs 2,500,000.00 were put up at a contract price of Kshs. 2,986,240.00 exceeding the budgeted amount by Kshs. 486,240.00. Further, a visit to the school in April 2015

revealed poor workmanship on the floors which costed Kshs. 1,126,000.00 as per the bills of quantities.

Consequently, the propriety of the expenditure of Kshs. 2,986,240.00 could not be confirmed as of 30 June 2014.

Response by the Fund Account Manager

902. The school was funded in two financial years of 2013/14 Kshs 3,000,000 and 2014/15 Kshs 1,500,000. The budget for land purchase was Kshs 1,500,000 and the budget for constructing four classrooms was 3,000,000. I have availed copies of the approved Code lists to the auditor for review and verification.
903. In addition, the contract for the construction of 4 classrooms was awarded to a local company at a contract price of Kshs 2,986,240.00 after going through the procurement process as required. Copies of the contract award, acceptance, contract agreement, payment certificates, payment vouchers, completion certificates and sample photos were availed to the auditor for review and verification.
904. Further, the contractor made good all the defects that were identified before his full retention was paid. A copy of the completion certificate and sample photos were availed to the auditor for review and verification.

Committee Observation

905. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations have been provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*
906. *Following physical verification by the Office of the Auditor General, it was observed as follows:*

Project	Project Details	Verification findings
Iremele Secondary School- FY 2013/14	Construction of 4 No. classrooms	Completed and in use

Committee Recommendation

907. *The Committee recommends that the Accounting Officer ensures that:-*

Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”

4.0 Cash and Cash Equivalents

908. The statement of assets and liabilities reflects cash and cash equivalents balance of KShs. 9,375,766.10 as at 30 June 2014. However, the bank reconciliation statement reflected un-presented cheques totalling KShs. 822,363.00 out of which KShs. 247,940.00 are stale cheques. Management has not explained why the stale payments have not been reversed hence understating the cash and cash equivalents balance. Further, the balance includes outstanding unsupported imprests of KShs. 848,591.00. As a result, the accuracy of the cash and cash equivalents balance of KShs. 9,375,766.10 could not be confirmed.

Response by the Fund Account Manager

909. The bulk of the stale cheques were for bursary beneficiaries, Attempts were made to trace the cheques once they were dispatched but in vain. Therefore, the CDFC reversed the stale cheques as evidenced by the CDFC discussion of the meeting held on 17th December 2014 vide minute number 05.12.14. A copy of the CDFC Minutes, cashbook extract and the bank reconciliation statement as at 28th February 2015 were availed to the auditor for review and verification. I have also annexed.

910. The outstanding imprest balance as of June 2014 was Kshs 848,591 and they were made up of several imprests taken to facilitate various activities as below.

No.	Activity	Warrant No.	Date Imprest Taken	Due Date	Amount Taken
1.	Payment of CDFC allowances	0655831	17.06.2014	01.07.2014	150,000
2.	Facilitation of M & E exercise	0655830	22.05.2014	05.06.2014	445,000
3.	Facilitation of M & E exercise	0655828	04.03.2014	18.03.2014	253,591
TOTAL					848,591

911. The outstanding imprest was declared in the financial statements as a receivable in the Statement of Assets and Liabilities it was also duly captured in the cashbook as of 30th June 2014. I have availed a copy of the cashbook extract to the auditor for verification and review.

912. In addition, the outstanding imprests have since been surrendered and copies of the surrender payment vouchers were availed to the auditor for review and verification.

Committee Observations

913. *The Committee observed that:-*

- i. The Committee observed that the financial statements were amended and verified by the auditor.*
- ii. The bulk of the stale cheques were for bursary beneficiaries. The CDFC reversed the stale cheques (A copy of the CDFC Minutes, cashbook extract and the bank*

reconciliation statement as at 28th February 2015 were availed to the auditor for review and verification).

- iii. The outstanding imprest was also surrendered, and copies of the surrender payment vouchers were availed to the auditor for review and verification.

Committee Recommendations

914. The Fund Account Managers should ensure that any officer allocated imprest surrenders within seven days failure to which recovery should ensue as provided for under Regulation 93(6) of the Public Finance Management Regulations of 2015 which provides that **"In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate."**

5.0 Stalled Projects

915. Examination of the Project Implementation Status Report revealed that projects involving the purchase of land for three schools and a polytechnic for the year 2012/2013 and before with disbursements totaling Kshs. 5,627,569.84 remain classified as ongoing hence stalled.
916. Management has not explained the non-completion of the projects and this situation puts to risk the funds already spent on the projects without commensurate services to the constituents.

Response by the Fund Account Manager

917. The four projects were identified as ongoing since the process of acquiring titles to the land bought was not yet over. Nevertheless, all the title deeds were processed and submitted apart from Bugute Primary School which had succession challenges. projects mentioned the respective institutes have already taken possession of their respective parcels of land. The projects with their respective current status have been shown below.

No.	Name of Project	Financial Year	Amount (KShs)	Status/Remarks
1.	Iguhu Primary School	2008/09	479,093.84	The school has acquired Title Deed No. IDAKHO/IGUHU/1931 A copy was availed to the auditor for review and verification.
2.	Bugute Primary School	2011/12	1,400,000.00	The land is subject to succession Cause No 118 of 2017 which is ongoing in the Chief Magistrate Court Kakamega. I have annexed a copy of the gazette notice and Succession Cause number (See Annex 12)
3.	Iguyio Primary School	2011/12	748,476.00	The school has acquired Title Deed No. IDAKHO/SABANE/1340 A copy was availed to the auditor for review and verification.

4.	Shieywe Polytechnic	2011/12	3,000,000.00	The polytechnic has acquired two Title Deeds No. IDAKHO/LUKOSE/1801& IDAKHO/LUKOSE/1846 Copies were availed to the auditor for review and verification.
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Committee Observations

918. *The Committee observed that :-*

- (i) *The Committee observed that four projects were identified as stalled since the process of acquiring titles deeds was still ongoing.*
- (ii) *Nevertheless, all the title deeds were processed, and the respective institutes have already taken possession of their respective parcels of land apart from Bugute Primary School which had succession challenges.*
- (iii) *The Bugute Primary School land was subject to succession case No 118 of 2017 which was ongoing in the Chief Magistrate Court Kakamega. A copy of the gazette notice and Succession case number was submitted.*

Committee Recommendation

919. *The Committee recommends that the Fund Account Managers should liaise with the NG-CDF Legal Department, Sub-County Land Registrar and the Sub-County Educational Office to fast-track succession process to ensure Bugute Primary School land receives land ownership documents*

FINANCIAL YEAR 2014/2015

1.0 Accuracy, Completeness, and Presentation of the Financial Statements

920. The International Public Sector Accounting Standards (IPSAS) Cash Basis financial statements presentation format prescribed by the National Treasury requires the management to include among the financial statements, a report on actions taken on previous year audit recommendations. In the year 2013/2014, Ikolomani CDF had an adverse opinion. However, no report on follow up on the audit issues raised in the previous year's audit revealed was included in the financial statements for the year under review. In the circumstances, the presentation of the financial statements does not conform to IPSAS (Cash Basis) as prescribed by the National Treasury and the Public Finance Management Act, 2012.

Response by the Fund Account Manager

921. During the preparations of the financial statements of the financial year 2014/15 the report of the auditor general had not been received. The report of the auditor general for the financial year 2013/14 was not yet released to the constituency at the time of preparation of the financial statements. I have availed a copy of the auditor's report indicating the date it was received to the auditor for review and verification. Copies Annexed.
922. However, the report on follow-up on the audit issues raised in the previous year's audit has been availed to the auditor for review and verification. I have availed a copy of the auditor's

letter giving feedback on the audit issues for the financial year 2013/14 for review and verification.

Committee Observation

923. *The Committee observed that the management revised financial statements in compliance with International Public Sector Accounting Standards (IPSAS) and submitted them to the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

924. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*

- (i) keeps financial and other records that are accurate, reliable, and complete;*
- (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- (iii) should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- (iv) should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

2.0 Unsupported Other Grants and Transfers

925. The statements of receipts and payments reflect other grants and transfers totaling to Kshs 43,340,018.00. However, included in the balance was a disbursement of Kshs 7,300,000.00 for the purchase of land for four projects whose title documents have not been obtained. Further, valuation reports for the land parcels were not provided for audit review. Consequently, it has not been possible to confirm who owns the land and its value as of 30 June 2015.

Response by the Fund Account Manager

926. At the time of the audit verification, the project management committees had not availed the land ownership documents since they were still processing them. The auditor had indicated that they were four projects, however, they were three with a total of KShs 7,300,000.00. All of the title deeds were processed and submitted apart from Lidambitsa Market which had succession challenges and has been handed over to the County Government of Kakamega. The details are as follows.

No.	Name of Project	Amount Disbursed	Status
1.	Imulama AP Camp	1,300,000.00	The camp has already acquired the title deed in the camp's name. Title Number: IDAKHO/SHISESO/1648.
2.	Iguhu Police Station	3,000,000.00	The police station has already acquired the title deed in the station's name. Title Number: IDAKHO/IGUHU/2591.
3.	Lidambitsa Market	3,000,000.00	The process of acquisition of title was transferred to the County Government of Kakamega occasioned by the repealing of the CDF Act 2013. A copy of the transfer letter, the sale agreement, and the succession proceeding, Cause No 259 of 2013 which is ongoing in the Kakamega High Court, was availed to the auditor for review and verification.

Committee Observations

927. The Committee observed that: -

- (i) The query arose because at the time of the audit verification, the project management committees had not availed the land ownership documents since they were still processing them.
- (ii) The Fund Account Manager clarified that there were 3 parcels of land and not four (4) as indicated by the Auditor.
- (iii) Nevertheless, two (2) title deeds for Imulama AP Camp and Iguhu Police Station were processed and the respective institutes have already taken possession of their respective parcels of land apart from Lidambitsa Market which had succession challenges.
- (iv) The process of acquisition of title deed for Lidambitsa Market was transferred to the County Government of Kakamega occasioned by the repealing of the CDF Act 2013. A copy of the transfer letter, the sale agreement, and the succession proceeding, case No 259 of 2013 which is ongoing in the Kakamega High Court, was availed to the auditor for review and verification.

Committee Recommendation

928. *The Committee recommends that the Fund Account Manager liaises with the NG-CDF Legal Department to sort out the outstanding land issues, i.e., transfer, succession and acquisition of the title deeds for Lidambitsa Market.*

3.0 Unsupported Construction Expenditure on Roads and Schools

929. Expenditure returns on the construction of roads and schools allocated Kshs 33,237,964.10 were not filed or presented for audit review. As a result, it has not been possible to confirm the propriety of the over-expenditure.

Response by the Fund Account Manager

930. At the time of the audit, the expenditure returns were not availed since they were still being held by the Project Management Committees. However, updated PMCs files have been availed to the auditor for review and verification. See Note 2.1 below.

Committee Observation

931. *The Committee observed that the updated PMCs files were later submitted and reviewed by the Office of the Auditor General.*

Committee Recommendations

932. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act*

4.0 Budgetary Control and Performance

933. The Fund's approved budget for the year under review was Kshs 162,220,231.00. However, the Fund received only KShs 125,895,497.00 thus resulting in an underfunding of Kshs 36,324,754.00. Further, the fund incurred expenditure totalled to KShs 104,757,363.00 against total funds available amounting to KShs 125,895,497.00 resulting in an under expenditure of KShs 21,138,134.00 as shown in Note 2.1. Consequently, the budget targets were not met and expected services were not fully delivered.

Receipt/Expense Item	Final Budget (KShs)	Actual on Comparable Basis (KShs)	Budget Utilization Difference (KShs)	% of Utilization
RECEIPTS				
Transfers from CDF Board	162,220,231.00	125,895,497.00	36,324,754.00	77.61%
Totals	162,220,231.00	125,895,497.00	36,324,754.00	77.61%
PAYMENTS				
Compensation of Employees	3,435,730.20	1,490,087.20	1,945,643.00	43%
Use of goods and services	3,871,275.05	3,450,415.55	420,860.50	89%

Committee Expenses	6,141,400.00	4,957,000.00	1,184,400.00	81%
Transfers to Other Government Units	60,367,075.60	50,866,955.60	9,500,120.00	84%
Other grants and transfers	58,936,832.10	43,340,018.60	15,596,814.50	74%
Social Security Benefits	54,800.00	38,000.00	16,800.00	69%
Acquisition of Assets	1,414,889.00	614,889.00	800,000.00	43%
Other Payments	500,000.00	-	500,000.00	0%
TOTALS	134,722,000.75	104,757,362.95	29,964,638.00	78%

Response by the Fund Account Manager

934. The low utilization of the budgeted funds was due to the delay in the disbursement of funds by the exchequer. Also, the NGCDFC could not implement projects as the funds for the projects were received close to the end of the financial year. However, the amount that had not been received by the end of the year was later released by the exchequer and utilized as planned. I availed copies of A.I.Es, indicating when funds were disbursed to the auditor for review and verification.

Committee Observation

935. *The Committee observed 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 Recommendation

936. *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.*

4.1 Projects Execution and Management

937. The Fund allocated a total of KShs 173,773,643.00 for its projects. However, 40 projects allocated KShs 63,784,196.00 including 17 projects in educational institutions allocated KShs 28,084,196.00 in the 2013/2014 financial years were not completed. Only 70 projects were completed while work on five (5) projects had not commenced as of 30 June 2015 as detailed in Note 2.2 In the circumstance, the Fund did not meet its targets for delivery of services to the residents of Ikolomani Constituency.

Sector/Status	Not Started		Ongoing		Complete	
	No	Allocation (KShs)	No	Allocation (KShs)	No	Amount (KShs)
Administration					1	700,000
Agriculture						
Education	5	5,000,000	38	57,784,196	49	67,350,563

Environment						
Health					4	6,982,759
Market			1	3,000,000		
Road					13	28,156,125
Security					3	1,800,000
Sports			1	3,000,000		
Total	5	5,000,000.00	40	63,784,196	70	104,989,447

Response by the Fund Account Manager

938. The project listed as “not started” were because funds had not been received from the exchequer by the closure of the financial year under review, while the ones listed under ongoing were due to several factors; Sports is a continuance exercise hence at the time of the audit the constituency football tournament had not been concluded. In the case of the market project, it was because the Title deed had not been acquired despite having paid for it. Lastly the rest of the projects listed under “ongoing” were because projects are done in phases hence, they were awaiting additional funding in the subsequent financial years for their completion.
939. The updated project implementation status showing the latest project status was availed to the auditor for verification. Copies annexed.

Committee Observations

940. *The Committee observed that the explanation provided by the Fund Account Manager was satisfactory and the project details were provided to the Auditor and verified. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2015/2016

1.0 Accuracy, Completeness, and Presentation of the Financial Statements

941. The International Public Sector Accounting Standards (IPSAS) – Cash Basis, Financial Statements presentation format prescribed by the Kenya Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditor’s recommendations. In the year 2014/2015, Ikolomani CDF received an adverse audit opinion. However, the report on the follow-up of the issues raised in the audit report has not been included in the Financial Statements for the year under review as required. Therefore, the presentation of the Financial Statements does not conform to IPSAS (Cash Basis) as prescribed by the Kenya Public Sector Accounting Standards Board and per the Public Finance Management Act, 2012. In the circumstances, the Completeness and Presentation of the Financial Statement as of 30 June 2016 cannot be confirmed.

Response by the Fund Account Manager

942. The report of the auditor general for the financial year 2014/15 was not yet released to the constituency by the time of submission of 2015/16 financial statements to the auditor general.
943. However, it has since been prepared and submitted to the auditors for verification.

Committee Observation

944. *The Committee observed that the statements were provided and verified by the Office of the Auditor General.*

Committee Recommendations

945. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*

- (i) keeps financial and other records that are accurate, reliable, and complete*
- (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

2.0 Implementation of Project Works

946. The fund management procured works totaling Kshs.13,081,000.00 during the year under review. However, the implementations of the projects had various challenges as highlighted in the remarks column below;

No.	PROJECT BENEFICIARY	AMOUNT	REMARKS
1	Shihalia Primary School	5,500,000.00	The project for the construction of 8 storey model classes was awarded to a local construction company at an initial contract sum of Kshs.8,200,000.00. The contractor was thereafter discontinued after failing to meet his contractual obligations and replaced by another local company. This was after being paid Kshs.5,331,767 in two certificates for the works done. The new contractor was engaged to complete the works at a cost of Kshs.4,000,000.00 which brought the project anticipated cost to Kshs.9,331,766.80 which is Kshs.1,131,767 higher than the original cost of Kshs.8.2m. During an audit inspection in Feb 2017, it was noted that the new contractor had residual staff on site after being paid Kshs.2,197,868.00 with reasonable works outstanding on the project. No details were provided for these certified works.
2	Lirhembe Girls High School	3,204,000.00	The school has a Library Project which started in 2007 but the project stalled and look abandoned. Wastage was noted given the school had used the funds advanced to construct a temporary roof while other materials like blocks are wearing off at the site. Poor workmanship was observed in the partially complete ground floor where the floor has cracked and windows affected by weight. It was further noted that the school chose another project before completing the older one where Ikolomani CDF also contributed Kshs.1,600,000.00 towards the procurement of a school bus. No details on how the bus was purchased were availed.
3	Imbale Secondary School	2,377,000.00	The project was for the construction of a storey dormitory awarded to a local company in October 2014 at a contract sum of Kshs.10,865,770. The contractor has so far been paid Kshs.8,308,059.00 and has a balance of Kshs1,502,839. The site was abandoned in July 2016 and the contractor was not on-site during the time of audit verification in February 2017. The remaining works which include roofing, plumbing, electrical, ceiling, flooring, painting, and associated accessories may not be completed with the balance in the event the contractor does not resume construction. The school had no funds in the account and the project, therefore, lies in suspense.

4	Friends Secondary School Lusui		The construction of the Kshs.7.6m twin laboratory has been ongoing since 2014 with the contractor having already been paid Kshs.4.0m. The project appears to have procurement challenges given there were other contractors who had the capacity and had quoted as low as Kshs.6.7m or about 900,000 lower. Currently, the contractor is not on-site and the project is stalled. The roofing structure was varied from timber with ceiling to steel without a ceiling. These variations had not been documented and there the costs of the omissions and additions could not be verified
	Total	13,081,000	

947. Response by the Fund Account Manager

No.	Response
1.	<p>Shihalia Primary School</p> <p>The first contractor was terminated due to non-performance, copies of correspondences concerning the dispute between the first contractor and the PMC referring the matter to the NG CDF Board were availed to the auditor for review and verification.</p> <p>The second contractor complete the works and the project is complete and in use. A copy of interim certificates, certificate of completion, copy of BQ, and sample photos were availed to the auditor for review and verification.</p>
2.	<p>Lirhembe Girls High School</p> <p>The school had started the library project 2013/2014 which was partially financed. However, in the subsequent year priority changed to a school bus which was funded by CDF. I have availed a copy of the school administration proposal requesting for a school bus to the auditor for review and verification. I have also annexed copies.</p> <p>In addition, the details of how the bus was purchased have been availed to the auditor. This includes copies of Board of Governors minutes, tender minutes, copies of quotations, and a copy of the delivery note and a copy of the logbook.</p>
3.	<p>Imbale Secondary School</p> <p>The first contractor was terminated due to non-performance, copies of correspondences concerning the dispute between the first contractor and the PMC were availed to the auditor for review and verification. Management re-tendered the works and the second contractor managed to complete the works and the project is complete and in use. Copy of the BQ, Payment certificate, and Sample photos were availed to the auditor for review and verification.</p> <p>Regarding the matter of costs, it's important to note that the contractor was paid as per the certified works done and that his contract stipulated that the contract be executed in phases, hence, by the time of terminating his contract he had completed the phase one works as per the contract. A copy of the contract has been for review and verification.</p>

4. Friends Secondary School-Lusui	<p>Copies of the tender documentation detailing how the PMC settled on the contractor has been availed to the auditor for review and verification.</p> <p>Further, the Variation order approving the variations have been availed to the auditor for review and verification. Copies Annexed.</p> <p>The works are complete and in use. A copy of the Completion Certificate and sample photo have been availed to the auditor for review and verification.</p>
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Committee Observations

948. *The Committee observed that:-*

- (i) The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*
- (ii) Further, following physical verification by the Office of the Auditor General, it was observed that:-*

Project	Project Details	Verification findings
1. Shihalia Primary School-2015/16	Construction of 8 No. storey classrooms.	Building completed and in use.
2. Lirhembe Girls High School	Purchase of School bus.	Bus seen(KCH 622Q).
3. Imbale Secondary Secondary School - FY2015/16	Construction of storey dormitory.	Building completed and in use.
4. Friends Secondary School-Lusui	Construction of twin laboratory.	Building completed and in use.

Committee Recommendations

949. *The Committee recommends that the Accounting Officer ensures that:-*

Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”

3.0 Construction of Roads

950. The Fund management allocated funds for road construction totaling Kshs. 7,000,000.00 as shown below whose construction works, however, had some irregularities as indicated below.

No.	PROJECT	AMOUNT	REMARKS
1	Mutaho-Matietie Road	4,000,000	The road according to Bills of quantity was estimated to be 4km. Physical verification indicated the road was about 4km and had been graded to 7m and gravelled to 4m wide and a depth of about 0.08m. The bills indicate graveling cost at Kshs.2,540,450.00 which is Kshs.1,348,450.00 higher than the recalculated actual work of Kshs1,192,000.00. No certificate for measured work was provided to justify the overpayment.
2	Shikunga-River Yala Road	3,000,000	The project cost was Kshs.2,551,774 having awarded to a local company as the contractor. Physical verification revealed that the road was about 3.5km long and grading was done at 5m instead of 7m while graveling was only 4m instead of 25m with a depth of 0.05m instead of 0.1m as indicated in the bills of quantities.
	Total	7,000,000	

Consequently, the road works valued at KShs 7,000,000.00 could not be ascertained as correctly implemented and that the residents of the constituency may not have obtained value for money on these projects.

Response by the Fund Account Manager

No.	Project and Response
1	Mutaho-Matietie Road All Payments made to the contractor were based on certificates and measurement sheets developed by the technical supervisors from the regional office of the Kenya Rural Roads Authority (KeRRA) based in Kakamega. The Copies of the measurement sheets and payment certificates were availed to the auditor for review and verification. Copies annexed.
2	Shikunga- River Yala Road All Payments made to the contractor were based on certificates and measurement sheets developed by the technical supervisors from the regional office of the Kenya Rural Roads Authority (KeRRA) based in Kakamega. The Copies of the measurement sheets and payment certificates were availed to the auditor for review and verification.

Committee Observation

951. *The Committee observed that: –*

The query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.

Committee Recommendation

The Committee recommends that the Accounting Officer ensures that:-

952. *Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

4.0 Budget Performance

953. The Fund had budgeted receipts of Kshs.171,697,426 including Kshs.57,462,888 brought forward from 2014/2015. However, the actual expenditure was Kshs.159,721,251 resulting in an under expenditure of Kshs.11,976,175 as analyzed in Note 3.1

Consequently, the Fund did not operate within the approved budget, and this might impact negatively to service delivery to the constituents.

Response by the Fund Account Manager

954. The low utilization of the budgeted funds was due to the delay in the disbursement of funds by the exchequer. Also, the NGCDFC 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 released by the NGCDF Board utilized and the projects are in various stages of completion. Copies of A.I. Es, indicating when funds were disbursed were availed to the auditor for review and verification.

Committee Observation

955. *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 later release and projects were in various stages of completion.*

Committee Recommendation

956. *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.*

4.0 Project Analysis

957. The Fund management had approved a plan to implement a total of one hundred and eighty-seven (187) projects between the financial year 2013/2014 to 2015/2016, valued at KShs.294,945,460. However, 12 projects valued at KShs. 11,800,000 had not started, seventy-nine (79) projects valued at KShs.123,563,433 were still ongoing, seven (7) projects valued at KShs.17,100,000 stalled and only ninety-four (94) projects valued at KShs.142,482,026 had been completed.

Consequently, the Fund did not operate within the approved budget, and this might impact negatively to service delivery to the constituents.

Response by the Fund Account Manager

958. The project listed as “not started” were because funds had not been received from the exchequer by the closure of the financial year under review, while the ones listed under ongoing were due to several factors; Sports is a continuance exercise hence at the time of the audit the constituency football tournament had not been concluded. In the case of the market, the project was because the Title deed had not been acquired despite having paid for it. Lastly the rest of the projects listed under “ongoing” were because projects are done in phases hence, they were awaiting additional funding in the subsequent financial years for their completion. I have availed the updated project implementation status showing the latest project status indicating most of the projects were completed in the subsequent financial years, to the auditor for review and verification.

Committee Observation

959. *The Committee observed that: –*

The query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations have been provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.

Committee Recommendation

960. *The Committee recommends that the Accounting Officer ensures that:-*

Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act.”

CHAPTER FOUR

4.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

961. During examination of these reports, the Committee made the following general observations and recommendations which cut across the twelve (12) Constituencies in Kakamega County:

Bursary Fund - non-presentation of issued bursary cheques and delay in presentation of acknowledgment documents by beneficiary institutions

962. The Committee observed some incidences of non-presentation of issued bursary cheques to institutions and delays in presentation of acknowledgment documents upon receipt of the bursaries.

Committee Recommendation

963. *The Committee recommends that the NG-CDF Board should develop an overarching bursary policy framework with a mechanism for manual and electronic funds transfer in the disbursement of bursaries cheques, and beneficiary institutions to issue acknowledgement document upon receipt of the cheques. In addition, the auditors should verify bank statements where receipts are not available.*

Reallocation and use of emergency funds

964. The Committee observed that some of the projects funded using emergency funds did not meet the threshold set out in sections 6(2) and Section 8 of the NG-CDF Act, 2015.

Committee Recommendation

965. *The Committee recommends that the National Government Constituencies Development Fund Board ensures that the Fund Account Managers complies with provisions of sections 6(2) and section 8 of the National Government Constituencies Development Fund Act, 2015 which provides that "(2) Once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board" and Section 8 "(1) A portion of the Fund, equivalent to five per centum (hereinafter referred to as the "Emergency Reserve") shall remain unallocated and shall be available for emergencies that may occur within the Constituency; (2) The Constituency Committee shall determine the allocation of the emergency reserve in accordance with the Act ;and (3) "Emergency" shall be construed to mean an urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents" respectively on the reallocation of funds and the use of emergency funds*

Pending ongoing projects

966. The Committee observed that the key cause of pending ongoing projects being dominant as they wait for further funding for completion was due to inadequate allocation of funds for projects with the hope of completing the projects in subsequent financial years.

Committee Recommendation

967. *The NG-CDF should with immediate effect discourage partial allocation of funds to projects and ensure that projects are completed within two financial years. Further, the NG-CDF Committee should ensure proper costing of projects is done through consultation with the relevant Government department to ensure realism of the cost estimates.*
968. *The NG-CDF Board should come up with a realistic policy framework of costing projects for each constituency by the end of the 1st quarter of Financial Year 2023/24, that is informed by cost of materials, cost of transportation, taxes, topography of each constituency and reports from the relevant Government department.*

Link between the Office of the Auditor General and the Fund Account Managers

969. The Committee observed that there was poor coordination between the Office of the Auditor General and Fund Account Managers particularly regarding the timely response to audit queries. The Committee further observed that there is need for the NG-CDF Board to inform Fund Account Managers across the country to respond to audit queries promptly.
970. The Committee observed further that 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 cash books, bank statements, payment vouchers, project completion certificates, procurement records and Bills of Quantities.
971. *The Committee recommends that:-*
- (i) the Board to ensure that Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act*
 - (ii) the NG-CDF Board issues administrative circular directing Fund Account Managers to comply with provisions of the Constitution of Kenya, 2010, the Public Audit Act, No. 34 of 2015, the Public Finance Management Act, No. 18 of 2012 and Public Procurement and Asset Disposal Act, No. 33 of 2015.*
 - (iii) the NGCDF Board to ensure that Fund Account Managers maintains the original Project Management Committee files at the NG-CDF Constituency Office, while*

the duplicate be maintained by the Project Management Committees to ensure that documents are available at the time of audit.

- (iv) *The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

Accuracy Of Financial Statements

972. The Committee observed that Fund Account Managers experienced challenges in adapting to International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. The Standards were introduced in 2013/14 financial year in the public sector and failure to comply with the standards in subsequent years occasioned qualification of financial statements.

973. The Committee also established that the Public Sector Accounting Standards Board (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 experience challenges in application of these standards while preparing financial statements as evidenced in the audit queries.

974. *The Committee recommends that:-*

- (i) *The Fund Account Managers complies to the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and*
(ii) *The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff.*

SIGNED.....  DATE 27/6/2023

HON. GIDEON MUTEMI MULYUNGI, M.P.

(CHAIRPERSON)

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

ADOPTION SCHEDULE

We, the undersigned Members of the Decentralized Funds Accounts Committee, today.....27/6/2023.....do hereby affix our signatures to this **FIRST REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE AUDITED FINANCIAL STATEMENTS FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR 12 CONSTITUENCIES IN KAKAMEGA COUNTY FOR FINANCIAL YEARS 2013/14, 2014/15 AND 2015/16** to affirm our approval and confirm accuracy, validity and authenticity: -

NAME	SIGNATURE
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. 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. Stephen Mogaka, M.P	
14.Hon. Martin Wanyonyi Pepela , M.P	
15.Hon. Reuben Kipngor, Kiborek, M.P	

MINUTES OF THE 37TH SITTING OF THE DECENTRALIZED FUND ACCOUNT COMMITTEE HELD ON TUESDAY, 27TH JUNE 2023, IN THE MEDIA CENTER, PARLIAMENT BUILDINGS AT 12.00 PM

PRESENT

- | | |
|--|--------------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. David Mboni Mwalika, M.P | |
| 3. Hon. Mejjadonk Benjamin Gathiru, M.P. | |
| 4. Hon. Adhe Guyo Wario, M.P | |
| 5. Hon. Caroline Jeptoo Ng'elechei, M.P | |
| 6. Hon. Dorothy Muthoni, Ikiara, M.P | |
| 7. Hon. Jackson Lentoijoni, Lekumontare, M.P | |
| 8. Hon. Abdi Barre Hussein, M.P | |

APOLOGIES

- | | |
|---|---------------------------|
| 1. Hon. Gertrude Mwanyanje Mbeyu, M.P | Vice – Chairperson |
| 2. Hon. Innocent Momanyi Obiri, M.P | |
| 3. Hon. Joyce Osogo, Bensuda, Atieno, M.P | |
| 4. Hon. Stephen Mogaka, M.P | |
| 5. Hon. Reuben Kipngor, Kiborek, M.P | |
| 6. Hon. Joseph Kahangara Mburu, M.P | |
| 7. Hon. Martin Wanyonyi Pepela M.P | |

IN-ATTENDANCE

SECRETARIAT

- | | |
|-------------------------|-----------------------------|
| 1. Mr. Emmanuel Muyodi | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Ms. Elizabeth Kibati | Research Officer III |
| 5. Mr. Clinton Sindiga | Legal Counsel II |
| 6. Mr. Calvin Njoroge | Media Relations Officer III |
| 7. Ms. Esther Mbatha | Protocol Officer III |
| 8. Mr. Wilson Mwangi | Fiscal Analyst III |
| 9. Mr. Benson Muthiri | Audio Officer III |
| 10. Ms. Zainabu Wario | Seargent-At-Arms |

MIN.NO. NA/DAAOSC/ DFAC/2023/157 PRELIMINARIES

The meeting was called to order at 12:25 pm. The agenda was confirmed as listed hereunder after being proposed by Hon. Dorothy Muthoni, Ikiara, M.P and seconded by Hon. Jackson Lentoijoni, Lekumontare, M.P.

AGENDA

1. Prayers
2. Preliminaries

3. Substantive Agenda:

1st 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 Funds for 12 Constituencies in Kakamega County for the Financial Years 2013/14, 2014/15 and 2015/16

4. Any Other Business

5. Adjournment.

MIN.NO.NA/DAAOSC/DFAC/2023/158

ADOPTION OF THE REPORT

The Committee adopted the 1st 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 Funds for twelve (12) Constituencies in Kakamega County for the Financial Years 2013/14, 2014/15 and 2015/16 after being proposed by the Hon. Dorothy Muthoni, Ikiara, MP and seconded by the Hon Jackson Lentoijoni, Lekumontare, MP.

MIN.NO.NA/DAAOSC/DFAC/2023/159 ADJOURNMENT/DATE OF NEXT SITTING

There being no other business to deliberate on, the meeting was adjourned at 1:45pm.

SIGNED..... DATE

HON. GIDEON MUTEMI MULYUNGI, M.P.

(CHAIRPERSON)

MINUTES OF THE 35TH SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON WEDNESDAY 10TH MAY 2023, IN BEST WESTERN HOTEL, KISUMU COUNTY AT 11.00 AM

PRESENT

- | | |
|---|------------------|
| 1. Hon. Gertrude Mwanyanje Mbeyu, M.P | Vice-chairperson |
| 2. Hon. Mejjadonk Benjamin Gathiru, M.P. | |
| 3. Hon. Innocent Momanyi Obiri, M.P | |
| 4. Hon. Joseph Kahangara Mburu, M.P | |
| 5. Hon. Dorothy Muthoni, Ikiara, M.P | |
| 6. Hon. Caroline Jeptoo Ng'elechei, M.P | |
| 7. Hon. Stephen Mogaka, M.P | |
| 8. Hon. Joyce Osogo, Bensuda, Atieno, M.P | |
| 9. Hon. Martin Wanyonyi Pepela, M.P | |

APOLOGIES

- | | |
|--|-------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. David Mboni Mwalika, M.P. | |
| 3. Hon. Reuben Kipngor, Kiborek, M.P | |
| 4. Hon. Abdi Barre Hussein, M.P | |
| 5. Hon. Adhe Guyo Wario, M.P | |
| 6. Hon. Jackson Lentoijoni, Lekumontare, M.P | |

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|----------------------------|
| 1. Ms. Sylvia Ocharo | Clerk Assistant III |
| 2. Mr. John Mutinda | Clerk Assistant III |
| 3. Mr. Clinton Sindiga | Legal Counsel II |
| 4. Ms. Elizabeth Kibati | Research Officer III |
| 5. Mr. Calvin Njoroge | Media Relations Office III |
| 6. Mr. Muchiri Mwangi | Audio Officer III |
| 7. Ms. Zainabu Wario | Serjeant At Arms |

NATIONAL TREASURY

Mr. Simon K Kiriba	Deputy Accountant General
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OFFICE OF THE AUDITOR GENERAL

Mr. Maurice O. Oyoo	Principal Auditor
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NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND

- | | |
|------------------------|---|
| 1. Ms. Beatrice Otieno | Manager Field Financial Coordinator - NGCDF Board |
| 2. Mr. Kamau Marvin | Western Region Desk Officer NGCDF Board |
| 3. Mr. Job Mathias | Chairman Lurambi NGCDF |

4. Mr. Humphrey Sechero	Fund Account manager Lurambi
5. Mr. Thomas Ontweke	Former Fund Account Manager
6. Mr. Robert Serem	Former Fund Account Manager
7. Mr. Julius Oketch	Fund Account Manager Butere Constituency
8. Ms. Christine Otiende	Lurambi NGCDF
9. Mr. John Aswani	Lurambi NGCDF
10. Mr. Manoa Ingosi	Lurambi NGCDF
11. Mr. Idris Iuvale	Lurambi NGCDF
12. Mr. Getray Awinja	Lurambi NGCDF
13. Mr. Albert Nangabo	Lurambi NGCDF
14. Ms. Nancy Ondisa	Lurambi NGCDF
15. Ms. Mathia Shichele	Lurambi NGCDF

MIN. NA/AA&SC-DFAC/2023/146

PRELIMINARIES

The Chairperson called the meeting to order at 11.15am.

MIN.NO.NA/DAAOSC/DFAC/2023/147

**REPORT OF LURAMBI NGCDF IN
OFFICE IN OTIENDE ESTATE
KAKAMEGA TOWN**

Mr. Humphrey Sechero the Fund Manager Lurambi Constituency submitted as follows:

The project was designed to be a six storey building with an estimated cost of Kshs. 155,953,860 (One Hundred Fifty Five Million Nine Hundred Fifty Three Thousand Eight Hundred Sixty).

The drawings and bill of quantities were prepared by the private consultant, Space Syntax Consultant and approved by the Ministry of Public works.

The first phase (Ground, first, and second floors) was to be completed at Kshs. 82,311,480 inclusive of labour as at 2012. The project had consumed Kshs. 52,464,576 by 2014 up to second floor with the following completed activities:

1. Main office Block works-Preliminaries, Down takings
2. Concrete superstructures-Metal work and Formwork
3. Partial walling
4. Wall and frame finishes
5. Water feature
6. First floor works
7. Second floor works-concrete superstructure

The project had been funded to a tune of Kshs. 66,500,000 by NG-CDF Board from 2008 to 2013 as stated below:

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Kshs.	10,000,000	15,000,000	17,000,000	19,500,000	5,000,000	66,500,000

Lurambi NG-CDF Committee requested the NG-CDF Board for authority to hand over the building to County Government of Kakamega for completion and use due to lack of enough funds. In return the county government was to implement various projects amounting to Kshs. 54,200,000 in Lurambi constituency. However, the Board advised that the County Government should disburse the amount to Lurambi NG-CDFC bank account before the project is handed over. The County Government never communicated back to Lurambi NG-CDF on the condition set by the Board. As a result, on 16th January 2020 the NG-CDF Board visited Lurambi NG-CDF and initiated the completion of the Storey office Block. The activities to completion were procured afresh at Kshs.28,973,726. These activities included; roofing and completion of ground floor for occupation. Further funding to the project was as follows;

FY	2016/17	2018/19	2019/20	2020/21	Total
Kshs.	7,132,260	7,000,000	8,000,000	7,000,000	29,132,260

MIN.NO.NA/DAAOSC/DFAC/2023/148 NG-CDF OFFICE BUILDING AT ESHISIRU CENTRE

The NG-CDF office at Eshisiru Centre was constructed at the cost of Kshs.14,035,424. This amount was as a result of the difference between the Board's initial allocation of Kshs. 66,500,000 and the actual amount used Kshs. 52,464,576 by that time for construction of the office at Otiende estate.

The NG-CDFC opted to reallocate the funds since the County Government of Kakamega was to take up the project and complete it as per the proposal of the NG-CDF board. The NG-CDFC also required an office since it wouldn't have been part of the building in case the County Government was to take up the project.

The project is complete and in use. Currently it hosts the Assistant County Commander's Office (ACC), the Officer Commanding Station's office (OCS) for Eshisiru police post and a room for NGCDF serving the constituents of Butsotso South and Butsotso Central Wards.

**MIN.NO.NA/DAAOSC/DFAC/2023/149: EMUCHIMI HEALTH CENTRE HANDING
OVER REPORT**

Ms. Christine Muyaka the Fund Manager informed the Committee that she handed over the Health Centre the County Government in Kakamega and as recommended by the Committee. She tabled the handover report of Emuchimi Health centre in Mumias West Constituency to the County Government of Kakamega. The Committee marked the issue sufficiently addressed and resolved.

Committee Observations

- i. the building was done to the required standards and was habitable.*
- ii. the Fund Accounts Manager handed over the facility to the Kakamega County and submitted the handover report to the Committee.*
- iii. the query was adequately addressed and resolved.*

**MIN.NO.NA/DAAOSC/DFAC/2023/150: CONSIDERATION OF THE DRAFT FIRST
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 TWELVE (12) CONSTITUENCIES IN
KAKAMEGA COUNTY FOR THE
FINANCIAL YEARS 2013/2014, 2014/2015
AND 2015/2016**

The Secretariat took Members through the draft report of the following constituencies, namely, Lugari, Butere, Likuyani, Malava, Khiwesero, Lurambi, Navakholo, Shinyalu, Mumias West, Matungu, Mumias East and Ikolomani constituencies.

The Committee proposed several amendments to the proposed observations and recommendations. The Secretariat was tasked to incorporate the changes before the Committee adopts the report in the next sitting.

MIN.NO.NA/DAAOSC/DFAC/2023/151: ADJOURNMENT/DATE OF NEXT SITTING

The meeting was adjourned at 13.25pm.

SIGNED.......... DATE 27/6/2023.....

HON. GIDEON MUTEMI MULYUNGI, M.P.

(CHAIRPERSON)

MINUTES OF THE 34TH SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON TUESDAY 9TH MAY 2023, IN MUMIAS WEST CONSTITUENCY, KAKAMEGA COUNTY AT 2.30 PM

PRESENT

- | | |
|---|------------------|
| 1. Hon. Gertrude Mwanyanje Mbeyu, M.P | Vice-chairperson |
| 2. Hon. Mejjadonk Benjamin Gathiru, M.P. | |
| 3. Hon. Innocent Momanyi Obiri, M.P | |
| 4. Hon. Joseph Kahangara Mburu, M.P | |
| 5. Hon. Dorothy Muthoni, Ikiara, M.P | |
| 6. Hon. Caroline Jeptoo Ng'elechei, M.P | |
| 7. Hon. Stephen Mogaka, M.P | |
| 8. Hon. Joyce Osogo, Bensuda, Atieno, M.P | |
| 9. Hon. Martin Wanyonyi Pepela, M.P | |

APOLOGIES

- | | |
|--|-------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. David Mboni Mwalika, M.P. | |
| 3. Hon. Reuben Kipngor, Kiborek, M.P | |
| 4. Hon. Abdi Barre Hussein, M.P | |
| 5. Hon. Adhe Guyo Wario, M.P | |
| 6. Hon. Jackson Lentoijoni, Lekumontare, M.P | |

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|-----------------------------|
| 1. Ms. Sylvia Ocharo | Clerk Assistant III |
| 2. Mr. John Mutinda | Clerk Assistant III |
| 3. Mr. Clinton Sindiga | Legal Counsel II |
| 4. Ms. Elizabeth Kibati | Research Officer III |
| 5. Mr. Calvin Njoroge | Media Relations Officer III |
| 6. Mr. Muchiri Mwangi | Audio Officer III |
| 7. Ms. Zainabu Wario | Serjeant At Arms |

NATIONAL TREASURY

- | | |
|--------------------|---------------------------|
| Mr. Simon K Kiriba | Deputy Accountant General |
|--------------------|---------------------------|

OFFICE OF THE AUDITOR GENERAL

- | | |
|---------------------|-------------------|
| Mr. Maurice O. Oyoo | Principal Auditor |
|---------------------|-------------------|

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND

- | | |
|--------------------------|---|
| 1. Ms. Beatrice Otieno | Manager Field Financial Coordinator - NGCDF Board |
| 2. Mr. Kamau Marvin | Western Region Desk Officer NGCDF Board |
| 3. Ms. Christine Munyaka | Fund Account Manager Mumias West |

MIN. NA/AA&SC-DFAC/2023/143

PRELIMINARIES

The Chairperson called the meeting to order at 2.35 pm.

MIN.NO.NA/DAAOSC/DFAC/2023/144

INSPECTION VISIT OF EMUCHIMI HEALTH CENTER IN MUMIAS WEST CONSTITUENCY

Project Allocation:

The Project had been funded a total of Kshs. **2,700,000** from financial year 2003/2004 to 2013/2014 as tabulated below;

S/NO	FINANCIAL YEAR	AMOUNT DISBURSED
1.	2003/2004	400,000.00
2.	2004/2005	300,000.00
3.	2005/2006	500,000.00
4.	2006/2007	800,000.00
5.	2007/2008	300,000.00
6.	2009/2010	350,000.00
7.	2013/2014	50,000.00
TOTAL FUNDING		2,700,000

The project estimated cost was Kshs 2,336,715 inclusive of labour contract sum of Kes. 397,000.00 from foundation to completion.

The health centre was designed to host 12 rooms namely, Doctors' room, Office, Reception, Examination room, Emergency room, Laboratory, Pharmacy store, Medical main store, Injection/dressing room, ward, waiting room and meeting hall.

The project was initiated in the year 2004 and was completed in 2012. It was handed over to the county government in 2013 but remained unutilized due to inadequate staffing.

The public health officer visited the facility in 2013/14 and recommended renovations to the facility before it is put to use. Based on these recommendations the CDF office funded Kshs.50,000 towards the same.

AUDIT QUERRY

A dispensary constructed at a cost of Kshs. 2,700,000.00 remained unutilized and declared as inhabitable by Public Health Office. The fund did not receive value for money spent on the project and the residents have not obtained the expected service delivery. In the circumstances,

the propriety of the expenditure of Kshs. 2,700,000 could not be confirmed as at 30th June, 2014.

SUBMISSION BY THE FUND ACCOUNT MANAGER

Emuchimi Health Centre project was initiated in the financial year 2003/2004 and was completed in 2012 but remained unutilized due to inadequate staffing. After promulgation of the new constitution health was devolved and the project was subsequently handed over to the county government through the Sub County Medical Officer of Health (SMOH).

The SCMOH took over the project and agreed to refurbish it before it's put to use. The handing over report and occupational certificate from Public Health Officer were availed for audit review.

Committee Observation

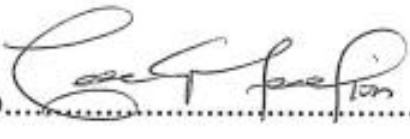
The Committee observed that the building was done to the required standards and was habitable.

Committee Resolution

Ms. Christine Muyaka the Fund Account Manager was tasked to hand over the Health Center to the County Government.

MIN.NO.NA/DAAOSC/DFAC/2023/145: ADJOURNMENT/DATE OF NEXT SITTING

The meeting was adjourned at 5.04pm.

SIGNED.......... DATE27/6/2023.....

HON. GIDEON MUTEMI MULYUNGI, M.P.

(CHAIRPERSON)

MINUTES OF THE 33RD SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON TUESDAY 9TH MAY 2023, IN LURAMBI CONSTITUENCY, KAKAMEGA COUNTY AT 10.00 AM

PRESENT

- | | |
|---|---|
| 1. Hon. Gertrude Mwanyanje Mbeyu, M.P | Vice-chairperson |
| 2. Hon. Mejjadonk Benjamin Gathiru, M.P. | |
| 3. Hon. Innocent Momanyi Obiri, M.P | |
| 4. Hon. Joseph Kahangara Mburu, M.P | |
| 5. Hon. Dorothy Muthoni, Ikiara, M.P | |
| 6. Hon. Caroline Jeptoo Ng'elechei, M.P | |
| 7. Hon. Stephen Mogaka, M.P | |
| 8. Hon. Joyce Osogo, Bensuda, Atieno, M.P | |
| 9. Hon. Martin Wanyonyi Pepela, M.P | |
| 10. Hon. Bishop Khalama M.P | Member of Parliament for Lurambi Constituency |

APOLOGIES

- | | |
|--|-------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. David Mboni Mwalika, M.P. | |
| 3. Hon. Reuben Kipngor, Kiborek, M.P | |
| 4. Hon. Abdi Barre Hussein, M.P | |
| 5. Hon. Adhe Guyo Wario, M.P | |
| 6. Hon. Jackson Lentoijoni, Lekumontare, M.P | |

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|-----------------------------|
| 1. Ms. Sylvia Ocharo | Clerk Assistant III |
| 2. Mr. John Mutinda | Clerk Assistant III |
| 3. Mr. Clinton Sindiga | Legal Counsel II |
| 4. Ms. Elizabeth Kibati | Research Officer III |
| 5. Mr. Calvin Njoroge | Media Relations Officer III |
| 6. Mr. Muchiri Mwangi | Audio Officer III |
| 7. Ms. Zainabu Wario | Serjeant At Arms |

NATIONAL TREASURY

Mr. Simon K Kiriba Deputy Accountant General

OFFICE OF THE AUDITOR GENERAL

Mr. Maurice O. Oyoo Principal Auditor

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND

- | | |
|------------------------|---|
| 1. Ms. Beatrice Otieno | Manager Field Financial Coordinator - NGCDF Board |
| 2. Mr. Kamau Marvin | Western Region Desk Officer NGCDF Board |
| 3. Mr. Job Mathias | Chairman Lurambi NGCDF |
| 4. Mr. Humprey Sechero | Fund Account manager Lurambi |

5. Mr. Thomas Ontweke	Former Fund Account Manager
6. Mr. Robert Serem	Former Fund Account Manager
7. Mr. Julius Oketch	Fund Account Manager Butere Constituency
8. Ms. Christine Otiende	Lurambi NGCDF
9. Mr. John Aswani	Lurambi NGCDF
10. Mr. Manoa Ingosi	Lurambi NGCDF
11. Mr. Idris Iuvale	Lurambi NGCDF
12. Mr. Getray Awinja	Lurambi NGCDF
13. Mr. Albert Nangabo	Lurambi NGCDF
14. Ms. Nancy Ondisa	Lurambi NGCDF
15. Ms. Mathia Shichele	Lurambi NGCDF

MIN. NA/AA&SC-DFAC/2023/139

PRELIMINARIES

The Chairperson called the meeting to order at 10.10am.

MIN.NO.NA/DAAOSC/DFAC/2023/140 INSPECTION VISIT TO KAKAMEGA COUNTY, LURAMBI CONSTITUENCY NG CDF OFFICE OTIENDE ESTATE (KAKAMEGA TOWN)

Mr. Humphrey Sechero the Fund Manager Lurambi Constituency submitted as following:

The project was designed to be a six-storey building with an estimated cost of Kshs. 155,953,860 (One Hundred Fifty Five Million Nine Hundred Fifty Three Thousand Eight Hundred Sixty).

The main objective of the project by then was to provide office space for the following departments:

1. Fund Account Manager's Office
2. Member of Parliament's Constituency Office
3. District Officer's Office – Municipality Division
4. Livestock Office
5. Divisional Veterinary Office
6. Divisional Adult Education Office
7. Assistant Education Officer's Office
8. Assistant Chief Township Sub-location Office
9. Kakamega Municipality Council – fire Brigade Office
10. Divisional Forest Office
11. Kenya Red Cross Society – Kakamega Branch Office
12. Divisional Inspector of Schools
13. Constituency Aids Control Council (CACC)

The drawings and bill of quantities were prepared by Space Syntax Consultant whose work was approved by the Ministry of Public works.

The first phase (Ground, first, and second floors) was to be completed at Kshs. 82,311,480 inclusive of labour as at 2012. The project had consumed Kshs. 52,464,576 by 2014 up to second floor with the following completed activities:

1. Main office Block works-Preliminaries, Down takings
2. Concrete superstructures-Metal work and Formwork
3. Partial walling
4. Wall and frame finishes
5. Water feature
6. First floor works
7. Second floor works-concrete superstructure

The project had been funded to a tune of Kshs. 66,500,000 by NG-CDF Board from 2008 to 2013 as stated below;

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Kshs.	10,000,000	15,000,000	17,000,000	19,500,000	5,000,000	66,500,000

Lurambi NG-CDF Committee requested the NG-CDF Board for authority to hand over the building to County Government of Kakamega for completion and use due to lack of enough funds. In return the county government was to implement various projects amounting to Kshs. 54,200,000 in Lurambi constituency. However, the Board advised that the County Government should disburse the amount to Lurambi NG-CDFC bank account before the project is handed over.

The County Government never communicated back to Lurambi NG-CDF on the condition set by the Board. As a result, on 16th January 2020 the NG-CDF Board visited Lurambi NG-CDF and initiated the completion of the Storey office Block. The activities to completion were procured afresh at Kshs.28,973,726. These activities included; roofing and completion of ground floor for occupation. Further funding to the project was as follows;

FY	2016/17	2018/19	2019/20	2020/21	Total
Kshs.	7,132,260	7,000,000	8,000,000	7,000,000	29,132,260

Committee Observation

- i. *Fund Accounts Manager furnished the Committee with the copies of BQs, Certificate of Completion.*
- ii. *Roof had been fitted at second floor, however, external walling for first and second floor had not been done.*
- iii. *Ground floor is occupied by Lurambi NG-CDF Office.*
- iv. *Members were satisfied with the works done so far through the stewardship of the current Member of Parliament who had ensured that ground floor offices were being utilized.*

Committee Recommendation

The Committee recommends that the Lurambi NG-CDF and the NG-CDF Board should source for more funds to complete the building so that the value for money can be realized.

MIN.NO.NA/DAAOSC/DFAC/2023/141

INSPECTION VISIT NG-CDF OFFICE BUILDING AT ESHISIRU CENTRE

The NG-CDF office at Eshisiru Centre was constructed at the cost of Kshs.14,035,424. This amount was as a result of the difference between the Board's initial allocation of Kshs. 66,500,000 and the actual amount used Kshs. 52,464,576 by that time for construction of the office at Otiende estate. The NG-CDFC opted to reallocate the funds since the County Government of Kakamega was to take up the project and complete it as per the proposal of the NG-CDF board. The NG-CDFC also required an office since it wouldn't have been part of the building in case the County Government was to take up the project.

The project is complete and in use. Currently it hosts the Assistant County Commander's Office (ACC), the Officer Commanding Station's office (OCS) for Eshisiru police post and a room for NGCDF serving the constituents of Butsotso South and Butsotso Central Wards.

Committee Observations

Following physical verification by the Committee and the Auditor General, it was observed that:

- i. *Although the building was completed. It was under-utilized.*
- ii. *No other government agencies were occupying the building as alluded by the Fund Account Manager.*
- iii. *In this query, the management failed to plan with the concerned government ministries and agencies to occupy the available space in the building.*

Committee Recommendation

The Committee recommends that the NGCDF Board should engage with relevant Ministries or Government Agencies to ensure that the building is fully occupied so that the value for money can be realized.

**MIN.NO.NA/DAAOSC/DFAC/2023/142: ADJOURNMENT/DATE OF NEXT
SITTING**

The meeting was adjourned at 12.24 pm.

SIGNED.......... DATE 27/6/2023

HON. GIDEON MUTEMI MULYUNGI, M.P.

(CHAIRPERSON)

MINUTES OF THE 15TH SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON MONDAY 6TH MARCH 2023, IN HOLIDAY INN, SAMBURU CONFERENCE KIAMBU COUNTY AT 2.30PM

PRESENT

- | | |
|--|------------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. Gertrude Mwanyanje Mbeyu, M.P | Vice-chairperson |
| 3. Hon. Mejjadonk Benjamin Gathiru, M.P. | |
| 4. Hon. Innocent Momanyi Obiri, M.P | |
| 5. Hon. Caroline Jeptoo Ng'elechei, M.P | |
| 6. Hon. Dorothy Muthoni, Ikiara, M.P | |
| 7. Hon. Stephen Mogaka, M.P | |

APOLOGIES

1. Hon. Joseph Kahangara Mburu, M.P
2. Hon. David Mboni Mwalika, M.P.
3. Hon. Abdi Barre Hussein, M.P
4. Hon. Adhe Guyo Wario, M.P.
5. Hon. Jackson Lentoijoni, Lekumontare, M.P.
6. Hon. Joyce Osogo, Bensuda, Atieno, M.P
7. Hon. Martin Wanyonyi Pepela , M.P
8. Hon. Reuben Kipngor, Kiborek, M.P

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|-----------------------------|
| 1. Mr. Ahmed Guliye | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Ms. Elizabeth Kibati | Research Officer III |
| 5. Mr. Clinton Sindiga | Legal Counsel II |
| 6. Mr. Calvin Njoroge | Media Relations Officer III |

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND

- | | |
|--------------------------|--------------------------------------|
| 1. Ms. Beatrice Otieno | Manager Field Financial Coordination |
| 2. Ms. Elizabeth Kilundu | Chief Manager, Programmer |
| 3. Mr. Winston Ochanda | Fund Account Manager Teso North |
| 4. Ms. Christine Muyaka | Fund Account Manager Mumias West |
| 5. Mr. Humphrey Sechero | Fund Account Manager Lurambi |
| 6. Mr. Thomas ontweka | Fund Account Manager Navakholo |
| 7. Mr. Julius Oketch | Fund Account Manager Butere |
| 8. Ms. Mary Musaki | Fund Account Manager Matungu |

OFFICE OF THE AUDITOR-GENERAL

- | | |
|-----------------------|-------------------------------------|
| 1. Mr. Maurice Oyoo | Auditor/ Liaison Officer |
| 2. Mr. Fred Abuga | Auditor General |
| 3. Mr. Patrick Kimani | Principal Assistant Auditor General |

NATIONAL TREASURY

- | | |
|-------------------|-----------------|
| Mr. Simon Kiriiba | Liaison Officer |
|-------------------|-----------------|

MIN. NA/AA&SC-DFAC/2023/66

PRELIMINARIES

The Chairperson called the meeting to order at 2.48 pm, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the Auditor General Reports on Accounts of Ikolomani NG-CDF the Financial year 2013/2014 to 2015/2016.**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&SC-DFAC/2023/67

EXAMINATION OF THE AUDIT REPORTS ON ACCOUNTS OF IKOLOMANI NG-CDF THE FINANCIAL YEAR 2013/2014 TO 2015/2016

Mr. Tom Orwa, the Fund Manager took oath of witness oath and tabled the Ikolomani NG-CDF management responses and supporting documents on the audited accounts of Financial Years 2013/2014 to 2015/2016.

FINANCIAL YEAR 2013/2014

1.0 Accuracy and Completeness of the Financial Statements

Accuracy and Completeness of the Financial Statements

1. The financial statements balances concerning Committee Allowances, Other Grants and Transfers, Use of Goods, and Services differed with the supporting schedules presented for audit review. Further, the acquisition of assets of KShs, 750,105.00 was wrongly classified. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2014 could not be confirmed.

Response by the Fund Account Manager

2. All the anomalies in classifying expenses and other payments were duly noted and corrected. In addition, the construction of buildings of Kshs 750,105 has been removed from the use of

goods and services and posted to the acquisition of assets as per the revised financial statements. The revised financial statements and supporting schedules were availed to the auditor for review and verification. Copies annexed.

Committee Observations

3. *The Committee observed that the anomalies in classifying expenses and other payments were noted and corrected. The revised financial statements and supporting schedules were submitted and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

4. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers: -*
 - a) *keeps financial and other records that are accurate, reliable, and complete.*
 - b) *should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c) *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible".*
 - d) *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

2.0 Other Grants and Transfers

5. The Fund spent KShs 2,450,150.00 on the preparation of a strategic plan for the period 2013/2018 which had not been launched by the time of audit in March 2015 and was therefore not freely available to the constituents for use in proposals development. Further, included in the amount is KShs. 655,000.00 charged as reimbursable which had no supporting documents. Consequently, the propriety of the expenditure of KShs. 2,450,105.00 could not be ascertained as at 30 June 2014.

Response by the Fund Account Manager

6. The strategic plans were distributed to various stakeholders within the constituency after approval during the meeting held on 9th June 2014 as per the Constituency Development Fund Committee Meeting minutes. A copy of the Minutes was availed to the auditor for review and verification.
7. Additionally, the figure of KShs 655,000.00 was invoiced by the consultant as part of his fees and was paid as part of the contract. A copy of the contract indicating the clause on reimbursable, and the respective invoices were availed to the auditor for verification. Copies annexed.

Committee Observation

8. *The Committee was satisfied with the explanation provided by the Fund Account Manager. However, it noted that the documents were not submitted during the audit period.*

Committee Recommendation

9. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

3.0 Transfers to Other Government Agencies

3.1 Purchase of Land

10. The Fund disbursed Kshs. 6,500,000.00 for the purchase of land to two primary schools, an administration police camp, a district hospital, and a youth polytechnic. Audit verification, however, revealed that ownership documents had not been obtained. As a result, the propriety of the expenditure and the ownership of the parcels of land could not be confirmed as of 30 June 2014.

Response by the Fund Account Manager

11. At the time of the audit verification, the project management committees had not availed the land ownership documents since they were still processing them. All of the title deeds were processed and submitted apart from Iguhu District Hospital which had succession challenges and has been handed over to the County Government of Kakamega. The details are as follows.

No.	Name of Project	Amount Disbursed	Status
1.	Shianjetso Primary School	1,500,000.00	The school has acquired Title Deed No. KAKAMEGA/SHISEJERI/1712 A copy was availed to the auditor for review and verification.
2.	Shitoli Primary School	500,000.00	The school has acquired Title Deed No. KAKAMEGA/SHITOLI/769

			A copy was availed to the auditor for review and verification.
3.	Imulama AP Camp	500,000.00	The AP Camp has acquired Title Deed No. IDAKHO/SHISESO/1648
4.	Iguhu District Hospital	1,500,000.00	The process of acquisition of title was transferred to the County Government of Kakamega occasioned by the repealing of the CDF Act 2013. A copy of the land sale agreement, a copy of the Succession Case Number, and a copy of the transfer letter was availed to the auditor for review and verification.
5.	Shieywe Polytechnic	2,500,000.00	The Polytechnic has acquired two Title Deeds No. IDAKHO/LUKOSE/1801 and IDAKHO/LUKOSE/1846. Copies have been availed to the auditor for review and verification.

Committee observation

12. *Following physical verification by the Office of the Auditor General, it was observed as follows:*

Project	Project Details	Verification findings
Shianjesto Primary School- FY 2013/14	i)Purchase of land ii)Construction of 4 door pit latrines	Completed and in use
Iguhu District Hospital- FY 2013/14	Purchase of land	-Land seen and copy of the land sale agreement, a copy of the Succession Case Number, and a copy of the transfer letter was availed to the auditor for review and verification.
Shihalia Primary School- FY 2015/16	Construction of 8 No. storey classrooms	Building completed and in use

Committee Recommendation

13. *The Committee recommends that the Fund Account Manager to liaise with the NG-CDF Legal Department to sort out the outstanding land issues, i.e., transfer, succession and acquisition of the title deeds for Iguhu District Hospital.*

3.2 Purchase of School Bus

14. The Fund disbursed KShs 3,000,000.00 in October 2013 for the purchase of a school bus to St. Michael Shiamusinjiri Secondary School. However, the bus was acquired in February 2015 at KShs. 4,797,000.00 a price that exceeded the lowest quoted bid of KShs. 4,397,000.00 by KShs 403,000.00. No explanation has been provided for the non-compliance with procurement regulations and responsibility for not saving KShs. 403,000.00 in the transaction by using the lowest quoted bidder.

Response by the Fund Account Manager

15. The tendering process for the purchase of the Bus was done by the Project Management Committee. Whereby the committee decided to purchase an Isuzu Bus which was supplied by General Motors, as opposed to the relatively cheaper Nissan model supplied by Cooper Motors since the Nissan model failed at the technical evaluation. Thus, General Motors was selected to supply the bus since they were the Least evaluated bidder. This is evident by the Project Management Committee Meeting held on 17th June 2014 vide minute number: **MIN 3/17/6/2014**. A copy of the minutes, approved code lists and other relevant documentation were availed to the auditor for review and verification.

Committee Observation

16. *The Committee confirmed that the Project Management Committee met on 17th June 2014 vide minute number: MIN 3/17/6/2014. A copy of the minutes, approved code lists and other relevant documentation were availed to the auditor for review and verification. The query was adequately addressed and resolved.*

3.3 Purchase of Land and Construction of a workshop

17. An amount of KShs. 2,500,000.00 was disbursed to Shieywe Youth Polytechnic for construction of a workshop and purchase of 1.25 acres of land. However, the audit review revealed that the land was not supported by a title deed nor physical possession of the land.
18. Further, electrical works for the workshop costing KShs. 221,510.00 had not been installed even though paid for as the contractor had been paid KShs. 1,342,680.00 out of the contract sum of KShs. 1,600,000.00 inclusive of the electricals works.

Response by the Fund Account Manager

19. The Polytechnic has acquired two Title Deeds No. IDAKHO/LUKOSE/1801 and IDAKHO/LUKOSE/1846.
20. At the time of the audit verification, the electrical works were partially done. Part of the balance to be paid to the contractor was inclusive of electrical works. Thereafter the contractor completed all the works as per the BQ and the project is complete and in use. Copies of payment certificates, completion certificates and sample photos were availed to the auditor for review and verification.

Committee Observation

21. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations have been provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

The Committee recommends that the Accounting Officer ensures that:-

22. *Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

3.4 Our Lady of Assumption Shitoli Secondary School

23. An amount of KShs. 2,000,000.00 disbursed to the school for the construction and equipment of a laboratory in 2013/2014 was an addition to KShs. 1,000,000.00 advanced in 2011/2012. However, audit examination revealed poor workmanship in form of cracked floors, faded wall paints, exposed gas pipes, lack of middle workbenches plus sinks, unlockable side cupboards, and missing chemical rooms among others all of which could not be quantified. Further, laboratory fittings valued at KShs. 96,250.00 had not been delivered. In the circumstances, the propriety of the expenditure of KShs. 2,000,000.00 could not be confirmed as of 30 June 2014.

Response by the Fund Account Manager

24. After the audit verification, the contractor made good all the defects noted before the Project Management Committee (PMC) released his retention money. Copies of the completion certificate, PMC Minutes and sample photos were availed to the auditor for review and verification.

Committee Observation

25. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

The Committee recommends that the Accounting Officer ensures that:-

26. *Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

3.5 Shianjetso Primary School

27. An amount of KShs 1,500,000.00 was disbursed to the school for the purchase of 3 parcels of land and construction of one 4 door pit latrine. However, the bills of quantities in respect of the toilets which had also not been constructed was not made available for audit review. Further, the land was procured at an amount of KShs 1,130,000.00 leaving an expected balance of KShs. 370,000.00. However, a review of bank statements availed indicated a balance of KShs. 219,434.00 giving an unexplained difference of KShs. 150,000.00 as at 30 June 2014.

Response by the Fund Account Manager

28. At the time of the audit verification the pit latrines had not been constructed since the school was facing a challenge of where to sink the pit latrine due to inadequate land space. However, after the purchase of land, the pit latrine was eventually constructed and are complete and in use. I have availed a copy of the schedule of materials, completion certificate and sample photo the auditor for review and verification.
29. Further, the project cost is usually inclusive of the administration cost which is as per the CDF Act 2013. The total costs of the land (Kshs 1,130,000) together with the cost of surveying, processing of title deed (Kshs 103,300), and project administration (Kshs 50,000) came to Kshs 1,283,300.00 leaving a balance of about Kshs 219,434. Also, there was a balance brought forward of Kshs 2,734.00 to give a bank balance of approximately Kshs 219,434.00. Copies of the respective land sale agreements, PMC minutes, payment vouchers and other relevant documentation were availed to the auditor for review and verification.

Committee Observation

30. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Following physical verification by the Office of the Auditor General, it was observed as follows:

Project	Project Details	Verification findings
Shianjesto Primary School- FY 2013/14	i)Purchase of land ii)Construction of 4 No door pit latrines	Completed and in use.

Committee Recommendation

31. *The Committee recommends that the Accounting Officer ensures that:-*

Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”

3.5 Iremele Secondary School

32. An amount of Kshs. 4,500,000.00 was disbursed to the school for the purchase of land and the construction of four (4) classrooms. However, the four classrooms which were budgeted to cost Kshs 2,500,000.00 were put up at a contract price of Kshs. 2,986,240.00 exceeding the budgeted amount by Kshs. 486,240.00. Further, a visit to the school in April 2015 revealed poor workmanship on the floors which costed Kshs. 1,126,000.00 as per the bills of quantities.

Consequently, the propriety of the expenditure of Kshs. 2,986,240.00 could not be confirmed as of 30 June 2014.

Response by the Fund Account Manager

33. The school was funded in two financial years of 2013/14 Kshs 3,000,000 and 2014/15 Kshs 1,500,000. The budget for land purchase was Kshs 1,500,000 and the budget for constructing four classrooms was 3,000,000. I have availed copies of the approved Code lists to the auditor for review and verification.
34. In addition, the contract for the construction of 4 classrooms was awarded to a local company at a contract price of Kshs 2,986,240.00 after going through the procurement process as required. Copies of the contract award, acceptance, contract agreement, payment certificates, payment vouchers, completion certificates and sample photos were availed to the auditor for review and verification.
35. Further, the contractor made good all the defects that were identified before his full retention was paid. A copy of the completion certificate and sample photos were availed to the auditor for review and verification.

Committee Observation

36. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations have been provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*
37. *Following physical verification by the Office of the Auditor General, it was observed as follows:*

Project	Project Details	Verification findings
Iremele Secondary School- FY 2013/14	Construction of 4 No. classrooms	Completed and in use

Committee Recommendation

38. *The Committee recommends that the Accounting Officer ensures that:-*

Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”

4.0 Cash and Cash Equivalents

39. The statement of assets and liabilities reflects cash and cash equivalents balance of KShs. 9,375,766.10 as at 30 June 2014. However, the bank reconciliation statement reflected unpresented cheques totalling KShs. 822,363.00 out of which KShs. 247,940.00 are stale cheques. Management has not explained why the stale payments have not been reversed hence understating the cash and cash equivalents balance. Further, the balance includes outstanding unsupported imprests of KShs. 848,591.00. As a result, the accuracy of the cash and cash equivalents balance of KShs. 9,375,766.10 could not be confirmed.

Response by the Fund Account Manager

40. The bulk of the stale cheques were for bursary beneficiaries, Attempts were made to trace the cheques once they were dispatched but in vain. Therefore, the CDFC reversed the stale cheques as evidenced by the CDFC discussion of the meeting held on 17th December 2014 vide minute number 05.12.14. A copy of the CDFC Minutes, cashbook extract and the bank reconciliation statement as at 28th February 2015 were availed to the auditor for review and verification. I have also annexed.
41. The outstanding imprest balance as of June 2014 was Kshs 848,591 and they were made up of several imprests taken to facilitate various activities as below.

No.	Activity	Warrant No.	Date Imprest Taken	Due Date	Amount Taken
1.	Payment of CDFC allowances	0655831	17.06.2014	01.07.2014	150,000
2.	Facilitation of M & E exercise	0655830	22.05.2014	05.06.2014	445,000
3.	Facilitation of M & E exercise	0655828	04.03.2014	18.03.2014	253,591
TOTAL					848,591

42. The outstanding imprest was declared in the financial statements as a receivable in the Statement of Assets and Liabilities it was also duly captured in the cashbook as of 30th June 2014. I have availed a copy of the cashbook extract to the auditor for verification and review.
43. In addition, the outstanding imprests have since been surrendered and copies of the surrender payment vouchers were availed to the auditor for review and verification.

Committee Observations

44. *The Committee observed that:-*
- The Committee observed that the financial statements were amended and verified by the auditor.*
 - The bulk of the stale cheques were for bursary beneficiaries. The CDFC reversed the stale cheques (A copy of the CDFC Minutes, cashbook extract and the bank reconciliation statement as at 28th February 2015 were availed to the auditor for review and verification).*
 - The outstanding imprest was also surrendered, and copies of the surrender payment vouchers were availed to the auditor for review and verification.*

Committee Recommendations

45. *The Fund Account Managers should ensure that any officer allocated imprest surrenders within seven days failure to which recovery should ensue as provided for under Regulation 93(6) of the Public Finance Management Regulations of 2015 which provides that "In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate."*

5.0 Stalled Projects

46. Examination of the Project Implementation Status Report revealed that projects involving the purchase of land for three schools and a polytechnic for the year 2012/2013 and before with disbursements totaling Kshs. 5,627,569.84 remain classified as ongoing hence stalled.
47. Management has not explained the non-completion of the projects and this situation puts to risk the funds already spent on the projects without commensurate services to the constituents.

Response by the Fund Account Manager

48. The four projects were identified as ongoing since the process of acquiring titles to the land bought was not yet over. Nevertheless, all the title deeds were processed and submitted apart from Bugute Primary School which had succession challenges. projects mentioned the respective institutes have already taken possession of their respective parcels of land. The projects with their respective current status have been shown below.

No.	Name of Project	Financial Year	Amount (KShs)	Status/Remarks
1.	Iguhu Primary School	2008/09	479,093.84	The school has acquired Title Deed No. IDAKHO/IGUHU/1931 A copy was availed to the auditor for review and verification.
2.	Bugute Primary School	2011/12	1,400,000.00	The land is subject to succession Cause No 118 of 2017 which is ongoing in the Chief Magistrate Court Kakamega. I have annexed a copy of the gazette notice and Succession Cause number (See Annex 12)
3.	Iguyio Primary School	2011/12	748,476.00	The school has acquired Title Deed No. IDAKHO/SABANE/1340 A copy was availed to the auditor for review and verification.
4.	Shieywe Polytechnic	2011/12	3,000,000.00	The polytechnic has acquired two Title Deeds No. IDAKHO/LUKOSE/1801& IDAKHO/LUKOSE/1846 Copies were availed to the auditor for review and verification.

Committee Observations

49. *The Committee observed that :-*

- (i) *The Committee observed that four projects were identified as stalled since the process of acquiring titles deeds was still ongoing.*
- (ii) *Nevertheless, all the title deeds were processed, and the respective institutes have already taken possession of their respective parcels of land apart from Bugute Primary School which had succession challenges.*
- (iii) *The Bugute Primary School land was subject to succession case No 118 of 2017 which was ongoing in the Chief Magistrate Court Kakamega. A copy of the gazette notice and Succession case number was submitted.*

Committee Recommendation

50. *The Committee recommends that the Fund Account Managers should liaise with the NG-CDF Legal Department, Sub-County Land Registrar and the Sub-County Educational Office to fast-track succession process to ensure Bugute Primary School land receives land ownership documents*

FINANCIAL YEAR 2014/2015

1.0 Accuracy, Completeness, and Presentation of the Financial Statements

51. The International Public Sector Accounting Standards (IPSAS) Cash Basis financial statements presentation format prescribed by the National Treasury requires the management to include among the financial statements, a report on actions taken on previous year audit recommendations. In the year 2013/2014, Ikolomani CDF had an adverse opinion. However, no report on follow up on the audit issues raised in the previous year's audit revealed was included in the financial statements for the year under review. In the circumstances, the presentation of the financial statements does not conform to IPSAS (Cash Basis) as prescribed by the National Treasury and the Public Finance Management Act, 2012.

Response by the Fund Account Manager

52. During the preparations of the financial statements of the financial year 2014/15 the report of the auditor general had not been received. The report of the auditor general for the financial year 2013/14 was not yet released to the constituency at the time of preparation of the financial statements. I have availed a copy of the auditor's report indicating the date it was received to the auditor for review and verification. Copies Annexed.
53. However, the report on follow-up on the audit issues raised in the previous year's audit has been availed to the auditor for review and verification. I have availed a copy of the auditor's letter giving feedback on the audit issues for the financial year 2013/14 for review and verification.

Committee Observation

54. *The Committee observed that the management revised financial statements in compliance with International Public Sector Accounting Standards (IPSAS) and submitted them to the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

55. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*
- (i) keeps financial and other records that are accurate, reliable, and complete;*
 - (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

- (iii) *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- (iv) *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

2.0 Unsupported Other Grants and Transfers

56. The statements of receipts and payments reflect other grants and transfers totaling to Kshs 43,340,018.00. However, included in the balance was a disbursement of Kshs 7,300,000.00 for the purchase of land for four projects whose title documents have not been obtained. Further, valuation reports for the land parcels were not provided for audit review. Consequently, it has not been possible to confirm who owns the land and its value as of 30 June 2015.

Response by the Fund Account Manager

57. At the time of the audit verification, the project management committees had not availed the land ownership documents since they were still processing them. The auditor had indicated that they were four projects, however, they were three with a total of KShs 7,300,000.00. All of the title deeds were processed and submitted apart from Lidambitsa Market which had succession challenges and has been handed over to the County Government of Kakamega. The details are as follows.

No.	Name of Project	Amount Disbursed	Status
1.	Imulama AP Camp	1,300,000.00	The camp has already acquired the title deed in the camp's name. Title Number: IDAKHO/SHISESO/1648.
2.	Iguhu Police Station	3,000,000.00	The police station has already acquired the title deed in the station's name. Title Number: IDAKHO/IGUHU/2591.
3.	Lidambitsa Market	3,000,000.00	The process of acquisition of title was transferred to the County Government of Kakamega occasioned by the repealing of the CDF Act 2013. A copy of the transfer letter, the sale agreement, and the succession proceeding, Cause No 259 of 2013 which is ongoing in

			the Kakamega High Court, was availed to the auditor for review and verification.
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Committee Observations

58. *The Committee observed that: -*

- (i) The query arose because at the time of the audit verification, the project management committees had not availed the land ownership documents since they were still processing them.*
- (ii) The Fund Account Manager clarified that there were 3 parcels of land and not four (4) as indicated by the Auditor.*
- (iii) Nevertheless, two (2) title deeds for Imulama AP Camp and Iguhu Police Station were processed and the respective institutes have already taken possession of their respective parcels of land a part from Lidambitsa Market which had succession challenges.*
- (iv) The process of acquisition of title deed for Lidambitsa Market was transferred to the County Government of Kakamega occasioned by the repealing of the CDF Act 2013. A copy of the transfer letter, the sale agreement, and the succession proceeding, case No 259 of 2013 which is ongoing in the Kakamega High Court, was availed to the auditor for review and verification.*

Committee Recommendation

- 59. *The Committee recommends that the Fund Account Manager liaises with the NG-CDF Legal Department to sort out the outstanding land issues, i.e., transfer, succession and acquisition of the title deeds for Lidambitsa Market.*

3.0 Unsupported Construction Expenditure on Roads and Schools

- 60. Expenditure returns on the construction of roads and schools allocated Kshs 33,237,964.10 were not filed or presented for audit review. As a result, it has not been possible to confirm the propriety of the over-expenditure.

Response by the Fund Account Manager

- 61. At the time of the audit, the expenditure returns were not availed since they were still being held by the Project Management Committees. However, updated PMCs files have been availed to the auditor for review and verification. See Note 2.1 below.

Committee Observation

62. The Committee observed that the updated PMCs files were later submitted and reviewed by the Office of the Auditor General.

Committee Recommendations

63. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act

4.0 Budgetary Control and Performance

64. The Fund’s approved budget for the year under review was Kshs 162,220,231.00. However, the Fund received only KShs 125,895,497.00 thus resulting in an underfunding of Kshs 36,324,754.00. Further, the fund incurred expenditure totalled to KShs 104,757,363.00 against total funds available amounting to KShs 125,895,497.00 resulting in an under expenditure of KShs 21,138,134.00 as shown in Note 2.1. Consequently, the budget targets were not met and expected services were not fully delivered.

Receipt/Expense Item	Final Budget (KShs)	Actual on Comparable Basis (KShs)	Budget Utilization Difference (KShs)	% of Utilization
RECEIPTS				
Transfers from CDF Board	162,220,231.00	125,895,497.00	36,324,754.00	77.61%
Totals	162,220,231.00	125,895,497.00	36,324,754.00	77.61%
PAYMENTS				
Compensation of Employees	3,435,730.20	1,490,087.20	1,945,643.00	43%
Use of goods and services	3,871,275.05	3,450,415.55	420,860.50	89%
Committee Expenses	6,141,400.00	4,957,000.00	1,184,400.00	81%
Transfers to Other Government Units	60,367,075.60	50,866,955.60	9,500,120.00	84%
Other grants and transfers	58,936,832.10	43,340,018.60	15,596,814.50	74%
Social Security Benefits	54,800.00	38,000.00	16,800.00	69%
Acquisition of Assets	1,414,889.00	614,889.00	800,000.00	43%
Other Payments	500,000.00	-	500,000.00	0%
TOTALS	134,722,000.75	104,757,362.95	29,964,638.00	78%

Response by the Fund Account Manager

65. The low utilization of the budgeted funds was due to the delay in the disbursement of funds by the exchequer. Also, the NGCDFC could not implement projects as the funds for the projects were received close to the end of the financial year. However, the amount that had not been received by the end of the year was later released by the exchequer and utilized as planned. I

availed copies of A.I.Es, indicating when funds were disbursed to the auditor for review and verification.

Committee Observation

66. *The Committee observed 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 Recommendation

67. *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.*

4.1 Projects Execution and Management

68. The Fund allocated a total of KShs 173,773,643.00 for its projects. However, 40 projects allocated KShs 63,784,196.00 including 17 projects in educational institutions allocated KShs 28,084,196.00 in the 2013/2014 financial years were not completed. Only 70 projects were completed while work on five (5) projects had not commenced as of 30 June 2015 as detailed in Note 2.2 In the circumstance, the Fund did not meet its targets for delivery of services to the residents of Ikolomani Constituency.

Sector/Status	Not Started		Ongoing		Complete	
	No	Allocation (KShs)	No	Allocation (KShs)	No	Amount (KShs)
Administration					1	700,000
Agriculture						
Education	5	5,000,000	38	57,784,196	49	67,350,563
Environment						
Health					4	6,982,759
Market			1	3,000,000		
Road					13	28,156,125
Security					3	1,800,000
Sports			1	3,000,000		
Total	5	5,000,000.00	40	63,784,196	70	104,989,447

Response by the Fund Account Manager

69. The project listed as “not started” were because funds had not been received from the exchequer by the closure of the financial year under review, while the ones listed under ongoing were due to several factors; Sports is a continuance exercise hence at the time of the audit the constituency football tournament had not been concluded. In the case of the market project, it was because the Title deed had not been acquired despite having paid for it. Lastly the rest of the projects listed under “ongoing” were because projects are done in phases hence, they were awaiting additional funding in the subsequent financial years for their completion.
70. The updated project implementation status showing the latest project status was availed to the auditor for verification. Copies annexed.

Committee Observations

71. *The Committee observed that the explanation provided by the Fund Account Manager was satisfactory and the project details were provided to the Auditor and verified. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2015/2016

1.0 Accuracy, Completeness, and Presentation of the Financial Statements

72. The International Public Sector Accounting Standards (IPSAS) – Cash Basis, Financial Statements presentation format prescribed by the Kenya Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditor’s recommendations. In the year 2014/2015, Ikolomani CDF received an adverse audit opinion. However, the report on the follow-up of the issues raised in the audit report has not been included in the Financial Statements for the year under review as required. Therefore, the presentation of the Financial Statements does not conform to IPSAS (Cash Basis) as prescribed by the Kenya Public Sector Accounting Standards Board and per the Public Finance Management Act, 2012. In the circumstances, the Completeness and Presentation of the Financial Statement as of 30 June 2016 cannot be confirmed.

Response by the Fund Account Manager

73. The report of the auditor general for the financial year 2014/15 was not yet released to the constituency by the time of submission of 2015/16 financial statements to the auditor general.
74. However, it has since been prepared and submitted to the auditors for verification.

Committee Observation

75. *The Committee observed that the statements were provided and verified by the Office of the Auditor General.*

Committee Recommendations

76. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*

- (i) *keeps financial and other records that are accurate, reliable, and complete*
- (ii) *should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

2.0 Implementation of Project Works

77. The fund management procured works totaling Kshs.13,081,000.00 during the year under review. However, the implementations of the projects had various challenges as highlighted in the remarks column below;

No.	PROJECT BENEFICIARY	AMOUNT	REMARKS
1	Shihalia Primary School	5,500,000.00	The project for the construction of 8 storey model classes was awarded to a local construction company at an initial contract sum of Kshs.8,200,000.00. The contractor was thereafter discontinued after failing to meet his contractual obligations and replaced by another local company. This was after being paid Kshs.5,331,767 in two certificates for the works done. The new contractor was engaged to complete the works at a cost of Kshs.4,000,000.00 which brought the project anticipated cost to Kshs.9,331,766.80 which is Kshs.1,131,767 higher than the original cost of Kshs.8.2m. During an audit inspection in Feb 2017, it was noted that the new contractor had residual staff on site after being paid Kshs.2,197,868.00 with reasonable works outstanding on the project. No details were provided for these certified works.
2	Lirhembe Girls High School	3,204,000.00	The school has a Library Project which started in 2007 but the project stalled and look abandoned. Wastage was noted given the school had used the funds advanced to construct a temporary roof while other materials like blocks are wearing off at the site. Poor workmanship was observed in the partially complete ground floor where the floor has cracked and windows affected by weight. It was further noted that the school chose another project before completing the older one where Ikolomani CDF also contributed Kshs.1,600,000.00 towards the procurement of a school bus. No details on how the bus was purchased were availed.

3	Imbale Secondary School	2,377,000.00	The project was for the construction of a storey dormitory awarded to a local company in October 2014 at a contract sum of Kshs.10,865,770. The contractor has so far been paid Kshs.8,308,059.00 and has a balance of Kshs1,502,839. The site was abandoned in July 2016 and the contractor was not on-site during the time of audit verification in February 2017. The remaining works which include roofing, plumbing, electrical, ceiling, flooring, painting, and associated accessories may not be completed with the balance in the event the contractor does not resume construction. The school had no funds in the account and the project, therefore, lies in suspense.
4	Friends Secondary School Lusui		The construction of the Kshs.7.6m twin laboratory has been ongoing since 2014 with the contractor having already been paid Kshs.4.0m. The project appears to have procurement challenges given there were other contractors who had the capacity and had quoted as low as Kshs.6.7m or about 900,000 lower. Currently, the contractor is not on-site and the project is stalled. The roofing structure was varied from timber with ceiling to steel without a ceiling. These variations had not been documented and there the costs of the omissions and additions could not be verified
Total		13,081,000	

78. Response by the Fund Account Manager

No.	Response
1.	<p>Shihalia Primary School</p> <p>The first contractor was terminated due to non-performance, copies of correspondences concerning the dispute between the first contractor and the PMC referring the matter to the NG CDF Board were availed to the auditor for review and verification.</p> <p>The second contractor complete the works and the project is complete and in use. A copy of interim certificates, certificate of completion, copy of BQ, and sample photos were availed to the auditor for review and verification.</p>
2.	<p>Lirhembe Girls High School</p> <p>The school had started the library project 2013/2014 which was partially financed. However, in the subsequent year priority changed to a school bus which was funded by CDF. I have availed a copy of the school administration proposal requesting for a school bus to the auditor for review and verification. I have also annexed copies.</p> <p>In addition, the details of how the bus was purchased have been availed to the auditor. This includes copies of Board of Governors minutes, tender minutes, copies of quotations, and a copy of the delivery note and a copy of the logbook.</p>

3.	<p>Imbale Secondary School</p> <p>The first contractor was terminated due to non-performance, copies of correspondences concerning the dispute between the first contractor and the PMC were availed to the auditor for review and verification. Management re-tendered the works and the second contractor managed to complete the works and the project is complete and in use. Copy of the BQ, Payment certificate, and Sample photos were availed to the auditor for review and verification.</p> <p>Regarding the matter of costs, it's important to note that the contractor was paid as per the certified works done and that his contract stipulated that the contract be executed in phases, hence, by the time of terminating his contract he had completed the phase one works as per the contract. A copy of the contract has been for review and verification.</p>
4.	<p>Friends Secondary School-Lusui</p> <p>Copies of the tender documentation detailing how the PMC settled on the contractor has been availed to the auditor for review and verification.</p> <p>Further, the Variation order approving the variations have been availed to the auditor for review and verification. Copies Annexed.</p> <p>The works are complete and in use. A copy of the Completion Certificate and sample photo have been availed to the auditor for review and verification.</p>

Committee Observations

79. *The Committee observed that:-*

(i) The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.

(ii) Further, following physical verification by the Office of the Auditor General, it was observed that:-

Project	Project Details	Verification findings
1. Shihalia Primary School-2015/16	Construction of 8 No. storey classrooms.	Building completed and in use.
2. Lirhembe Girls High School	Purchase of School bus.	Bus seen(KCH 622Q).
3. Imbale Secondary Secondary School - FY2015/16	Construction of storey dormitory.	Building completed and in use.
4. Friends Secondary School-Lusui	Construction of twin laboratory.	Building completed and in use.

Committee Recommendations

80. *The Committee recommends that the Accounting Officer ensures that:-*

Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”

3.0 Construction of Roads

81. The Fund management allocated funds for road construction totaling Kshs. 7,000,000.00 as shown below whose construction works, however, had some irregularities as indicated below.

No.	PROJECT	AMOUNT	REMARKS
1	Mutaho-Matietie Road	4,000,000	The road according to Bills of quantity was estimated to be 4km. Physical verification indicated the road was about 4km and had been graded to 7m and gravelled to 4m wide and a depth of about 0.08m. The bills indicate graveling cost at Kshs.2,540,450.00 which is Kshs.1,348,450.00 higher than the recalculated actual work of Kshs1,192,000.00. No certificate for measured work was provided to justify the overpayment.
2	Shikunga-River Yala Road	3,000,000	The project cost was Kshs.2,551,774 having awarded to a local company as the contractor. Physical verification revealed that the road was about 3.5km long and grading was done at 5m instead of 7m while graveling was only 4m instead of 25m with a depth of 0.05m instead of 0.1m as indicated in the bills of quantities.
	Total	7,000,000	

Consequently, the road works valued at KShs 7,000,000.00 could not be ascertained as correctly implemented and that the residents of the constituency may not have obtained value for money on these projects.

Response by the Fund Account Manager

No.	Project and Response
1	Mutaho-Matietie Road All Payments made to the contractor were based on certificates and measurement sheets developed by the technical supervisors from the regional office of the Kenya Rural Roads Authority (KeRRA) based in Kakamega. The Copies of the measurement sheets and payment certificates were availed to the auditor for review and verification. Copies annexed.
2	Shikunga- River Yala Road All Payments made to the contractor were based on certificates and measurement sheets developed by the technical supervisors from the regional office of the Kenya Rural Roads Authority (KeRRA) based in Kakamega. The Copies of the measurement sheets and payment certificates were availed to the auditor for review and verification.

Committee Observation

82. *The Committee observed that: –*

The query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.

Committee Recommendation

The Committee recommends that the Accounting Officer ensures that:-

83. *Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

4.0 Budget Performance

84. The Fund had budgeted receipts of Kshs.171,697,426 including Kshs.57,462,888 brought forward from 2014/2015. However, the actual expenditure was Kshs.159,721,251 resulting in an under expenditure of Kshs.11,976,175 as analyzed in Note 3.1

Consequently, the Fund did not operate within the approved budget, and this might impact negatively to service delivery to the constituents.

Response by the Fund Account Manager

85. The low utilization of the budgeted funds was due to the delay in the disbursement of funds by the exchequer. Also, the NGCDFC 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 released by the NGCDF Board utilized and the projects are in various stages of completion. Copies of A.I. Es, indicating when funds were disbursed were availed to the auditor for review and verification.

Committee Observation

86. *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 later release and projects were in various stages of completion.*

Committee Recommendation

87. *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.*

4.0 Project Analysis

88. The Fund management had approved a plan to implement a total of one hundred and eighty-seven (187) projects between the financial year 2013/2014 to 2015/2016, valued at Kshs.294,945,460. However, 12 projects valued at KShs. 11,800,000 had not started, seventy-nine (79) projects valued at Kshs.123,563,433 were still ongoing, seven (7) projects valued at Kshs.17,100,000 stalled and only ninety-four (94) projects valued at KShs.142,482,026 had been completed.

Consequently, the Fund did not operate within the approved budget, and this might impact negatively to service delivery to the constituents.

Response by the Fund Account Manager

89. The project listed as "not started" were because funds had not been received from the exchequer by the closure of the financial year under review, while the ones listed under ongoing were due to several factors; Sports is a continuance exercise hence at the time of the audit the constituency football tournament had not been concluded. In the case of the market, the project was because the Title deed had not been acquired despite having paid for it. Lastly the rest of the projects listed under "ongoing" were because projects are done in phases hence, they were awaiting additional funding in the subsequent financial years for their completion. I have availed the updated project implementation status showing the latest project status indicating most of the projects were completed in the subsequent financial years, to the auditor for review and verification.

Committee Observation

90. *The Committee observed that: –*

The query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The documents and explanations have been provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.

Committee Recommendation

91. *The Committee recommends that the Accounting Officer ensures that:-*

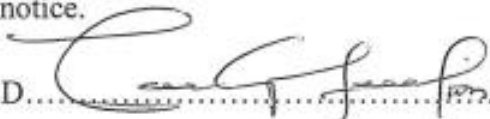
Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act.”

MIN. NA/AA&DFAC/2023/68

ADJOURNMENT

There being no other business, the meeting was adjourned 4.12 p.m. The next meeting will be held on notice.

SIGNED.....



DATE.....

16/3/2023

HON. GIDEON MUTEMI MULYUNGI, M.P

(CHAIRPERSON)

DECENTRALIZED FUNDS ACCOUNTS COMMITTEE



MINUTES OF THE 14TH SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON MONDAY 6TH MARCH 2023, IN HOLIDAY INN, KIAMBU COUNTY AT 10.00AM.

PRESENT

- | | |
|--|-------------------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. Gertrude Mwanyanje Mbeyu, M.P. | Vice-chairperson |
| 3. Hon. Mejjadonk Benjamin Gathiru, M.P. | |
| 4. Hon. Innocent Momanyi Obiri, M.P. | |
| 5. Hon. Caroline Jeptoo Ng'elechei, M.P. | |
| 6. Hon. Dorothy Muthoni, Ikiara, M.P. | |
| 7. Hon. Stephen Mogaka, M.P. | |

APOLOGIES

1. Hon. David Mboni Mwalika, M.P.
2. Hon. Abdi Barre Hussein, M.P.
3. Hon. Adhe Guyo Wario, M.P.
4. Hon. Jackson Lentoijoni, Lekumontare, M.P.
5. Hon. Joyce Osogo Bensuda, Atieno, M.P.
6. Hon. Martin Wanyonyi Pepela, M.P.
7. Hon. Reuben Kipngor, Kiborek, M.P.
8. Hon. Joseph Kahangara Mburu, M.P.

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|-----------------------------|
| 1. Mr. Ahmed Guliye | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Ms. Elizabeth Kibati | Research Officer III |
| 5. Mr. Clinton Sindiga | Legal Counsel II |
| 6. Mr. Calvin Njoroge | Media Relations Officer III |

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND

- | | |
|------------------------|--------------------------------------|
| 1. Ms. Beatrice Otieno | Manager, Field Coordination |
| 2. Mr. James Chebii | Manager, Financial Services |
| 3. Ms. Mary Mwaki | Current Fund Account Manager Matungu |
| 4. Mr. Julius Oketch | Fund Account Manager Shinyalu |

OFFICE OF THE AUDITOR-GENERAL

Mr. Maurice Oyoo
Mr. Fred Abuga
Mr. Patrick Kimani
Ms. Pamela Achieng

Principal Auditor, Liaison Officer
Deputy Director, Audit, Western Region
Principal Auditor, Kakamega Office
Principal Auditor, Western Region

NATIONAL TREASURY

Mr. Simon Kiriiba

Liaison Officer

MIN. NA/AA&SC-DFAC/2023/62

PRELIMINARIES

The Chairperson called the meeting to order at 10.25a.m. followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the Auditor General Reports on National Government Constituencies Development Fund for the Financial year 2013/2014 to 2015/2016 for Matungu and Mumias East Constituency.**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&SC-DFAC/2023/63

EXAMINATION OF THE AUDIT REPORTS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR 2013/2014 TO 2015/2016 FOR MATUNGU CONSTITUENCY

Ms. Mary Mwaki, the current Fund Account Manager took oath of witness and tabled the Matungu NG-CDF management responses and supporting documents on the audited accounts of Financial Years 2013/2014 to 2015/2016.

FINANCIAL YEAR 2013/2014

1.0 Accuracy and Completeness of the Financial Statements

1. The Fund did not comply with standard templates contained in the Gazette pronouncement issued by IPSAS Board on the presentation of the financial statements as the statement of cash flows was not prepared. Further, the General Ledgers from which the financial statements were to be prepared were not maintained as at 30 June 2014. Consequently, the accuracy and completeness of the Financial Statements could not be confirmed.

Response by the Fund Account Manager

2. CDF adopted IPSAS cash reporting framework for the first time in this financial year 2013/14. During this period preparation of the cashflow was not a mandatory requirement. However, the cashflow was prepared and provided to the auditors for review.

3. The Constituency maintains an annual expenditure returns, which serves as the general ledger and is used to prepare the financial statements. The annual expenditure returns were provided to the auditor for review.

Committee Observation

4. *The Committee observed 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.*

Committee Recommendations

5. *The Committee recommends that the Accounting Officer: -*

- (i) ensures that the Fund Account Managers: -*

- a. keeps financial and other records that are accurate, reliable, and complete;*
- b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

- (i) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

- (ii) The Committee recommends that the NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices to work in tandem with the Fund Account Manager, beginning FY 2023/24 within the 6% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, preparation of quarterly financial and project implementation reports, and timely submission of the statements and documents to the Auditors by the Constituency Offices.*

2.0 Other Grants and Payments

6. The statement of receipts and payments reflects Kshs.38,040,220 as other grants and transfers as at 30 June 2014. Included in the balance of Other Grants and Transfers is an amount of Kshs.796,949.00 the Fund paid out to a chemist for grading and gravel patching of a road. A completion certificate was issued to the effect that the works were executed as per specifications in the Bills of Quantity. However, physical verification on the roads undertaken revealed that no gravel patching was done. Further, grading was poorly done manually, and grass is already growing on the road with gaping potholes which were not properly filled. In the circumstances, it has not been explained how the Fund intends to enforce the contract terms and ensure completion of the project.

Response by the Fund Account Manager

7. The road project was awarded to Matawa barefoot chemist as the contractor to undertake the project. The project was perfectly done to completion as per the Bills of Quantities. Payment for the said works were made on the basis of technical expertise from the constituency roads engineer (CRO) who issued a certificate as per the Bills of Quantities. Gravel patching was done as detailed in the Bills of Quantities.

Committee observation

8. *The Committee observed that the Fund Account Manager provided a satisfactory explanation to the Committee. The query was adequately addressed and resolved.*

Committee Recommendation

9. *The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015 “which provides that “the Constituency Development Fund Committee may make appropriate consultations with the relevant Government departments to ensure that cost estimates for the projects are realistic.” the Fund Account Manager and PMCs should therefore endeavor to 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.*

3.0 Committee Allowances

10. The statement of receipts and payments reflects Kshs. 3,406,500 as committee allowances as at 30 June 2014. However, the fund surrendered payments of Kshs. 1,380,000.00 being payments for committee allowances and other expenses without the committee minutes, stores and procurement records being made available for audit review.

Consequently, the propriety of the total expenditure of Kshs. 1,380,000.00 could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

11. Payment Voucher numbers 132 and 131 of Kshs.692,500 and 687,500 respectively totaling to the Kshs. 1,380,000.00 have been availed to the auditors for review. Included in the payment Vouchers are committee meeting minutes, committee payment schedules and other service payments receipts totaling to Kshs. 1,380,000.00 hence confirming the propriety of the expenditure.

Committee Observation

12. *The Committee observed that the the payment voucher, the committee minutes, stores and procurement records which were not provided during the audit period to support the expenditure of Kshs. 1,380,000.00 were later provided and verified by the auditors.*

Committee Recommendation

13. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

OTHER MATTERS

1.0 Going concern.

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

Response by the Fund Account Manager

15. A new act: The National Government Constituency Development Act 2015 has been enacted thus guaranteeing sustainability and continued existence of the fund. Hence, concern status of the Matungu Constituency Development Fund is not doubtful.

Committee observations

16. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

2.0 Transfer to Other Government Entities

17. The Fund reported an amount of Kshs. 37,026,463.00 as Transfer to Other Government Units which include a total amount of Kshs. 9,700,000.00 paid for four projects during the year. The

four projects include a classroom construction, Mung'ungu Health Centre construction, procurement of a 51-seater bus for Charles Khalaba Secondary school and classroom construction at Musamba youth polytechnic.

18. However, physical verification revealed that the projects were poorly executed with substandard materials due to lack of technical supervision.

Consequently, the Fund hasn't received value for money spent on projects as at 30 June 2014.

Response by the Fund Account Manager

Classroom Construction at Ikulumwoyo Primary School

19. The total cost as outlined in the Bills of Quantities for construction of two classrooms at Ikulumwoyo Primary school was Kshs. 1,600,000. At the time of audit visit to the institution, our office had issued a total of 800,000/= and a further 800,000/= was disbursed later towards end of March 2015. Therefore, the said project was still under construction at the time of audit.
20. Ultimately, Kshs. 1,600,000 for the construction of the two classrooms was disbursed and the project is complete and in use. All payment were done with recommendation by the public works officer. The retention funds were later paid after the defect liability period and the works officer ensured there were no defects.

Mung'ungu Health Centre

21. The CDFO Matungu vide minute No.5/11/2012 approved Kshs. 1,000,000.00 to be paid to Mung'ungu Health Centre towards the construction of male wards. The Bills of Quantities for completion of this project estimate the cost to be Kshs 2,600,000. Kshs. 1,700,000 was disbursed to this project and a further Kshs. 800,000.00 disbursed later. The project is complete and in use.

Purchase of Bus (Isuzu FRR 33L) for Khalaba Secondary School - (6,700,000.00.Kshs)

22. The purchase of the bus was included in our project proposal through Code list number 4-930-037-206-3110708-0104-002-001 cost initially estimated at Kshs 7,000,000.00. Further, the cost of the bus is within the government stipulated rates and that tendering was done prior to purchase as per the documents attached in the payment voucher. Find attached a copy of the Logbook detailing the school as the owner of the Bus.

Musamba Youth Polytechnic

23. The Funds Clerks of Works and the Sub-County Works officer were involved as technical experts in execution of works at Musamba Youth Polytechnic. The project is complete and in use.

Committee Observation

24. *The Committee observed that at the time of the audit, supporting documents for the expenditure of Kshs. 9,700,000.00 for four (4) projects had not been provided for audit. The supporting documents were however later submitted to the auditor and verified.*

Committee Recommendations

25. *The Committee recommends that:-*
- i. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*
 - ii. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statement

26. The International public Sector Accounting Standards (Cash Basis) financial statement presentation format prescribed by the National treasury requires the management to include among financial statements presented for audit, a report on actions taken to address previous year auditor’s recommendations. In the year 2013/2014, Matungu CDF had a qualified opinion. However, a report on follow-up of audit issues raised was not included in the financial statements does not conform to IPSAS (Cash Basis) format prescribed by the National Treasury and the Public Finance Management Act, 2012.
27. The cash and equivalents balance brought forward of Kshs. 48,179,280 was not disclosed under the statement of receipt and payments resulting in a deficit of Kshs. 190,049,902.90. The non-disclosure of the balance is not tenable under the IPSAS (Cash Basis) presentation format.
28. The statement of appropriations is not complete as it does not disclose both financial budgeted and actual receipts.
29. In view of the foregoing, the accuracy, completeness, and presentation of the financial statements for the year ended 30 June 2015 could not be confirmed.

Response by the Fund Account Manager

30. We regret the omission of the report on follow-up of audit issues raised in the previous year auditor's recommendations, however we have prepared it and availed to the auditor for review.
31. The statement of receipts and payments reflects the actual receipts and actual payments incurred during the year since we report under the cash basis of accounting. The cash and cash equivalent were reflected in the statement of assets and liabilities as balance brought forward.
32. There was an error in the preparation of statement of appropriation which has been corrected. The amended statement of appropriation was provided to the auditor for review.

Committee Observations

33. *The Committee observed that:-*
 - i. *The Fund Account Manager admitted the omission of the report on follow-up of audit issues raised in the previous year auditor's recommendations and confirmed that the error was corrected, and the amended statement was availed to the auditor for review.*
 - ii. *The Fund Account Manager also acknowledged that he did not comply with the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.*

Committee Recommendations

34. *The Committee recommends that the Accounting Officer: -*
 - (i) *ensures that the Fund Account Managers: -*
 - a. *keeps financial and other records that are accurate, reliable, and complete;*
 - b. *adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c. *adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d. *adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

- (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Budget Control performance Analysis

35. The Fund's budget for the year under review amounted to Kshs. 166,240,537 which included Kshs. 48,179,280 brought forward from the year. However, only Kshs. 136,747,659.90 was spent during the year thus resulting in under-expenditure of Kshs. 29,858,877 as detailed below:

Receipt /Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilisation Differences	%of Utilisation
RECEIPT	KSHS.	KSHS.	KSHS.	
Transfers from CDF Board	166,606,537	117,333,757	-	142
Proceeds from Sale of Assets		-	-	
Balance brought forward	-	-	-	
Payments				
Compensation of Employees	4,296,920	2,394,560	1,902,360	56
Use of goods and services	1,755,962	1,660,765	95,197	95
Committee Expenses	4,749,830	4,580,891	168,939	96
Transfers to Other Government Units	100,280,929	77,780,928	22,500,001	78
Other grants and transfer	51,341,236.07	46,148,857	5,192,379	90
Social Security Benefits	-	-		0
Acquisition of Assets	800,000.00	800,000		100
ESP	366,000.00	366,000	-	100
Other Payments	3,015,659.40	3,015,659		100
TOTAL	166,606,537	136,747,660	29,858,877	82

36. In the circumstances the Fund did not comply with budget regulations and did not meet its output targets or deliver all services expected by the residents of Matungu Constituency.

Response by the Fund Account Manager

37. Kshs. 29,858,877.20 was the cashbook balance as at 30th June 2015. The huge balance was occasioned due to the late receipt of funds from the exchequer hence we were not able to achieve all the targeted objectives for that financial year. However, the pending projects were undertaken and completed in the subsequent financial year.

Committee Observation

38. *The Committee observed that underutilization and under- expenditure of the funds was due to late receipt of funds from the exchequer. The projects were later undertaken and completed in the subsequent financial year.*

Committee Recommendation

39. *The Committee recommends that the National Treasury should release funds on time to the National Government Constituencies Development Fund Board as budgeted for implementation of projects.*

1.1 Funding of Projects Not Budgeted for

40. During the year under review, the Fund disbursed a total Kshs. 2,995,000 to two health centres for completion of prefabricated houses. Although the expenditure had not been provided for the budget.

Response by the Fund Account Manager

41. Ksh. 2,995,000 was a reallocation from four health centres to Namulungu Health Centre Ksh. 1,496,379.50 and Khalaba Health Centre Ksh. 1,498,620.50. This reallocation was approved by the Board vide letter CDFBOARD/MATUNGU/VOL.1/12 which has been provided to the auditor for review. Therefore, these projects were budgeted for as they were approved by the Board.

Committee Observation

42. *The Committee observed that the Ksh 2,995,000 was approved by the Board vide letter CDFBOARD/MATUNGU/VOL.1/12. The approval was later submitted to the Office of the Auditor General for review and verification. The query was satisfactorily addressed.*

2.2 Irregular Re-allocation of Funds Kshs. 1,200,000.00

43. The Fund reallocated Kshs. 1,200,000 budgeted for renovation works at Matungu SDA Secondary School to purchase of land and construction of classrooms plus and an administration block for a new Secondary School. However, the allocation was not authorized by the CDF Board, and was therefore irregular.

Response by the Fund Account Manager

44. Expenditure was approved by the NG-CDF Board refer to code list attached.

Committee Observation

45. *The Committee observed that the expenditure was approved by the NG-CDF Board. The query was satisfactorily addressed.*

1.2 Committee Expenses

46. The approved budget for committee expenses amounted to Kshs. 3,027,100. However, expenditure incurred was Kshs. 4,580,891.00 resulting in over-expenditure of Kshs. 1,551,791 which was not approved.

Response by the Fund Account Manager

47. The NG-CDF Board disburses fund to constituencies in a piece-meal manner, therefore the Kshs. 1,551,791.00 indicated above reflects money for 2013/14 FY disbursed and spent during the FY under audit.

Committee Observation

48. *The Committee observed that the over-expenditure was attributed to the piecemeal release of funds by the NG-CDF Board to the constituencies. The Kshs. 1,551,791.00 reflects money for 2013/14 FY disbursed and spent during the financial year under audit. The query was satisfactorily addressed.*

Committee Recommendation

49. *The committee recommends that the National Treasury should ensure timely release of funds to enable implementation of projects approved by the NG-CDF Board.*

3.0 Project Implementation Status

50. The Fund budgeted to implement two hundred and twenty-three (223) projects costing Kshs. 197,954,576 during the year under review. As at 30 June 2015, seventy three (73) projects allocated Kshs. 61,844,410.00 were complete, one hundred and forty six (146) projects allocated Kshs. 133,110,166 were on-going and four (4) projects allocated. 3,000,000 were abandoned. The data is tabulated below:

Sector/Status	Abandoned		Re-allocated		Ongoing		Complete	
	No	Value	No	Value Kshs.	No	Value Kshs.	No	Value Kshs.
Administration					7	26,569,704	2	2,000,000
Agriculture						0		
Education					62	73,700,000	71	59,844,410
Environment					10	3,339,355		

Health			4	3,000,000	3	2,500,000		
Market						0		
Road					61	22,000,000		
Security					1	1,200,000		
Sports					2	3,801,106		
Total			4	3,000,000	146	133,110,166	73	61,844,410

51. No satisfactory explanation why the CDF management failed to complete one hundred and forty-six (146) projects and abandoned the four projects. The unsatisfactory performance has denied the constituents important public service that had been budgeted for.

Response by the Fund Account Manager

52. There were delays in receipt of funds from exchequer. However, projects were completed at the time funds were received.

Committee Observation

53. *The Committee observed that the delay in the implementation of the projects was due to late disbursement of funds by the exchequer. The projects were later completed and are in use. The query was satisfactorily addressed.*

Committee Recommendation

54. *The committee recommends that the National Treasury should ensure timely release of funds to enable implementation of projects approved by the NG-CDF Board.*

FINANCIAL YEAR 2015/2016

1.0 Accuracy, Completeness and Presentation of the Financial Statement

55. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the Kenya Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditor's recommendations. In the year 2014/2015, Matungu CDF had adverse audit opinion. However, the report on follow-up of the issues raised in the audit report has not been included in the financial statements for the year under review as required. Therefore, the presentation of the Financial Statements does not conform to IPSAS (Cash Basis) as prescribed by Kenya Public Sector Accounting Standards Board and in accordance with the Public Finance Management Act, 2012. In the circumstances, the completeness and presentation of the financial statement as at 30 June 2016 could not be confirmed.

Response by the Fund Account Manager

56. At the time of preparation of the financial statements they had not received the final audit certificate from the auditor general hence did not include it in the financial statements. However, it was later prepared and availed to the auditor for review.

Committee Observation

57. *The Committee observed that at the time of preparation of the financial statements the final audit certificate from the auditor general had not been received and hence was not included it in the financial statements. However, the Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General and the matter therefore stands resolved.*

Committee Recommendations

58. *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 Committee recommends that the NG-CDF Board should consider employing qualified Accountants for the NG-CDF Constituency Offices to work in tandem with the Fund Account Manager, beginning FY 2023/24 within the 6% administrative allocation to the Board. This will strengthen the maintenance of books of accounts, preparation of financial statements, preparation of quarterly financial and project implementation reports, and timely submission of the statements and documents to the Auditors by the Constituency Offices.*

2.0 Cash and Cash Equivalent

59. The cash and Cash equivalents of balance of Kshs. 894,099 includes stale cheques totaling Kshs. 178,044 which had not been reversed in the cash book as at 30 June 2016. In the circumstances, it was not possible to confirm the accuracy of the cash and cash equivalent balance of Kshs. 894,099 reflected in the statements of assets and liabilities.

Response by the Fund Account Manager

60. The stale cheques totaling Kshs. 178,044 were reversed on 24/08/2016, 30/09/2016 and 03/10/2016 and the cash book extract provided to the auditors for review. (Annex 12)

Committee Observations

61. *The Committee observed that the stale and unpresented cheques were later reversed and replaced. The cash book extract was verified by the auditors.*

Committee Recommendations

62. *The Committee recommends that the Accounting Officer: -*
- (i) ensures that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that “The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time”.*
 - c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that “Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible”; and*
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that “An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”.*
 - (ii) The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.*
 - (iii) The NGCDF Board engages the Public Sector Accountings Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all National Government -CDF constituency staff.*

3.0 Expenditure Returns

63. The management disbursed funds to various institutions during the year under review. However, it was noted that the institutions did not maintain proper books of account and did not file requisite returns for the funds disbursed to them.
64. Further, it was observed that the institutions listed below were using payment vouchers format not approved by the NG-CDF board.

Payee	Date	Amount(kshs)
Ebusambe Sec School	17/07/2015	1,000,000
Eshibanze Sec School	17/07/2015	1,000,000
Makunda Sec School	17/07/2015	1,000,000
Matungu Special primary School	17/07/2015	1,000,000

Namasanda Health Centre	26/08/2015	1,000,000
Bulanda Primary School	28/09/2015	1,000,000
Namanga Primary School	28/09/2015	1,000,000
Mwira Secondary School	30/11/2015	1,000,000
Khalaba Secondary School	09/12/2015	900,000
Ebusambe Secondary School	22/01/2016	900,000
Indangalasia Secondary School	09/12/2015	800,000
Total		10,600,000

Response by the Fund Account Manager

65. At the time of audit, the PMCs had not been sufficiently trained on expenditure returns. The management, however, ensured all PMCs were subsequently trained on financial stewardship and accountability. All PMCs availed all expenditure returns.
66. The PMCs were using their own format of payment vouchers, but they were trained to use the correct approved payment vouchers. Training report and bank statements for the said projects were submitted.

Committee Observations

67. *The Committee observed that:-*
 - (i) *At the time of audit, the PMCs had not been sufficiently trained on expenditure returns and they were using their own format of payment vouchers;*
 - (ii) *The PMCs were subsequently trained on financial stewardship and accountability; and*
 - (iii) *The expenditure returns were submitted and verified by the Office of the Auditor General.*
 - (iv) *The query was adequately addressed and resolved.*

Committee Recommendations

68. *The Committee recommends that the Accounting Officer: -*
 - i. *Engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*
 - ii. *The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

4.0 Bursary Funds

69. The management disbursed bursary funds totaling Kshs.13,614,000 to various institutions listed below. However, it was noted that none of the institutions acknowledged receipt of the funds and as a result it was not possible to ascertain that the funds reached the intended recipients/institutions.

Date	PV. NO	Payee	Details	Amount
21/12/15	91	Western College of Computer & Technology	Payment for bursary awards for 2015/16 FY	200,000
19/7/15	22	Sundry Institution	Payment for bursary awards for 2014/15 FY	400,000
4/2/2016	128	Sundry Institutions	Payment for bursary beneficiaries 2015/16 FY	1,463,000
29/6/16	13	Sundry Institutions	Payment for bursary beneficiaries 2015/16 FY	265,000
8/2/2016	131	Sundry Institutions	Payment for bursary beneficiaries	158,000
16/6/16	6	Sundry Institutions	Payment for tertiary institutions bursary beneficiaries	1,750,000
16/6/16	182	Sundry Institutions	Payment for university bursary beneficiaries	3,666,000
15/6/16	5	Sundry Institutions	Payment for secondary school bursary beneficiaries	5,712,00
				13,614,000

Response by the Fund Account Manager

70. Institutions that benefited from the bursary award scheme were asked to acknowledge receipt of the monies. As at the time of audit the institutions had not submitted their acknowledgements. However, the acknowledgment receipts were received and were provided to the auditor for review.

Committee Observations

71. *The Committee observed that:-*
- The Committee observed that as at the time of audit the institutions had not submitted acknowledgment receipts.*
 - The receipts and acknowledgement letters were later provided and verified by the Office of the Auditor General.*

Committee Recommendations

72. The Committee recommends that:-

- i. Within three months of the adoption of the report, the National Government Constituencies Development Fund Board reviews the 2015 Guidelines on Issuance of Bursaries to Beneficiaries.
- ii. The NG-CDF Board should develop an overarching bursary policy framework with a mechanism for manual and electronic funds transfer in the disbursement of bursaries cheques, and beneficiary institutions to issue acknowledgement document upon receipt of the cheques. In addition, the auditors should verify bank statements where receipts are not available.

OTHER MATTER

1.0 Budget Control and Performance

73. The Fund approved budget receipts was Kshs. 153,389,194 including Kshs. 29,858,877 brought forward from previous year as analyzed below.

Receipt/ Expense Item	Original Budget	Adjustment s	Final Budget	Actual On Comparable Basis	Budget Utilisation Difference s	% Of Utilisation
	A	B	c=a+b	d	e=c-d	f=d/c%
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers From CDF Board	123,530,317	29,858,877	153,389,194	91,858,877	61,530,317	59.9%
Proceeds From Sale of Assets				-	-	
Other Receipts	-					
Total	123,530,317	29,858,877	153,389,194	91,858,877	61,530,317	59.9%
Payments						
Compensation of Employee	2,708,500	1,902,360	4,610,860	3,013,740	1,597,120	65.4%
Use of goods and services	7,016,908	264,137	7,281,045	5,778,956	1,502,089	79.4%
Transfer To other Government Units	77,768,111	22,500,001	100,268,112	40,942,905	59,325,207	40.8%
Other grants And Transfer	33,662,856	5,192,379	38,855,235	38,855,235	0	100.0%

Acquisition of Assets	2,373,942	-	2,373,942	2,373,942	-	100.0%
Other Payments		-	-	-	-	
Total	123,530,317	29,858,877	153,389,194	90,964,778	62,424,416	59.3%

74. Further, the Fund incurred an under-expenditure on three notable expenditure items: compensation of employees, use of goods and services and transfer to other government units at an average rate of 38.13%. Consequently, the Fund did not operate within its approved budget, and this may negatively impact on the planned service delivery to the constituents.

Response by the Fund Account Manager

75. There were delays in receipt of funds from exchequer. However, projects were completed when the funds were received the photos and completion certificates were provided to the auditor for review.

Committee Observations

76. *The Committee observed that the under-expenditure was as a result of late disbursement of funds by the Exchequer. The projects were later completed when the funds were received. The photos and completion certificates were provided to the auditor for review*

Committee Recommendation

77. *The Committee recommends that the National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

1.0 Project Implementation and Management

78. The management was to implement a total of 414 projects. However, four (4) projects valued at Kshs. 2,995,000.00 were re-allocated, four (4) valued at Kshs. 2,200,000 had not started, ninety-nine (99) valued at Kshs. 111,280,317 were ongoing and three hundred and seven (307) valued at Kshs. 234,057,542 were completed. The project implementation status is analyzed below:

Sector /Status	Abandoned		Re-allocated		Ongoing		Complete	
	No	Value	No	Value Kshs.	No	Value Kshs.	No	Value Kshs.
Administration					7	26,569,704	2	2,000,000

Agriculture					0		
Education				62	73,700,000	71	59,844,410
Environment				10	3,339,355		
Health		4	3,000,000	3	2,500,000		
Market					0		
Road				61	22,000,000		
Security				1	1,200,000		
Sports				2	3,801,106		
Total		4	3,000,000	146	133,110,166	73	61,844,410

79. No satisfactory explanation why the CDF management failed to complete one hundred and fourty six (146) projects and abandoned the four projects. The unsatisfactory performance has denied the constituents important public service that had been budgeted for.

Response by the Fund Account Manager

80. This was caused by delays in receipt of funds from the exchequer. However, projects were completed when the funds were received the photos and completion certificates were provided to the auditor for review.

Committee Observations

81. *The Committee observed that: -*
- i. This was caused by delay in receipt of funds from exchequer. However the projects were later completed when the funds were received. The photos and completion certificates were submitted to the auditor for review.*
 - ii. Following physical verification by the Office of the Auditor General. The Management response was found to be satisfactory. The issue of disbursement of funds is beyond the control of NG-CDF.*

Committee Recommendation

82. *The National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies*

Mr. Justus Ogutu Noo, the Fund Manager took oath of witness and tabled the Mumias East NG-CDF management responses and supporting documents on the audited accounts of Financial Years 2013/2014 to 2015/2016.

FINANCIAL YEAR 2013/2014

1.0 Accuracy of the Financial Statement.

83. The statement of financial assets and liabilities as at 30 June 2014 reflects net assets of Ksh. 21,952,756.00. However, the constituency Development Fund did not maintain a General Ledger from which it could periodically extract balances for preparation of the financial statements. Further, the fund did not maintain proper books of account.

Consequently, the accuracy of the net assets balances totaling Ksh. 21,952,756.50 could not be confirmed as at 30 June 2014

Response by the Fund Account Manager

84. A General Ledger showing a comprehensive Annual Expenditure Return that were maintained and used to generate the financial statements has been availed to the auditor for review.

Committee observation

85. *This query arose due to late submission of the documents which was later submitted. Late submission of documents for audit verification is an offence under the Public Audit Act 2015.*

Committee Recommendation

86. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

2.0 Incomplete CDF Office Occupation

87. The constituency Development Fund Office was constructed at a cost of Ksh. 8,991,397.80 and occupied without official handover by the contractor. The legal rights and obligations of both parties may not have been complied with, which may result into litigation. In the circumstances, it has not been possible to confirm the completeness of the Office and whether value for money was obtained in the transaction as at 30 June 2014.

Response by the Fund Account Manager

88. The CDF office construction was carried out by the parent Mumias constituency. During the division, Mumias East inherited the office.
89. The occupation of the office was done at a time when the contractor had practically completed construction and was making good defects on the building during the defects liability period. Official handover conducted and certificate of practical completion and handing over Minutes of 15/01/2014) were submitted.

Committee observation

90. *The Committee observed that the explanation offered by the Fund Account Manager was satisfactory. The query was adequately addressed and resolved.*

3.0 Committee Allowances

91. During the year, the fund spent Ksh. 494,000.00 on committee allowances. However, schedules of the reported committee allowances of Ksh. 494,000.00 were not made available for audit review. As a result, the propriety of the expenditure could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

92. The Schedule were later availed to the auditor for verification.

Committee Observation

93. *The Committee observed that the Fund Account Manager did not provide at the time of the audit, schedules to support the expenditure of Kshs 494,000.*

Committee Recommendation

94. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

4.0 Unsupported Bursaries

95. The fund disbursed bursaries amounting to Ksh. 5,668,000.00 to Secondary Schools, Ksh. 2,519,000.00 to tertiary Institutions, Ksh. 94,000.00 to special Institutions and Ksh. 808,000.00 for Mocks and CATs respectively all adding up to Ksh. 9,089,000.00 as at 30 June 2014. However, schedules of beneficiaries and supporting minutes were not made available for audit review.

In view of the foregoing, the propriety of the expenditure of Ksh. 9,089,900.00 could not be confirmed as at 30 June 2014

Response by the Fund Account Manager

96. The schedules of beneficiaries and minutes approving the beneficiaries were later availed to the auditor for verification (schedules of beneficiaries and supporting Minutes of 24/02/2014, 31/03/2014, 10/04/2014, 25/04/2014 and 01/06/2014).

Committee Observation

97. *The Committee observed that 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. The supporting documents were however later availed and verified by the auditors.*

Committee Recommendation

98. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

5.0 Mwitoti Administration Police Camp.

99. Included in the figure of other grants and transfers in the statement of receipts and payments, is an amount of Ksh. 800,000.00 paid out for the construction work of an Administration Police Camp at Mwitoti. However, no supporting documentation to confirm ownership of the land on which the camp was being built had been provided for audit review. Further, the project was reportedly initiated by the former Mumias Constituency Development Fund before split, hence it was not clear the portion of the project the current CDF was to undertake.

Consequently, the propriety of the expenditure of Ksh. 800,000.00 could not be confirmed as at 30 June 2014

Response by the Fund Account Manager

100. The land transfer process was still ongoing as at the time of audit. The title deed was obtained in 2015. Ksh. 800,000 was spent on completion of the AP Camp including (plaster works, fitting steel doors and windows with glasses, flooring and gable end walling). A copy of the same was submitted to the auditor for review. (Copy of title deed, codelist, Reallocation Letter, Payment Voucher, Minutes for 25/04/2014)

Committee Observations

101. *The Committee observed that:-*

- i. At the time of the audit, the Fund Account Manager had not provided for audit review the documentation to confirm ownership of the land on which the camp was being built.*
- ii. The supporting documents (title deed, codelist, Reallocation Letter, Payment Voucher, Minutes for 25/04/2014) were later availed and verified by the auditors.*

Committee Recommendation

102. *Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

1.0 Unsupported Employee Compensation

103. The CDF recruited 4 (four) staff at payroll cost of Ksh. 486,214 per annum. However, recruitment records such as copies of advertisement and minutes of interviews were not made available to confirm that the appointments were done competitively and in accordance with the regulations of the CDF Act 2012. Further, the fund provided payrolls for three months amounting to Ksh. 234, 507 for audit verification. The difference of Ksh. 251,707.00 remained unsupported.

In the circumstances, the Employee Compensation expenditure of Ksh. 251,707.00 could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

104. The office had since availed the advertisement and selection panel report towards the staff recruitment to the auditor for clearance. The 4 Staff were competitively recruited through the advertisement dated 28/08/2013 and the interviews conducted on 10/9/2013. The Ksh. 486,214 spent on recruited staff was based on payroll and a minute approving the expenditure provided. (Payrolls, Advertisement and Minute of 13/09/2013)

Committee Observation

105. *The Committee observed that supporting documents for compensation of employees were not availed for audit review. They were, however, submitted later to the auditor for verification. The query was adequately addressed and resolved.*

Committee Recommendation

106. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

7.0 Undetermined Assets Ownership

107. The fund has not changed the ownership documents of the land parcel East/Wanga/Eluche/2645 where the office is situated and Motor Vehicle GKA 585T Bus to its name as required. Further the values of the land and motor vehicle were not disclosed in the notes to the financial statements as required. Consequently, the accuracy and ownership of the land and Motor Vehicles could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

108. The Mumias East CDF Committee took note of the need to change Ownership of Office Land and CDF Bus GK 585T to the name of CDF Board as required. These are assets that earlier belonged to the former larger Mumias Constituency.
109. The Motor Vehicle was earmarked for disposal by donating it to the newly established Kenya Medical Training College (KMTC) Shianda. The request was presented to the NGCDF Board and approved as per their Ref: NG-CDFB/PROC/035/2020-2021 dated 13th July 2021.
110. The values of the said assets were later disclosed in the financial statement as required under Other Important Disclosures, Fixed Assets Register as Office Land Ksh. 700,000 and CDF Bus Isuzu NPR66 Ksh. 3,080,000 at cost respectively

Committee Observation

111. *The Committee observed that the supporting documents for land (title deed) and ownership of the vehicle(log book) were not provided for audit review. They were however submitted later to the auditor for verification. The query was adequately addressed and resolved.*

Committee Recommendation

112. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

FINANCIAL YEAR 2014/2015

1.0 Presentation and Completeness of the Financial Statements

113. According to the International Public Sector Accounting Standards (Cash Basis) Financial statements presentation format prescribed by the National Treasury requires the management to include the action taken on the previous year auditor's recommendations. In the year 2013/14, Mumias East CDF had a qualified opinion. However, no report on the progress on follow up of audit issues was included in the financial statements for the year under review.

In the circumstances, the presentation of the financial statements for the year ended 30 June 2015 were not in conformity with IPSAS (Cash Basis)

Response by the Fund Account Manager

114. As at the time of preparation of Financial Statement, Mumias East CDF had not received the Audit Certificate for the FY 2013/14. The certificate was received later in 2015.
115. A report on the progress on follow up of audit recommendations in the year 2013/14 was later availed to the auditor for verification.

Committee Observations

116. *The Committee observed that:-*

- i. The Fund Account Managers experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in the preparation of financial statements;*
- ii. 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; and*
- iii. The committee also observed that the Mumias East CDF had not received the Audit Certificate for the FY 2013/14*

Committee Recommendations

117. *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.*
- ii. The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6%*

administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.

2.0 Budgetary Control and Performance

118. During the year under review, the fund received an amount of Ksh. 52,538,781 as compared to the approved budget of Ksh. 105,077,562 implying an underfunding of Ksh. 52,538,781
119. Consequently, the fund failed to meet its budget targets and service delivery obligations on project implementation to the constituents.

Item	Final Budget	Actual Receipts Expenditure	Difference	Percentage Of Utilization Of Funds
Transfers from CDF Board	105,077,562	52,538,781	52,538,781.20	50%
Total	105,077,562	52,538,781	52,538,781	
Payments				
Compensation of employees	2,000,000	1,297,118	702,882	65%
Use of goods and services	2,770,957	2,647,685	123,272	96%
Committee expenses	4,140,000	3,501,347	638,653	85%
Transfers to other government units	64,417,690	26,368,759	38,048,931	41%
Other grants and transfers	51,775,225	35,330,656	16,444,569	68%
Social security benefits	30,000	10,600.00	19,400	35%
Acquisition of assets	0	2,215,072.20	(2,215,073)	0%
Other payments	30,000	20,560	9,440	69%
Total	125,163,873	71,391,798	53,772,075	57%

Response by the Fund Account Manager

120. This was occasioned by the late disbursement of funds to the constituencies by the exchequer. The projects that had not been funded later received funds in the subsequent year.
Committee Observation
121. *The Committee observed that this was occasioned by the late disbursement of funds to the constituencies by the exchequer. The projects were later funded in the subsequent year.*
Committee Recommendation

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

3.0 Project Implementation and Management

123. The fund's total project allocation for two years ending 30 June 2015 amounted to Ksh. 175, 074,445 out of which projects with allocations amounting to Ksh. 55,919,899 remained ongoing and incomplete, two hundred and twenty-two (222) projects costing Ksh. 95,931,000 were completed while fifty-five (55) projects with allocation of Ksh. 23,223,546 were not yet started as of March 2016.
124. Among the ongoing projects were staff houses in four (4) health institutions with an allocation of Ksh. 2,252,759 which stalled due to inadequate funding as analyzed.
125. In view of the foregoing, the fund has not executed and managed project implementation to deliver value for money for the constituents.

	Not Started		Ongoing		Complete		Total(kshs)
	No.	Allocation (Kshs)	No.	Allocation (Kshs)	No	Allocation (Kshs)	
Administration	0		12	11,235,526	8	12,348,558	23,584,083.35
Agriculture	0		0	-	1	82,200	82,200.00
Education	10	17,000,000	20	31,206,915	147	75,871,679	124,078,593.54
Environment	33	2,623,546	12	2,006,077	4	280,000	4,909,623.05
Health	1	1,800,000	4	4,482,759	12	3,502,000	9,784,759.00
Market	10	800,000		-	-	-	800,000.00
Road	0	-	0	-	2	360,750	360,750.00
Security	1	1,000,000	9	6,940,000	7	3,454,536	11,394,536.00
Sports	0	-	41	48,623	41	31,277	79,900.26
Total	55	23,223,546	98	55,919,899	222	95,931,000	175,074,445.20

Response by the Fund Account Manager

126. This was occasioned by the late disbursement of funds to the constituencies by the exchequer, however, the NGCDF Board released the remaining balance of funds Ksh. 52,538,781.20 in the succeeding financial year to Mumias East CDF.
127. Although the funds were released after the closure of financial year, Mumias East CDF has since made use and implemented the projects as budgeted.
128. Funding of the prefabricated staff houses in four (4) health institutions at Khaunga, Musango, Lusheya and Kamashia Health Centres was a conditional grant of Ksh. 1,120,689.75 each.

129. The projects were later implemented, completed and are currently in use since 2015.(Project Implementation Status Report and copies of completion certificates)

Committee Observations

130. *The Committee observed that:-*
- i. *Slow implementation of projects was occasioned by the late disbursement of funds by the National Treasury*
 - ii. *Mumias East implemented the projects as budgeted and the projects are in use.*
 - iii. *Construction of the prefabricated staff houses in four (4) health institutions at Khaunga, Musango, Lusheya and Kamashia Health Centres was completed, and they are in use since 2015. The project was a conditional grant of Ksh. 1,120,689.75 each.*

Committee Recommendations

131. *The Committee recommends that;*
- i. *The Accounting Officer ensures that the Fund Account Manager and PMCs undertake feasibility studies before undertaking huge projects for smooth implementation.*
 - ii. *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.*

4.0 Transfer to Other Government Units

132. During the year under review, the fund transferred Ksh. 26,368,759 to other government units. Included in the amount is Ksh. 4,700,000 disbursed to schools and school project grants.
133. However, physical verification of the projects in 4 schools (Ebubere, Shitoto, Lubinu and St. Stephen Secondary Schools) revealed that construction work carried out were not as per specifications.

Response by the Fund Account Manager

134. The implementation of projects in the listed 4 Schools was later completed after the audit process and the projects are in use.
135. The projects are done under the supervision of an officer from the works office who gives the specifications and monitors its implementation. The works officer provided the status and final completion certificate for the projects provided to the auditor for review. (Completion Certificates for the 4 schools projects)

Committee Observation

136. *Following physical verification carried out by the Office of the Auditor General. It was established that the four (4) Schools were later completed and are in use. The query was adequately addressed and resolved.*

Committee Recommendation

137. *The Committee recommends 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.*

5.0 Industrial Development Centre

138. The construction of an industrial development center was procured at a cost of Ksh. 2,640,078 which was completed but not yet handed over. However, the work done was not as per specification in the bills of quantity (BQ) as eight windows measuring 1200 X 1200 millimeters had not been fixed instead of the billed 1200 X 1500 millimeters. Gutters had not been installed at the back of the building though the same was billed. Further, there was no inspection and acceptance committee report on the building and although full amount of Ksh. 2,640,078 had been paid and the building was in use, handing over had not been completed.

Response by the Fund Account Manager

139. The building was constructed and completed accordingly by December 2015. Project exit meeting was held from which final payment advice was generated. The building was occupied soon after.

Committee Observation

140. *The Committee observed that:-*
- i. Following physical verification carried out by the Office of the Auditor General. It was established that the building was constructed and completed in August 2015.*
 - ii. Project final payment advice was discussed during the exit meeting. The building was occupied soon after.*
 - iii. Inspection and Acceptance Committee Report & Handing Over Report, Completion Certificate were verified by the Office of the Auditor General.*
 - iv. The query was adequately addressed and resolved.*

Committee Recommendations

141. *The Committee recommends that:*
- (i) The Accounting Officer ensures that the Fund Account Manager and PMCs undertake feasibility studies before undertaking huge projects for smooth implementation.*
 - (ii) 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.*

6.0 Unaccounted for Disbursements for Sports

142. The fund disbursed to project management committee Ksh. 600,000 for sports. However, the expenditure returns were not provided for audit review. Consequently, the propriety of the expenditure could not be confirmed.

Response by the Fund Account Manager

143. The sports expenditure returns were later availed to the auditor for verification.

Committee Observation

144. *Following physical verification by the Office of the Auditor General and review of the expenditure returns. The Committee observed that the query was adequately addressed and resolved.*

Committee Recommendation

145. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

7.0 Fixed Assets Register

146. The summary of fixed assets registers at annex 4 shows an opening balance of Ksh. 13,852,296 and closing balance of Ksh. 15,396,792 as at 30 June 2015. However, the statement of receipts and payments includes acquisition of assets worth Ksh. 2,215,073 during the year giving rise to a closing balance of Ksh. 16,067, 369. Therefore, there is an unexplained understatement of Ksh. 670,577

As a result, the accuracy and completeness of the fixed assets summary could not be confirmed.

Response by the Fund Account Manager

147. This was an oversight that has since been rectified and presented to the auditor for review. (Schedule for Acquisition of Assets)

Committee Observation

148. *The Office of the Auditor General rectified the report and reinstated figure of Kshs. 670,577 in the assets register.*

Committee Recommendation

149. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

FINANCIAL YEAR 2015/2016

1.0 Inaccuracies and Presentation of the Financial Statements

150. The international public sector accounting standards (Cash Basis) Financial statements presentation format prescribed by the Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditor's recommendations. In the year 2014/15, Mumias East CDF had an adverse Audit opinion. However, the report on follow up of audit issues raised in the audit report had not been incorporated in the financial statements during the year under review as required.
151. In the circumstances, the completeness and presentation of the financial statements as at 30 June 2016 could not be confirmed
Response by the Fund Account Manager
152. As at the time of preparation of Financial Statement, Mumias East CDF had not received the Audit Certificate for the FY 2014/15. The certificate was received later in 2016.
153. A report on the progress on follow up of audit recommendations in the year 2014/15 was availed to the auditor for verification.

Committee Observations

154. *The Committee observed that:-*
- (i) The Committee observed that at the time of preparation of the financial statements Mumias East CDF had not received the Audit Certificate for the FY 2014/15. The certificate was received later in 2016.*
 - (ii) The Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General.*
 - (iii) The query was adequately addressed and resolved.*

Committee Recommendations

155. *The Committee recommends that:-*
- (i) The NG-CDF Board should conduct continuous capacity building on financial reporting standards for staff at the Constituency offices to improve the quality of reporting and enhance compliance; and*

- (ii) *The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

2.0 Unaccounted for Funds

156. The management disbursed Ksh. 16,000,000 towards the construction of Wanga College of Science and Technology. However, it was not possible to ascertain that the funds were received and used for the intended purposes since neither the returns nor bank statements were availed for audit.
157. Further it was noted that the management was to disburse Ksh. 10,000,000 to sangalo Institute of Science and Technology which was appointed as a mentor institution charged with the implementation of the project by the Ministry of education but instead disbursed Ksh. 16,000,000 resulting to an unexplained overpayment of Ksh. 6,000,000

Response by the Fund Account Manager

158. Wanga College of Science and Technology was the initially proposed name for the the Wanga Technical Training Institute in Mumias East. The Wanga TTI project was a Co-funded project between Mumias East NGCDF which was required to provide construction site and commit Ksh. 10,000,000 for the construction and the Ministry of Education which committed Ksh. 40,000,000. The NGCDFC committed a further Ksh. 6,000,000 for acquisition of Land.
159. Sangalo Institute of Science & Technology was predetermined as a Mentor institution by the Ministry of Education and charged with the implementation of the project.
160. NGCDFC transferred its Ksh. 10,000,000 funding to Sangalo Institute of Science & Technology account held in the name of the project.
161. The overall implementation of the project was undertaken by the mentor Institution.
162. The construction of the TTI project was completed.
163. Ksh. 6,000,000 was transferred to a Mumias East CDF Project Management Committee which handled the acquisition of Land for the construction of TTI as a separate project from the construction project.

Committee Observation

164. *Following physical verification carried out by the Office of the Auditor General and authentication of expenditure returns, bank statements. The Committee noted that the query was adequately addressed and resolved.*

Committee Recommendation

165. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

3.0 Cash and Cash Equivalents

166. During the year under review, the management did not avail for audit the board of survey report. As a result, the nil balances in respect to cash at hand and standing imprests reflected in the notes to the financial statements could not be confirmed as correct.
167. Further it was noted that the Ksh. 5,860,560 reflected in the financial statements under cash and cash equivalents differs with the cash book balance figure of Ksh. 5,267,888 by Ksh. 592,672.

Consequently, it was not possible to ascertain that the cash and cash equivalents balance of Ksh. 5,860,560 reflected in the financial statements was fairly stated

Response by the Fund Account Manager

168. The Balance used in the preparation of financial statement was the actual Cashbook Balance.
169. The correct cashbook extract later availed to the auditor for verification.

Submission by the Fund Account Manager

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

Committee Observation

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

Committee Recommendation

172. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

4.0 Irregular Procurement

173. The three (3) Contractors quoted for the construction of an administration block at Musango Mixed Secondary School as follows

Firm	Amount
Amadon General Agencies	2,030,826
Contract Service Associates	1,500,000
Mamok & Home Company	1,442,655

174. The contract was awarded to M/S Contract Service Associates who quoted Ksh. 1,500,000 although the firm was the second lowest bidder. The firm had also been deemed non-responsive on grounds that he had no financial capacity for the work.
175. In view of the above, the procurement laws and regulations were violated.

Response by the Fund Account Manager

176. The PMC's had grossly overlooked key aspects in their evaluation of responsive bidders instead subjective terms i.e the manner of presentation was used. Despite Mamok and Home Company being the lowest bidder, it did not prove to be responsive enough in terms of technical competence. The company lacked a profile for construction works and had no proven experience of undertaking similar works. With such shortcoming, the lowest bid alone could not therefore guarantee award of tender to M/S Mamok & Home Company. The NGCDFC intervened and the project was completed and is now in use.

Committee Observation

177. *Following physical verification by the Office of the Auditor General and the explanation given by the Fund Account Manager. The Committee observed that the query was adequately addressed and resolved.*

Committee Recommendation

178. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

5.0 Unsupported Expenditure

179. The fund made payments totaling Ksh. 4,622,145 being Ksh. 3,896,600 to Mumias District Education Board and Ksh. 725,545 to Mumias East CDF Sports. However, the payments were not supported with relevant documents.

Consequently, it was not possible to ascertain the propriety of the expenditure

Response by the Fund Account Manager

180. The payments of Ksh. 3,896,600.00 to Mumias District Education Board was meant for Exam Mocks and CATs and other education activities which were implemented and completed. The payments of Ksh. 725,545.00 to Mumias East CDF Sports kitty which was implemented and completed. The expenditure returns were later availed to the auditor for review.

Committee Observation

181. *The Fund Account Manager's explanation was satisfactory. The query was adequately addressed and resolved.*

Committee Recommendations

182. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

OTHER MATTERS

1.3 Budget Control and Performance.

183. The fund budget receipts were Ksh.166,990,294 inclusive of Ksh. 55, 659,080 brought forward from 2014/15. However, the actual expenditure was Ksh. 105,391,193 resulting in an under expenditure of Ksh. 61,599,101.

Consequently, the fund did not operate within the approved budget and this could have negatively impacted service delivery of services to the constituents.

Response by the Fund Account Manager

184. Underutilization was occasioned with the delay of release of funds from the exchequer.
185. Mumias East NGCDF made use and implemented all the projects in the succeeding financial year as budgeted thus fulfilling the intended objectives.

Committee Observations

186. *The Committee observed that:*

- i. *The underutilization of the funds was due to late disbursement of funds by the exchequer.*
- ii. *The projects were implemented in the succeeding financial year as budgeted.*

Committee Recommendation

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

2.0 Project Implementation and Management

188. The management was to implement a total number of 150 projects valued at Ksh. 71,103,742. However, ten (10) projects valued at ksh. 6,456,000 had not started, 74 projects valued at Ksh. 45,766,118 were ongoing and 66 projects valued at Ksh. 18,881,624 were completed.
189. Failure to implement and complete projects as budgeted for will negatively affect achievement of development objectives in the constituency.

Response by the Fund Account Manager

190. Underutilization was occasioned with the delay of release of funds from the exchequer. Mumias East NGCDF made use and implemented all the projects in the succeeding financial year as budgeted thus fulfilling the intended objectives.


Committee Observation

191. *The Committee observed that the underutilization of the funds was due to late disbursement of funds by the National Treasury and the explanation by the Fund Account Manager was satisfactory.*

Committee Recommendation

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

There being no other business, the meeting was adjourned 1.05 p.m. The next meeting will be held on Monday 6, March 2023.

SIGNED..........DATE.....16/3/2023.....

HON. GIDEON MUTEMI MULYUNGI, M.P

(CHAIRPERSON)

DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 13TH SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON SUNDAY 5TH MARCH 2023, IN HOLIDAY INN, SAMBURU CONFERENCE KIAMBU COUNTY AT 2.30PM

PRESENT

1. Hon. Gideon Mutemi Mulyungi, M.P. - Chairperson
2. Hon. Gertrude Mwanyanje Mbeyu, M.P - Vice-chairperson
3. Hon. Mejjadonk Benjamin Gathiru, M.P.
4. Hon. Innocent Momanyi Obiri, M.P
5. Hon. Caroline Jeptoo Ng'elechei, M.P
6. Hon. Joseph Kahangara Mburu, M.P
7. Hon. Stephen Mogaka, M.P

APOLOGIES

1. Hon. David Mboni Mwalika, M.P.
2. Hon. Abdi Barre Hussein, M.P
3. Hon. Adhe Guyo Wario, M.P.
4. Hon. Dorothy Muthoni, Ikiara, M.P
5. Hon. Jackson Lentoijoni, Lekumontare, M.P.
6. Hon. Joyce Osogo, Bensuda, Atieno, M.P
7. Hon. Martin Wanyonyi Pepela , M.P
8. Hon. Reuben Kipngor, Kiborek, M.P

IN ATTENDANCE

SECRETARIAT

- | | |
|-------------------------|-------------------------|
| 1. Mr. Ahmad Guliye | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Ms. Comfort Achieng | Clerk Assistant III |
| 5. Mr. Clinton Sindiga | Legal Counsel II |
| 6. Ms. Elizabeth Kibati | Research Officer III |
| 7. Mr. Calvin Njoroge | Media Relations Officer |

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND

- | | |
|--------------------------|--------------------------------------|
| 1. Ms. Beatrice Otieno | Manager Field Financial Coordination |
| 2. Ms. Elizabeth Kilundu | Chief Manager, Programmer |
| 3. Mr. Julius Oketch | Fund Account Manager Shinyalu |
| 4. Ms. Christine Muyaka | Fund Account Manager Mumias West |

- | | |
|-------------------------|---------------------------------|
| 5. Mr. Winston Ochanda | Fund Account Manager Teso North |
| 6. Mr. Humphrey Sechero | Fund Account Manager Lurambi |
| 7. Mr. Thomas Ontweka | Fund Account Manager Navakholo |
| 8. Ms. Mary Musaki | Fund Account Manager Matungu |

OFFICE OF THE AUDITOR-GENERAL

- | | |
|------------------------|-----------------------------------|
| 1. Mr. Fred Abuga | Assistant Director Western Region |
| 2. Mr. Maurice Oyoo | Liaison Officer |
| 3. Mr. Patrick Kimani | Principal Auditor Western Region |
| 4. Ms. Pamela Ochieng' | Principal Auditor Western Region |

NATIONAL TREASURY

- | | |
|-------------------|--------------------|
| Mr. Simon Kiriiba | Assistant Director |
|-------------------|--------------------|

MIN. NA/AA&SC-DFAC/2023/58 PRELIMINARIES

The Chairperson called the meeting to order at 2.17 pm, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the Auditor General Reports on Accounts of Shinyalu and Mumias West Financial year 2013/2014 to 2015/2016.**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&SC-DFAC/2023/59 EXAMINATION OF THE AUDIT REPORTS ON ACCOUNTS OF SHINYALU NG-CDF THE FINANCIAL YEAR 2013/2014 TO 2015/2016

Mr. Julius Oketch, the Fund Manager took oath of witness oath and tabled the Shinyalu NG-CDF management responses and supporting documents on the audited accounts of Financial Years 2013/2014 to 2015/2016.

FINANCIAL YEAR 2013/2014

1.0 Accuracy and completeness of the financial statements

1. The Fund did not comply with standard template contained in the Gazette pronouncement issued by IPSAS Board on the presentation of the financial statements as the statement of cash flows was not prepared. Further, the General Ledgers from which the financial statements were to be prepared were not maintained.
2. Consequently, the accuracy and completeness of the financial statements could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

3. The statement of cashflow were included in financial report and availed for Audit review, also a comprehensive annual expenditure return, which serves as the general ledger and from which the financial statements were availed for Audit review.

Committee Observation

4. *The Committee observed that the management revised cash flow statement and ledgers in compliance with International Public Sector Accounting Standards (IPSAS) and submitted them to the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

5. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*

- (i) keeps financial and other records that are accurate, reliable, and complete;*
- (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- (iii) should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- (iv) should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

2.0 Cash and Cash equivalents

6. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs 1,948,622.20 as at 30 June 2014. However, the financial statement figure of Kshs. 1,948,622.20 differs with cash book balance of Kshs. 136,241.20 by unexplained difference of Kshs 1,812,381.00.

7. Further, the bank reconciliation statement made available showed the balance as per bank certificate of Kshs 4,503,275.25 but was not supported by certificate of bank balances and board of survey.
8. In the circumstances, the accuracy of the cash and cash equivalents balance of kshs 1,948,622.20 could not be confirmed as at 30 June 2014.

Response from the Fund Account Manager

9. Kshs. 136,214.20 was the correct cashbook balance as at 30th June 2014, the financial statements have been amended to reflect the correct position. The corrected financial statements were provided to the auditor for review.

Committee Observations

10. *The Committee observed that:-*
 - i. *corrected financial statements were not availed during the audit process.*
 - ii. *the updated cash book and certificates of bank balance and board of survey report were later submitted and verified by the office of the Auditor General.*

Committee Recommendations

11. *The Committee recommends that the Accounting Officer: -*
 - (i) *ensures that the Fund Account Managers: -*
 - a) *keeps financial and other records that are accurate, reliable, and complete;*
 - b) *adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c) *adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d) *adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
 - (ii) *engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

3.0 Transfers to other government entities

12. Included in the reported amount for transfers to other Government Entities in the statement of receipts and payments is an amount of Kshs 23,300,000.00 disbursed to various institutions. However, there were no Project Management Committee minutes and inspection reports to confirm the use of the disbursed funds. As a result, the propriety of the funds could not be confirmed as at 30 June 2014.

Response from the Fund Account Manager

13. At the time of audit most sampled projects had not handed over their records. Copies of the project management minutes, completion certificates and acceptance and inspection certificates have been availed for review.

Committee Observation

14. *The Committee observed that though Project Management Committee minutes and inspection reports to confirm the use of the disbursed funds were later availed and verified, it was not clear why this was not explained during the audit process.*

Committee Recommendation

15. *The Committee recommends that:-*
 - i. *The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*
 - ii. *The Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

4.0 Other grants and payments

16. Included in the reported balance of Other Grants and Payments of Kshs. 1,437,933.00 paid out to four (4) projects out of the emergency fund as at June 2014. However, projects status and

management committee minutes of the four projects were not made available for audit verification. Consequently, the propriety of the expenditure of Kshs 1,437,933.00 payments could not be confirmed as at 30 June 2014

Response from the Fund Account Manager

17. Copies of PMC records including all procurement documents were availed to the auditor for review.

Committee Observation

18. *The Committee observed that this was a case where documents were not provided for audit within the statutory timelines but were later provided, hence resolving the matter.*

Committee Recommendation

19. *The Committee recommends that:-*
 - i. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*
 - ii. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

FINANCIAL YEAR 2014/2015

1.0 Accuracy and completeness of the financial statements

20. The international public sector accounting standards (IPSAS) – Cash basis financial statements presentation format prescribed by the Kenya Public Sector Accounting Standards Board requires the management to include the action taken on the previous year auditors’ recommendations. In the year 2013/2014, Shinyalu CDF received an adverse audit opinion. However, in report on follow-up of the issues raised in the audit report has not been included

in the financial statements for the year under review as required. Therefore, the presentation of the financial statements does not conform to IPSAS (cash basis) as prescribed by Kenya Public Sector Accounting Standards Board and in accordance with the Public Finance Management Act 2012.

21. Further, the statement reflects a restated cash at bank balance of Kshs 3,358,223.00 and cash on hand of Kshs 1,948,622. However, analysis of the prior year adjustments made on the balances have not been provided for audit review.
22. Note vii of the statements of receipts and payments indicates that the Fund received four Authority to incur Expenditure (AIE) certificates totaling Kshs 94,083,500. However, the summary statement of appropriations reflects receipts totaling to Kshs 86,684,463 resulting in an expenditure variance of Kshs 7,399,037.
23. In the circumstances, the accuracy, completeness and presentation of the financial statement balances as at 30 June 2015 cannot be confirmed.

Response from the Fund Account Manager

24. During the time of preparation of the statements the constituency had not received the final audited report hence did not include the report in the financial statements. However, the financial reports were revised and the report on prior year audit issues included and provided to the auditor for review.

Committee Observations

25. *The Committee observed that:-*

- (i) The Fund Account Manager did not comply with the International Public Sector Accounting Standards (IPSAS) framework in the preparation of financial statements.*
- (ii) The Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General.*
- (iii) The query was adequately addressed and resolved.*

Committee Recommendations

26. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*
 - (i) keeps financial and other records that are accurate, reliable, and complete;*
 - (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards*

prescribed and published by the Accounting Standards Board from time to time”.

2.0 Budgetary control and performance

27. During the year under review, the Fund’s budgeted receipts totalled to Kshs 158,173,858. However, only Kshs 94,083,500 was received, resulting in under- funding of Kshs 64,090,359. Consequently, projects of equivalent value were not implemented. Under the circumstance, the Fund did not meet its targets in providing services to the constituents.

Response from the Fund Account Manager

28. The budget underperformance was as a result of peace meal funding from the ex-chequer. The projects were later funded in the subsequent financial year and have since been completed; updated PIS were availed to the auditor for review.

Committee Observation

29. *The Committee observed that although the project was later funded in the subsequent financial year. Inadequate funding from the ex-chequer delayed completion of the projects within the period when they were supposed to be completed.*

Committee Recommendation

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

3.0 Project Implementation and Management

31. The Fund’s project budgeted for in the two financial years 2013/2014 and 2014/2015 and allocated to Kshs 20,082,758 and Kshs 55,996,510 respectively but were not completed. As at May 2016, five projects allocated Kshs 5,200,000 were either abandoned or had stalled while the implementation of twenty-four others allocated Kshs 8,900,000 had not actually commenced.
32. As a result of delays in completion of projects, the Fund did not meet its planned and budgeted delivery of services to the constituents. Further, the delay and / or failure to implement projects over long periods could raise project costs besides distorting subsequent years budget.

Response from the Fund Account Manager

33. The projects were completed as seen in the current PIS.

Committee Observation

34. *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 were implemented and in use. The query was adequately addressed and resolved.*

Committee Recommendation

35. *The Committee recommends that the National Treasury should ensure timely disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

4.0 Committee expenses

36. Available records indicate that during the year under review, the Fund spent a total of kshs 7,991,687.00 on committee expenses. However, the balance differs with the supporting schedule balance of kshs 10,703,000.00 leading to unexplained variance of Kshs 2,711,313.00. Under the circumstance, the accuracy and propriety of the expenditure totalling to Kshs 7,991,313.00 could not be ascertained.

Response from the Fund Account Manager

37. Kshs. 7,991,687.00 was the correct balance for committee expenses. The schedule of Kshs. 10,703,000 had some errors which led to the discrepancy from the actual expense. The updated schedules have been prepared and availed to the auditor for review.

Committee Observation

38. *The Committee observed that the accounting Officer admitted the error and noted that attendance schedules and expenditure returns were submitted for verification to the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

39. *The Committee recommends that the Accounting Officer should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

FINANCIAL YEAR 2015/2016

1.0 Accuracy, completeness, and presentation of the financial statements

40. The international public sector accounting standards (IPSAS)- cash basis, financial statements presentation format prescribed by the Kenya Public Sector Accounting Standards Board

requires the management to include the action taken on the previous year auditors' recommendations. In the year 2014/15 Shinyalu CDF received an adverse audit opinion. However, the annual report and financial statements under review do not have details of follow up of the issues raised in the audit report as required. Therefore, the presentation of the financial statement does not conform to IPSAS (Cash Basis) as prescribed by Kenya Public Sector Accounting Standards Board and in accordance with the Public Finance Management Act 2012. In the circumstances, the accuracy, completeness and presentation of the financial statement balances as at 30 June 2015 do not conform to the requirement.

Response from the Fund Account Manager

41. During the time of preparation of the statements the constituency had not received the final audited report hence did not include the report in the financial statements. However, the financial reports were revised and the report on prior year audit issues included and provided to the auditor for review.

Committee Observation

42. The Committee observed that the management revised financial statements in compliance with International Public Sector Accounting Standards (IPSAS) and submitted them to the Office of the Auditor General for verification. The query was adequately addressed and resolved.

Committee Recommendations

43. The Committee recommends that the Accounting Officer: -
 - (i) ensures that the Fund Account Managers: -
 - a) keeps financial and other records that are accurate, reliable, and complete;
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that *"The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time"*.
 - c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that *"Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"*.
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that *"An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury"*.
 - (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Statutory Deduction – NHIF

44. The NG-CDF Shinyalu Constituency had three (3) number of employees, all earning gross salary ranging between kshs 15,000 to kshs 21,000 per month and eligible for deduction of National Hospital Insurance Fund (NHIF) of Kshs 600 and Kshs 750 respectively. However, it was noted that the Fund deducts only kshs 180 across board of the three staff thus going against the NHIF regulations 2015 legal notice no 14, which states that effective 1st April 2015 any employee earning a gross income ranging from kshs 15,000 to 19,999 should pay a premium of kshs 600 per month and those earning a gross income between kshs 20,000 and kshs 24,999 be deducted kshs 750 per month. In the circumstances, the fund is in breach of the law which will attract voidable expenses in terms of penalties.

Response from the Fund Account Manager

45. The management acknowledges the audit findings. The error on statutory deductions was noted and the correct rate of premiums implemented in subsequent months. Copies of the payroll of subsequent months were availed for review.

Committee Observation

46. *The Committee observed that the management acknowledged the audit findings and the error on statutory deductions was noted and the correct rate of premiums implemented in subsequent months.*

Committee Recommendation

47. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Manager complies with the provisions of NHIF regulations 2015 legal notice no 14.*

3.0 Unpresented cheques

48. The NG- CDF Shinyalu Constituency had stale cheques totalling kshs 4,683,108 which had not been reversed back to cash book as at the end of 30th June 2016 as requirement in good bookkeeping practice. In the circumstances, it was not possible to ascertain accuracy of the cash and cash equivalents balance reported in the financial statements as at 30 June 2016.

Response from the Fund Account Manager

49. The unpresented cheques were payments for bursary. The stale cheques were reversed and the cash book updated accordingly. The cashbook extract was provided to the Office of the Auditor General.

Committee Observation

50. *The Committee observed that the stale cheques were reversed and the cash book updated accordingly. The explanation offered was satisfactory and therefore the matter was resolved.*

Committee Recommendation

51. *The Committee recommends that the Accounting Officer: -*
- (i) ensures that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that “The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time”.*
 - (ii) The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.*
 - (iii) The NGCDF Board engages the Public Sector Accountings Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all National Government -CDF constituency staff.*

OTHER MATTERS

1.0 Budget control and performance

52. The Fund approved budget receipts were Kshs 199,042,632 which includes kshs 70,284,039 brought forward from 2014/2015. However, actual receipts amounted only Kshs 130,684,039. Consequently, the Fund did not operate within the approved budget and the result impacted negatively on the planned services delivery to the constituents.

Response from the Fund Account Manager

53. The budget underperformance was as a result of inadequate funding from the exchequer. The projects have since been completed as seen in the current Project Implementation Status (PIS).

Committee Observation

54. *The Committee observed that although the projects were completed late exchequer releases impacted negatively on project implementation.*

Committee Recommendation

55. *The Committee recommends that the National Treasury should release funds on time to the National Government Constituencies Development Fund Board as budgeted for implementation of projects.*

2.0 Project implementation and management

56. The NG-CDF Shinyalu Constituency was to implement a total of 172 projects. However, 3 projects with a total cost of Kshs 1,500,000 stalled, 22 projects with a total cost Kshs 7,100,000 were not started, 74 projects with a total cost of Kshs 97,995,962 were ongoing while only 73 projects with a total cost of Kshs 136,534,731 had been completed. In view of the foregoing, the Fund did not deliver the planned service to the constituents and did not therefore achieve its development objectives.

Response from the Fund Account Manager

57. The projects have since been completed as seen in the current Project Implementation Status (PIS) and project photos.

Committee Observations

58. *The Committee observed that: –*

- i. The audit issue was not satisfactorily responded to when the Shinyalu NGCDF appeared before the Committee.*
- ii. The Committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- iii. The Auditors were instructed to carry a physical verification of the 99 projects.*
- iv. Following physical verification of 11 projects out of 99 projects it was established that 5 projects were still incomplete or had missing gaps. This implies that if we extrapolate then 45 projects may still be incomplete. The incomplete projects are:*

Project	Project details	Verification findings
Musembe Dispensary		Completed but not operational
Shimbuye Boys		Incomplete
Shambwali Secondary School dormitory		Incomplete
Shambwali Tea factory Land		The gated land verified, factory not operational, title deeds couldn't be confirmed
Musembe Dispensary		Completed but operational

Committee Recommendation

59. *The Committee recommends that the Shinyalui NGCDF and the Board to source for more funds to complete the projects so the value for money can be realized.*

MIN. NA/AA&SC-DFAC/2023/60 EXAMINATION OF THE AUDIT REPORTS ON ACCOUNTS FOR MUMIA WEST NG-CDF THE FINANCIAL YEAR 2013/2014 TO 2015/2016

MUMIAS WEST CONSTITUENCY

60. Ms. Christine Muyaka, the Fund Manager appeared before the Committee on 5th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Mumias West Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Accuracy of the Financial Statement

61. The financial statements as of 30 June 2014 presented for audit review did not include a statement of cash flows contrary to the requirements of IPSAS No. 1 and the Public Sector Accounting Standards Board. As a result, it had not been possible to confirm the accuracy and completeness of the financial statements as of 30th June, 2014.

Response from the Fund Account Manager

62. NG-CDF adopted IPSAS cash reporting framework for the first time in the financial year 2013/14 and the preparation of the cashflow was not mandatory statement in the template. However, the cash flow statement extract had been prepared and provided to the auditor for review.

Committee Observation

63. *The Committee observed that although the matter stands resolved. It is worthy to note that during the year under review preparation of the cashflow was not mandatory. NGCDF started using IPSAS cash reporting framework for the first time in the financial year 2013/14.*

Committee Recommendations

64. *The Committee recommends that the Accounting Officer:-*
- (i) keeps financial and other records that are accurate, reliable, and complete.*
 - (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting*

standards

prescribed and published by the Accounting Standards Board from time to time”.

- (iii) *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that “Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible”.*
- (iv) *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that “An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards; and prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”*

2.0 Irregular Staff Recruitment

- 65. During the year under review, the fund recruited three staffs namely a clerical officer, a clerk of works and an account assistant at a monthly salary of Kshs. 16,692.00, Kshs. 24,662.00 and Kshs. 19,323.00 respectively adding up to Kshs. 60,677.00. However, the recruitment documents (advert, interview report) were not provided for audit review. Consequently, it has not been possible to confirm whether the employees were sourced competitively.

Response from the Fund Account Manager

- 66. Recruited staffs were sourced competitively as evidenced by a copy of the advertisement and minutes of interview panel meeting which were provided to the auditor for review.

Committee Observation

- 67. *The Committee observed that as per the documents reviewed by the Auditor General, due process was followed in the recruitment of staff. The Office of the Auditor General established that they were sourced competitively as evidenced by a copy of the advertisement and minutes of interview panel meeting which were provided for review and verification.*

Committee Recommendations

- 68. *The Committee recommends that:-*
 - i. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to*

provide information within reasonable time that is required under this Act” regarding statutory timelines on submission of documents for audit.

- ii. *The Accounting officer should ensure that the Fund Account Managers comply with the provisions of the Constitution and Employment Act, 2007 when recruiting or terminating staff.*

3.0 Unsupported CDF Office

69. The Mumias West CDF office constructed at cost of Kshs. 8,991,397.80 was occupied without formal hand over and a completion certificate as required. The rights and obligations of both parties have not been confirmed as fully met which may lead to litigations. As a result, it has not been possible to confirm the propriety of the expenditure of Kshs. 8,991,397.80 as of 30 June, 2014.

Response from the Fund Account Manager

70. The construction of the office was started with the larger Mumias constituency. After the split Mumias West maintained the former account for the larger Mumias hence continued funding the construction of the office. The office fell under the jurisdiction of Mumias East and was handed over to the Mumias East constituency. Mumias East NG CDF office was occupied with a formal hand over and a completion certificate issued and presented to the auditor for review.

Committee Observation

71. *The Committee observed that the Auditor General's Office concurred with the response and confirmed that Mumias East NG-CDF office was occupied with a formal hand over and a completion certificate issued and presented to the auditor for review. The query was adequately addressed and resolved.*

4.0 Nugatory Dispensary Expenditure

72. A dispensary constructed at a cost of Kshs. 2,700,000.00 remained unutilized and declared as inhabitable by Public Health Office. The fund did not receive value for money spent on the project and the residents have not obtained the expected service delivery.

In the circumstances, the propriety of the expenditure of Kshs. 2,700,000 could not be confirmed as of 30th June 2014.

Response from the Fund Account Manager

73. Emuchimi Health Centre Project was completed in 2011 and remained unutilized due to inadequate staffing. The County Government of Kakamega through the Sub County Medical Officer of Health (SMOH) agreed to take over the projects. The letter from SMOH confirming the county will utilize the facility was provided to the auditor for review.

Committee Observations

74. *During the field visit on 9th May 2023 the Committee observed that: -*
- i. the building was done to the required standards and was habitable.*
 - ii. the Fund Accounts Manager handed over the facility to the Kakamega County and submitted the handover report to the Committee.*
 - iii. the query was adequately addressed and resolved.*

5. Unsupported Bursary Expenditure

75. Included under Grants and other Payments are bursary awards amounting to Kshs. 17,725,000.00 whose supporting documents and schedules of beneficiaries were not provided for audit review. Consequently, it has not been possible to confirm the propriety of the bursary expenditure of Kshs. 17,725,000.00 as of 30th June 2014.

Response from the Fund Account Manager

76. Mumias West constituency paid Kshs. 21,526,240.00 during the year. Kshs 17,725,000 was part of the bursary expense for that financial year. The Supporting documents and schedules for Kshs. 21,526,240 bursary beneficiaries have since been provided to the auditors for review.

Committee Observation

77. *The committee observed the supporting documents and schedules for Kshs. 21,526,240 bursary beneficiaries were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

78. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”*

6.0 Unimplemented Projects

79. Out of the Ksh. 5,882,760, Ksh. 4,482,760 was to fund four health centres. The change of NG CDF Act led to the NG CDF not funding the devolved functions and funding for the projects was stopped hence the projects stalled at roofing stage. The constituency has been in communication with the Sub County Medical Officer (SMOH) to pick up the projects and complete the projects. The letter from the SMOH indicating the takeover process has been provided to the auditor for review. As a result, the residents of Mumias West Constituency were denied the planned services.

Response from the Fund Account Manager

80. Out of the Ksh. 5,882,760, Ksh. 4,482,760 was to fund four health centres. The change of NG CDF Act led to the NG CDF not funding the devolved functions and funding for the projects was stopped hence the projects stalled at roofing stage. The constituency has been in communication with the Sub County Medical Officer (SMOH) to pick up the projects and complete the projects. The letter from the SMOH indicating the takeover process has been provided to the auditor for review.
81. Further, two projects of St. Vincent Butende Secondary and Matawa youth polytechnic were later funded and completed. The completion certificates and photos for the two projects have been provided to the auditors for review.

Committee Observation

82. *The Committee observed that the matter was partially resolved as the staff houses were not completed and that they were declared devolved but the two schools i.e., St. Vincent Butende Secondary and Matawa youth polytechnic were completed.*

Committee Recommendation

83. *The Committee recommends that the Mumias West NG-CDF should hasten the takeover process by approaching the Kakamega County Government and formally handover the projects.*

7.0 Committee Allowances

84. The Fund did not provide supporting documents for an expenditure of Kshs. 7,024,464.00 in respect of the Committee allowances for the year under review. Consequently, the propriety of the expenditure could not be confirmed as of 30th June 2014.

Response from the Fund Account Manager

85. Ksh. 7,024,464 is the total of note 5 (use of goods and services) to the financial statements Ksh. 5,878,464.05 and note 6 (committee expenses) of Ksh. 1,146,000. The schedules and supporting documents for the use of goods and services and committee expenses were provided to the auditor for review.

Committee Observation

86. *The Committee observed that the supporting documents and schedules for Ksh. 7,024,464 which was the total of note 5 (use of goods and services) to the financial statements Ksh. 5,878,464.05 and note 6 (committee expenses) of Ksh. 1,146,000. were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

87. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act,*

No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.

8.0 Cash and Cash Equivalents

88. The statement of financial assets and liabilities reflects cash and cash equivalents of Kshs. 22,755,741.70 as of 30th June 2014. However, included in the schedule of unrepresented cheques amounting to Kshs. 1,816,620.85, Kshs. 1,156,620.85 are stale cheques as shown by the issue date as reflected in the bank reconciliation statement.
89. Further, it is not clear why a huge sum with some cheques dating back to September 2010 for the needy recipients would remain unrepresented.

In the circumstances, it has not been possible to confirm the accuracy of the cash and cash equivalents balance of Kshs. 22,755,741.70 as of 30th June 2014.

Response from the Fund Account Manager

90. Ksh. 1,156,620.85 were stale as of 30th June 2014. The stale cheques relate to bursary awards whose physical cheques could not be traced in the office dating back to September 2010.
91. The stale cheques were reversed and reissued to other needy cases in the cash book and the cashbook extract has been provided to the auditor for review.

Committee Observation

92. *The Committee observed that the Cheques were reversed and new ones issued to other needy cases. The cashbook extract was submitted and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

93. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*
- (i) keeps financial and other records that are accurate, reliable, and complete;*
 - (ii) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that “The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards*

prescribed and published by the Accounting Standards Board from time to time”.

- (iii) should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that “Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible”; and*
- (iv) should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that “An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statements

- 94. The international public sector accounting standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires the management to include among the financial statements presented for audit, a report on actions taken to address previous year auditor’s recommendations. In the year 2013/2014, Mumias West CDF had an adverse opinion. However, a report on follow up of the audit issues raised was not included in the financial statement for the year under review. Therefore, the presentation of the financial statements does not conform to IPSAS (Cash Basis) format prescribed by the National Treasury and the Public Finance Management Act, 2012.
- 95. Further, the assets as acquired in the year valued at Kshs. 2,200,000 differ with the increase of Kshs. 1,961,715.
- 96. Consequently, the accuracy of the financial statements for the year ended 30 June 2015 could not be ascertained.

Response from the Fund Account Manager

- 97. At the time of preparation and submission of the financial statements for 2014/15 financial year, the Constituency had not received the previous year certificate and as such was unable to include a report on progress on follow up of auditor recommendations.
- 98. However, the report on progress on follow up of prior year audit recommendations and a revised summary of fixed asset register have been provided to the auditor for review.

99. The constituency refurbished the office with Ksh. 1,200,000 and purchase of bicycles at 1,000,000 as reflected in note 10 to the financial statement. The summary of fixed asset register had an error during the preparation of the financial statements and has been amended to reflect the correct position. The summary statement of fixed asset register was provided to the auditors for review.

Committee Observations

100. *The Committee observed that: -*

- i. The Committee observed that at the time of preparation of the financial statements Mumias West CDF had not received the Audit Certificate for the for the previous year.*
- ii. The Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General.*
- iii. The query was adequately addressed and resolved.*

Committee Recommendations

101. *The Committee recommends that: -*

- i. The NG-CDF Board should conduct continuous capacity building on financial reporting standards for staff at the Constituency offices to improve the quality of reporting and enhance compliance; and*
- ii. The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

OTHER MATTERS

1.1 Budgetary Performance

102. The Fund budgeted and received from the Constituencies Development Fund Board Secretariat a total of Kshs.125,405,589 including Kshs. 22,755,742 brought forward from the previous year. However, only Kshs. 89,742,138 was spent thus resulting in an under - expenditure Kshs. 35,737,450.
103. The management attributed the under expenditure to late disbursement of funds by the Board which in turn resulted in delayed implementation of projects.

Response from the Fund Account Manager

104. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption. However, the projects were completed in the 2015- 16 FY.
105. The AIEs and extracts of the bank statements were availed for audit review and verification.

Committee Observations

106. *The Committee observed that:*
- (i) *The underutilization of the funds was due to late disbursement of funds by the exchequer.*
 - (ii) *The projects were implemented in the subsequent financial years.*
 - (iii) *AIEs and extracts of the bank statements were availed for audit review and verification.*

Committee Recommendation

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

1.2 Project Implementation and Management

108. During the two financial years ended 30 June 2015, the Fund planned to undertake two hundred and seventy (270) projects at a total budget of Kshs. 229,537,508. However, as at 30 June 2015, seventy one (71) projects allocated Kshs. 64,522,495.00 had not been completed works on thirty-nine (39) projects allocated Kshs. 51,600,000 had not started and 6 projects allocated Kshs. 5,100,000 were abandoned. The status of thirteen (13) projects allocated Kshs. 6,250,000.00 could not be confirmed as relevant information was not provided.
109. The delay in implementation of the projects meant that the constitutional requirement for prompt and responsive services to the public was not met and the constituents did not get value for the money invested in the projects.

Response from the Fund Account Manager

110. The delayed disbursement by the exchequer resulted in delays in implementation of the projects. However, the projects have since been completed. The completion certificates by public works officer and project implementation status have been provided to the auditor for review.

MUMIAS WEST CDF BUDGET ANALYSIS F/Y 2014/2015				
Receipt/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
Receipts	Kshs	Kshs	Kshs	
Transfers from CDF Board	125,405,589	102,649,847	22,755,742	0
Proceeds from Sale of Assets	0	0	0	
Other Receipts	56,000	56,000	0	
Sub totals	125,461,589	102,705,847	22,755,742	0
Payments				
Compensation of employees	1,558,243	1,558,243	-	100
Use of goods and services	9,882,171	9,882,171	-	100
Committee Expenses	972,730	751,000	221,730	77
Transfers to other Government Units	39,066,415	36,284,130	2,782,284.80	93
Other grants and transfers	71,635,149	38,979,954	32,655,195	54
Social Security Benefits	146,880	68,640	78,240	47
Acquisition of assets	2,200,000	2,200,000	-	100
Other Payments	-	-	-	
TOTALS	125,461,589	89,724,138	35,737,450	71.5

Table 2:

Mumias West Constituency Project Implementation Status for the period 2013/2014 - 2014/2015

Sector/status	Abandoned		Not Known		Stalled		Not started		Ongoing		Complete	
	No	Value allocated (Kshs)	No	Value disbursed (Kshs.)	No	Value	No	Value allocated (Kshs.)	No	Value (Kshs.)	No	Value disbursed (Kshs.)
Administration	0	-	0	-	0	-	5	12,000,000	7	15,003,836	28	13,771,560
Emergency	0	-	0	-	0	-	0		0	-	2	8,964,725
Education	0	-	7	3,850,000	0	-	0		43	33,395,001	73	50,411,338
Environment	2	1,700,000	2	800,000	0	-	16	18,800,000	9	7,002,139	23	12,546,956
Health	0	-	0	-	0	-	1	1,200,000	4	4,482,759	7	2,300,000
Market	2	1,700,000	2	800,000	0	-	15	17,600,000	4	2,319,380	3	5,523,478
Road	2	1,700,000		-	0	-	1	800,000	0	-	1	2,500,000
Security	0	-	2	800,000	0	-	1	1,200,000	4	2,319,380	2	3,023,478
Sports		-		-	0	-	0	-	0	-	2	3,023,478

Total	6	5,100,000	13	6,250,000	-	-	39	51,600,000	71	64,522,495	141	102,065,013.00
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Committee Observations

111. *The Committee Observed that:-*

- i. *The delay in the implementation of the projects was due to late disbursement of funds by the National Treasury and the explanation by the Fund Account Manager was satisfactory.*
- ii. *The completion certificates by public works officer and project implementation status were provided to the auditor for review.*

Committee Recommendation

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

FINANCIAL YEAR 2015/2016

1. Other Grants and Other Payments

1.1 Mocks and Continuous Assessment Tests (CATs)

113. During the year under review, the Fund was allocated Kshs. 3,000,000 for mocks and exams and disbursed Kshs. 1,040,000 to the project management committee account.
114. The budgeted amount for 8562 candidates was Kshs. 599,340 for one (1) term. However, the project management committee paid Kshs. 1,040,000 for term three (3) in October and November 2015 resulting to an unexplained overpayment of Kshs. 440,660.

Response from the Fund Account Manager

115. The budgeted amount of Kes. 599,340 catered for 8562 class 7 and 8 pupils' Mocks. Ksh. 440,660 catered for 8814 pupils from classes 5 & 6. Hence the actual expenditure for mocks and exams was Kes. 1,040,000.
116. PMC minutes and request from ministry of education were provided to the auditor for review.

Committee Observation

117. *The Committee observed that the PMC minutes and request from Ministry of Education were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

1.2 Water

118. The Fund disbursed Kshs. 1,300,000 to Musanda Market water pump and additional Kshs. 200,000 from defunct Mumias West CDF bank account for drilling and installation of water pump at the same market. However, the following anomalies were noted for the first work undertaken.
- (i) The money was still intact in the account and no justification was provided for transferring the money in a project account when the PMC was not ready for the project.
 - (ii) No CDFC Minutes and estimates were provided for audit scrutiny.

Response from the Fund Account Manager

119. As at the time of audit, the project had not started due to the challenges of staffing at the works office which led to a delay in the preparation of the Bills of quantities. The Bills of quantities were later prepared, and the project undertaken to completion. The Bills of quantities, completion certificate and photos were provided to the auditor for review.

Committee Observation

120. *The Committee observed that the relevant documentation to show that the project was later undertaken to completion were submitted and this was verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

- i. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act.*
- ii. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

1.3 Security

121. The Fund disbursed Kshs. 2,000,000 to Musanda Police Station PMC for construction of a police station. However, physical verification during the month of February 2017 revealed the following unsatisfactory issues:
- (i) The walling was done using blocks instead of natural quarry dressed stones as per the bills of quantities.
 - (ii) The doors were to be of wrot mahogany hardwood supported on frames of similar but instead the same had been changed to steel door without any site instruction.

- (iii) The floor was cracking even before the contractor completed the work.
- (iv) The ceiling was 6mm and not 12mm chip board supported as per specification and was noted to be of poor quality.

Consequently, the propriety of other grants and other payments of Kshs. 3,740,660 could not be confirmed.

Response from the Fund Account Manager

- 122. The project was still ongoing. There were no readily available natural quarry stones in the area and as a result there was the need to change to concrete blocks to avoid delays in implementation of the project.
- 123. The works officer issued a site instruction for the repair of the floor, the change of the doors from hard wood to the steel doors and the ceiling from the 12mm to 6mm chip board. The site instructions were with the project management committee and were later handed to the constituency who provided it to the auditors for review.

Committee observations

124. *The Committee observed that:-*

- (i) The change/variation order was a common recurrence in many constituencies. The change impacted negatively on the value and the performance of the project.*
- (ii) As per the Auditor General's last field visit the project was still pending and specifications and requirements listed on BOQ was not adhered to; and*
- (iii) The last physical verification done by the Office of the Auditor General on February 2017 revealed the following:-*
 - a) The walling was done using blocks instead of natural quarry dressed stones as per the bills of quantities.*
 - b) The doors were to be of wrot mahogany hardwood supported on frames of similar but instead the same had been changed to steel door without any site instruction;*
 - c) The floor was cracking even before the contractor completed the work; and*
 - d) The ceiling was 6mm and not 12mm chip board supported as per specification and was noted to be of poor quality.*
- (iv) The clarification with the support letter from the Sub-County works officer satisfactorily addressed the matter.*

Committee Recommendations

125. *The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, which provides that "The Constituency Development Fund Committee may make appropriate consultations with the relevant Government departments to ensure that cost estimates for the projects are realistic." 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.*

1. Acquisition of assets

126. Included in the acquisition of assets figure of Kshs. 3,460,712 is Kshs. 509,200 reflected as for purchase of bicycles and motorcycles. However, the fund purchased a motorcycle Yamaha AG 200cc from Toyota Kenya Ltd at a cost of Kshs. 700,000 and thereby overspending by Ksh. 190,800 which should have been spent towards office renovation. This re-allocation was not approved by NGCDF Board.

Response from the Fund Account Manager

127. The Yamaha AG 200cc Motorcycle was purchased at Kes 509,200 from Toyota Kenya Ltd. The invoice and contract with Toyota have been provided to the auditor for review. Kes 190,800 was spent on renovation of NG CDF Office as evidenced by the payment voucher which has been provided to the auditor for review.

Committee Observations

128. *The Committee observed that:-*

- (i) The invoice and contract with Toyota Kenya Ltd indicating that the motorcycle was purchased at a cost of Kes 509,200 instead of the alleged Kshs. 700,000 was submitted to the auditor for review.*
- (ii) The payment voucher of Kshs 190,800 for money spent on the renovation of NG-CDF Office was presented to the Auditor for review.*
- (iii) The query was adequately addressed and resolved.*

OTHER MATTERS

1.0 Budget Performance

129. The Fund's summary statement of appropriation, recurrent and development for the year reveals variances in the budget and actual expenditure as indicated in the table.

Budget variance

Receipt/Expense Item	Final Budget	Actual on comparable Basis	Budget Utilization Difference	Difference
Receipt				
Transfer from the Board	142,899,474.05	142,399,474.05	500,000.00	0.1%
Payments				
Compensation of Employees	2,193,702.60	2,124,051.85	69,650.75	0.1%
Use of goods and services	9,234,237.10	6,542,210.20	2,692,026.90	29%
Transfer to Other Government Units	66,277,064.65	61,420,000.00	4,857,064.65	8%
Other grants and transfers	60,757,849.70	60,278,796.00	479,053.70	0.1%
Acquisition of Assets	3,460,715.20	3,460,715.20	0	100%
Total	141,923,569.25	133,825,773.25	8,097,796.00	

Response from the Fund Account Manager

130. This was a result of delayed disbursement of funds by exchequer close to the financial year end that made it difficult to achieve 100% absorption. However, the projects were completed in the FY 2016 -17. The AIEs and extracts of the bank statements were availed for audit review. verification.

Committee Observation

131. *The Committee observed that variances in the budget and actual expenditure was occasioned by the late disbursement of funds. The AIEs and extracts of the bank statements were availed for audit review. The query was adequately addressed and resolved.*

Committee Recommendation

132. *The Committee recommends that the National Treasury should always release funds budgeted for implementation of projects on time to avoid these queries.*

2.0 Project implementation

133. The Fund implemented a total of 182 projects/programmes in different sectors as at 30 June 2016 as budgeted. Four (4) projects valued at Kshs. 3,000,000 were abandoned and one (1) project valued at Kshs. 3,500,000 stalled. Twenty-six (26) projects valued at Kshs. 31,171,724 were on going and forty-six (46) projects valued at Kshs. 234,710,396 were completed as detailed in table.

Sector	Budgeted projects/programmes	Actual/Implementation Project		
		Not started	Ongoing	Completed
Sports	82	41		41
Primary Schools	38	29	8	1
Secondary Schools	22		22	

Sector	Budgeted projects/programmes	Actual/Implementation Project		
		Not started	Ongoing	Completed
Health	3	-	3	-
Environment	34	29	1	4
Security	3	1	2	
Total	182	100	36	46

Response from the Fund Account Manager

134. The delayed disbursement by the exchequer resulted in delays in implementation of the projects. However, the projects were completed. The completion certificates by public works officer and project implementation status have been provided to the auditor for review.

Committee Observations

135. The Committee observed that: –

- i. The audit issue was not satisfactorily responded to when the Mumias West NGCDF appeared before it.
- ii. The committee therefore instructed the Fund Account Manager to provided additional information and documents to Auditors.
- iii. The Auditors carried physical verification of the 31 projects and confirmed that all the projects were completed and are in use.

Committee Recommendation

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

MIN. NA/AA&SC-DFAC/2023/61

ADJOURNMENT

There being no other business, the meeting was adjourned 5.15 p.m. The next meeting will be held on Monday March 6, 2023 at 10.00am.

SIGNED..........DATE.....16/3/2023.....

HON. GIDEON MUTEMI MULYUNGI, M.P

(CHAIRPERSON)

DECENTRALIZED FUNDS ACCOUNTS COMMITTEE



MINUTES OF THE 12TH SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON SUNDAY 5TH MARCH 2023, IN HOLIDAY INN, SAMBURU CONFERENCE KIAMBU COUNTY AT 10.00 AM

PRESENT

1. Hon. Gideon Mutemi Mulyungi, M.P. - Chairperson
2. Hon. Gertrude Mwanjane Mbeyu, M.P - Vice-chairperson
3. Hon. Mejjadonk Benjamin Gathiru, M.P.
4. Hon. Innocent Momanyi Obiri, M.P
5. Hon. Caroline Jeptoo Ng'elechei, M.P
6. Hon. Joseph Kahangara Mburu, M.P
7. Hon. Stephen Mogaka, M.P

APOLOGIES

1. Hon. David Mboni Mwalika, M.P.
2. Hon. Abdi Barre Hussein, M.P
3. Hon. Adhe Guyo Wario, M.P.
4. Hon. Dorothy Muthoni, Ikiara, M.P
5. Hon. Jackson Lentoijoni, Lekumontare, M.P.
6. Hon. Joyce Osogo, Bensuda, Atieno, M.P
7. Hon. Martin Wanyonyi Pepela, M.P
8. Hon. Reuben Kipngor, Kiborek, M.P

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|-------------------------|
| 1. Mr. Ahmad Guliye | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Ms. Comfort Achieng | Clerk Assistant III |
| 5. Mr. Clinton Sindiga | Legal Counsel II |
| 6. Ms. Elizabeth Kibati | Research Officer III |
| 7. Mr. Calvin Njoroge | Media Relations Officer |

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND

- | | |
|--------------------------|--------------------------------------|
| 1. Ms. Beatrice Otieno | Manager Field Financial Coordination |
| 2. Ms. Elizabeth Kilundu | Chief Manager, Programmer |
| 3. Mr. Humphrey Sechero | Fund Account Manager Lurambi |
| 4. Mr. Thomas Ontweka | Fund Account Manager Navakholo |
| 5. Mr. Winston Ochanda | Fund Account Manager Teso North |
| 6. Ms. Christine Muyaka | Fund Account Manager Mumias West |
| 7. Mr. Julius Oketch | Fund Account Manager Butere |
| 8. Ms. Mary Musaki | Fund Account Manager Matungu |

OFFICE OF THE AUDITOR-GENERAL

- | | |
|------------------------|-----------------------------------|
| 1. Mr. Fred Abuga | Assistant Director Western Region |
| 2. Mr. Maurice Oyoo | Liaison Officer |
| 3. Mr. Patrick Kimani | Principal Auditor Western Region |
| 4. Ms. Pamela Ochieng' | Principal Auditor Western Region |

MIN. NA/AA&SC-DFAC/2023/54

PRELIMINARIES

The Chairperson called the meeting to order at 10.44 am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the Auditor General Reports on National Government Constituencies Development Fund for the Financial Year 2013/2014 to 2015/2016 for Lurambi and Navakholo.**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&SC-DFAC/2023/55

**EXAMINATION OF THE AUDIT REPORTS ON
ACCOUNTS OF LURAMBI NG-CDF THE
FINANCIAL YEAR 2013/2014 TO 2015/2016.**

Mr. Humphrey Sechero Tieni, the Fund Manager took oath of witness oath and tabled the Lurambi NG-CDF management responses and supporting documents on the audited accounts of Financial Years 2013/2014 to 2015/2016.

FINANCIAL YEAR 2013/2014

1.0 Stalled construction of Lurambi CDF office at Kakamega town

1. Included in the non-current assets disclosed is the all-office building at an amount of Kshs 52,464,576 as at 30th June 2014. The project which commenced in 2008/2009 was last funded in 2011/2012 even though the release of the funds was delayed to 2013/2014. The project stalled with both the external and internal walls erected on both the ground floor and first floor awaiting roofing. The building therefore possesses a danger to the environs because is bushy and deserted. The building has stalled since 2011 and hence no benefits have been derived from the expenditure amounting to Kshs 52,464,576.00.

Response by the Fund Account Manager

2. The construction of the office building started in the financial year 2008/2009. It was estimated to cost Kshs 155,953,860.00 (One Hundred Fifty-Five Million, Nine Hundred Fifty-Three Thousand Eight Hundred Sixty) only. The building was supposed to be a six-storey building to be funded over several years given the minimal fund that was being allocated per constituency and the different sectors that must be funded e.g., bursary, sports, environment, education etc.

3. Thus, due to limited resources the CDF office could not construct the building in a short scope of time. Hence, the CDF committee agreed with the County Government of Kakamega in an MOU to hand over the building to the county. In exchange the county government would implement CDF projects worth Kshs 54,200,000. This was to be executed upon approval by the board.
4. However, the County Government of Kakamega could not continue with the works since the CDF did not receive authority from NGCDF Board. Completion of the stalled Lurambi CDF office was initiated following a visit by the Board of Directors from the NG-CDF Board on the 16th of January 2020. The NGCDF Board advised the NGCDFC to prepare the new Bill of quantities for completion of the project.
5. The FAM requested the Public Works officers for the revised Bill of quantities. On receipt of the request, the Public Works office advised the NGCDFC to carry out structural integrity tests & post Geo-technical site on the stalled building. The FAM communicated to Chief Engineer Materials, Ministry of Transport, Infrastructure, Housing & Urban Development. The tests were done, and report availed. Thereafter, the pending works (roofing and ground floor) were contracted afresh at a cost of Kshs 28,970,524. The bid documents for the completed works are annexed.

Committee Observations

6. *The Committee observed that: –*
 - i. *The audit issue was not satisfactorily responded to when the Lurambi NGCDF appeared before the committee.*
 - ii. *The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
 - iii. *The committee also planned for a field visit which was undertaken on 10th May 2023.*
 - iv. *During the field visit the Fund Accounts Manager furnished the committee with the copies of BQs, Certificate of Completion.*
 - v. *Roof had been fitted at second floor, however, external walling for first and second floor had not been done.*
 - vi. *Ground floor currently accomodates Lurambi NG-CDF Office.*
 - vii. *Members were satisfied with the works done so far through the stewardship of the current Member of Parliament who had ensured that ground floor offices were being utilized.*

Committee Recommendation

7. *The Committee recommends that the Lurambi NG-CDF and the NG-CDF Board should source for more funds to complete the building so that value for money can be realized.*

OTHER MATTERS

1.0 Going concern status.

8. The High Court of Kenya in its ruling declared on petition 71 of 2013 held that the Constituency Development Fund Act 2013 establishing Constituency Development Fund since the enactment of the Constitution of Kenya 2010 was unconstitutional rendering the existence

of the fund illegal. It is not clear whether legislation providing for the fund will be in place within the period given by the high court of twelve months for the fund to continue existing. As a result, the going concern status of the constituency development fund is doubtful.

Response by Fund Account Manager

9. The fund was aligned to the constitution by enactment of a new act; The National Government Constituency Development Act 2015 which ensures the fund is utilized for national government functions only. Therefore, the issue of going concern was resolved.

Committee Observation

10. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statements

11. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires the management to include among financial statements submitted for audit a report on the action taken to address previous year Auditor's recommendations. In the year 2013/2014, Lurambi CDF had a qualified opinion. However, a report on follow-up of the audit issues raised was not included in the financial statements for the year under review. Therefore, the presentation of the (Cash Basis) does not conform to IPSAS (Cash Basis) format prescribed by the National Treasury and the Public Finance Management Act, 2012.
12. The statement of receipts and payments reflects a deficit of Kshs. 23,536,903 implying the cash brought forward of Kshs. 53,674,887 and the outstanding imprest of statement of responsibilities and Note 14 to financial statements is omitted. Further, pending bills (payables) totaling Kshs. 27,246,811 (Note 15.2 and 15.3) were not supported with schedules showing detail of the bills.
13. In view of the foregoing, the presentation, accuracy, and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed.

Response by Fund Account Manager

14. At the time of audit, the certificate of audit of 2013/2014 financial year had not been received at the time of financial reporting. However, the report on follow-up of the audit was done and presented to the auditors. The allocation for 2014/15 was Kshs. 104,002,833.00. However, Kshs. 127,539,736.40 was spent. The extra amount spent of Kshs. 23,536,903.40 was out of the balance b/f Kshs. 54,068,361.75 as shown in the bank reconciliation of June 2014 Kshs. 27,246,811 was not pending bill, they were projects that were not funded due to delay of release of funds by the exchequers. However, the projects were funded in the subsequent financial years.

Committee Observation

15. The Committee observed that the query arose because at the time of audit, the certificate of audit of 2013/2014 financial year had not been received at the time of financial reporting. However, the report on follow-up of the audit were prepared and presented to the auditors. The matter was marked resolved.

Committee Recommendations

16. The Committee recommends that the Accounting Officer: -
- (i) ensures that the Fund Account Managers: -
 - a) keeps financial and other records that are accurate, reliable, and complete;
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that *"The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time"*.
 - c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that *"Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"*; and
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that *"An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury"*.
 - (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Budgetary Control and Performance

17. During the year under review, the Fund's budgeted receipts amounted to Kshs 158,071,195 but only Kshs 127,539,736 was received thus resulting in under funding by Kshs. 30,531,458. Further, budgeted Projects worth Kshs 30,531,458 were not implemented as shown below:

Receipt/Expense	Approved Budget Kshs.	Actual Expenditure Kshs.	Variation Kshs.	% age Variation
RECEIPTS				
Transfer from CDF Board	158,071,195	127,539,736	30,531,458	19%
Sub Total	158,071,195	127,539,736	30,531,458	
PAYMENTS				
Compensation of Employees	2,650,000	1,749,699	900,301	34%

Use of Goods and Services	2,804,170	2,778,468	25,702	1%
Committee Expenses	9,090,085	9,076,199	13,886	0%
Transfer to other Government Units	75,004,649	53,632,759	21,371,890	28%
Other grants and transfers	48,350,867	44,926,246	3,424,620	7%
Social Security Benefits	36,000	21,600	14,400	40%
Acquisition of Assets	14,635,424	11,854,765	2,780,659	19%
Other Payments	5,500,000	3,500,000	2,000,000	36%
TOTAL	158,071,195	127,539,736	30,531,458	19%

Response by Fund Account Manager

18. The projects amounting to Kshs 30,531,458 were not funded due to delay of release of funds by the exchequer. The projects that were later funded and completed. (PIS and photos were submitted to the auditor for review and verification)

Committee Observations

19. *The Committee observed that:-*
- The query was occasioned by the late disbursement of funds to the constituencies by the exchequer. The projects were later funded in the subsequent year; and*
 - The project list schedules and photos were availed to the Office of the Auditor General for review.*
 - The query was adequately addressed and resolved.*

Committee Recommendation

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

3.1 Unaccounted for Equipment

21. The fund paid Lurambi Information Resource Centre Kshs 500,000 to establish an Information, Communication and Technology Centre. However, the procured information and communication technology equipment could not be verified as there were no stores records. Further, equipment's so procured were not in store at the time of audit as they were reportedly stolen. Further, there were no police abstract to confirm the theft. In the circumstance, the expenditure amounting to Kshs. 500,000 was not accounted for.

Response by the Fund Account Manager

22. Lurambi CDF funded Lurambi Information Resource Centre PMC – Kshs 500,000.00 towards the acquisition of ICT equipment. The equipment were bought and installed at Lurambi Youth Empowerment Centre. They were used for some months and thereafter stolen. The suspect was before Kakamega Law courts. The case was still ongoing.

- | | |
|-------------------------|------------|
| (a) MOU | } Provided |
| (b) Receipts/invoices | |
| (c) Letter from the CID | |
| (d) Letter from LIRC | |
| PMC | |

Committee Observations

23. *The Committee observed that:-*

- (i) Report on stolen ICT equipment was submitted to the auditor for review.*
- (i) No evidence was provided to show a court case was ongoing or confirmation of court case appearance.*
- (ii) There was no proof that the matter was reported to the police.*
- (iii) There was no charge sheet availed, occurrence book (OB) Number or even witnesses' statements.*

Committee Recommendations

24. *Within three (3) months of the adoption of this report the Fund Account Manager should aggressively pursue stolen property and provide the following to the auditor for review and verification:*

- i. Evidence to show that a court case was ongoing or confirmation of court case appearance.*
- ii. Proof that the matter was reported to the police.*
- iii. Charge sheet, occurrence book (OB) Number or witnesses' statements.*

3.2 Irregular Procurement of Strategic Plan

25. The fund procured a strategic plan at a cost of Kshs 3,000,000 through request for quotation method of procurement instead of open tender as provided for by the public procurement regulations. The chosen method rendered the procurement irregular. Consequently, it has not been possible to ascertain that the fund obtained value for money from expenditure of Kshs 3,000,000.

Response from the Fund Account Manager

26. Wrong method was used during procurement of strategic plan, it was an oversight. This was due to limited procurement staff at the county office which has been improved over time. The NG-CDF Board has also conducted several trainings which include training on Public Procurement and Disposal Act. Otherwise, proper procurement and disposal procedures are being followed.

Committee Observations

27. *The Committee observed that the procurement method used i.e., request for quotation method of procurement instead of open tender as provided for by the public procurement regulations was in contrary to Public Procurement and Disposal Act 2005 and Regulations 2006.*

Committee Recommendation

28. *The Committee recommended that: –*

- i. The Committee recommends that the Fund Account Manager ensures compliance with provisions of Public Procurement and Asset Disposal Act, 2015 and Public Procurement Regulations, 2020.*
- ii. That the NGCDF Board, in conjunction with the Public Procurement Regulatory Board undertakes training and/or re-training of all its Fund Account Managers on procurement laws and regulations within six (3) months of the tabling of this Report.*

4.1 Stalled construction of Administration Police Camp

29. The other grants and transfer balance of Kshs 44,780,028 includes Kshs 1,500,000 disbursed for the construction of a one storey block of houses at Butotso Administration Police (AP) camp. However, audit verification revealed that the project stalled before completion with the walling less than halfway done.

Response by the Fund Account Manager

30. Due to limited resources available to the constituency through CDF fund, the scope of the project was substructure and walling to window level. However, Butotso East AP Staff Houses projects was later funded in the subsequent year and the projects were completed and in use. A copy of payment certificates and photos were submitted to the auditor for review.

Committee Observations

31. *The Committee observed that:-*

- i. The scope of the project was substructure and walling to window level.*
- ii. After physical verification by the Office of the Auditor General it was confirmed that Butotso East AP and Staff Houses project were funded in the subsequent year and the projects were completed and in use.*

Committee Recommendation

32. *The Committee recommends that Fund Account Managers should endeavor to work and plan with realistic budgetary provision/estimates before embarking on projects.*

4.2 Unsupported for Bursary Expenditure

33. During the year under review the fund disbursed Kshs 13,254,700 in various Bursaries. However, acknowledgement Letters/ receipts were received for disbursements totaling to Kshs 1,009,000 only out of Kshs 6,993,200 that was supported by a schedule of beneficiaries list. Consequently, bursary totaling to Kshs 5,984,200 had not been accounted for as at 30th June 2015. In view of the foregoing, the propriety of the expenditure of Kshs 7,484,200 could not be confirmed.

Response by the Fund Account Manager

34. Kshs 6,993,200 was bursary issued to tertiary institutions. However, at the time of audit Kshs 5,984,200 had not been acknowledged. However, the office was still making follow-ups. The institutions have since submitted the receipts which were later availed to the auditors and copies provided.

Committee Observations

35. *The Committee observed that:-*

- i. As at the time of audit the institutions had not submitted their acknowledgements.*
- ii. The receipts and acknowledgement letters were later provided by the institutions and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

36. *The Committee recommends that;*

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

5.1 Construction of a Three Storey Classroom Block

37. Included in the balance of Kshs 53,632,750 was a sum of Kshs 2,000,000 disbursed to Kakamega primary school for the construction of a three – storey classroom block under a co-funding arrangement with the stakeholders. Along with previous years' contributions, the grants cumulative to the project by the CDF amounted to Kshs 6,300,000. However, the grants contravened the laws governing the operations of the fund because they were not meant to finance whole project or a defined phase of a project as the law requires.

Response by the Fund Account Manager

38. The project was being co-funded by Lurambi CDF, Parents Association, Old Boys Association and County Government of Kakamega. To date each partner had contributed as follows.

Lurambi CDF	Kshs 6,300,000.00
Parents Teachers Association	Kshs 10,174,000.00
Old Boys Association	Kshs. 3,600,000.00

39. Lurambi NG-CDF was responsible for the construction of second and third floor respectively.

Committee Observation

40. *The Committee observed that the Fund Account Manager provided a satisfactory explanation. The query was adequately addressed and resolved.*

5.2 Purchase of Land.

41. Further, the fund disbursed Kshs 2,000,000 for purchase of land worth Kshs 3,500,000 for a secondary school. However, no ownership documents were presented for audit review and as a result, the propriety and value for the money of expenditure could not be ascertained.

Response by Fund Account Manager

42. Maraba Secondary School was funded Kshs 2,000,000.00 towards acquisition of two acres of land at Kshs 3,500,000.00, Kshs 1,995,000.00 was paid as part payment. Attached are the copies of:

- (a) Sale Agreement
- (b) Search Certificate
- (c) Valuation report
- (d) Title Deed

43. The balance was paid, and land transferred to the name of the school.

Committee Observation

44. *The sale agreement, search certificate, valuation report and title deed were availed reviewed and verified. The query was adequately addressed and resolved.*

6.1 CDF Office not handed over

45. Construction of CDF office at Eshisiru Shopping Centre was commissioned during the year at a contract sum of Kshs 14,054,535. However, the office was not handed over to the fund and was therefore not in use as at 30th June 2015.

Response for the Fund Account Manager

46. The construction of the CDF office at the contract sum of Kshs 14,054,535.00 was completed and was being used as a satellite office serving Butso South and Butso Central wards.

Committee Observations

Following physical verification by the Committee and the Auditor General, it was observed that:

- i. Although the building was completed. It was under-utilized.*

- ii. *No other government agencies were occupying the building as alluded by the Fund Account Manager.*
- iii. *In this query, the management may have failed to plan with the concerned government ministries and agencies to occupy the available space in the building.*

Committee Recommendation

- 47. *The Committee recommends that the NGCDF Board should engage with relevant Ministries or Government Agencies to ensure that the building is fully occupied so that the value for money can be realized.*

6.2 Stalled Construction of Old Constituency Development Fund Office

- 48. As previously reported, construction of the stalled old Lurambi CDF offices in Kakamega town was approved by the CDF board during the year 2008/2009. The allocation for the project over the years totaled to Kshs 65,000,000 out of which Kshs 50,964,576 was spent on the construction works leaving a balance of Kshs 14,035,424 unspent.
- 49. On 28th January 2014 the fund through the member of parliament signed a memorandum of understanding (MOU) with the county government of Kakamega for the transfer of the project to the county government at a consideration of Kshs 54,200,000 to be settled through funding of the projects of equivalent amount which at the time of audit had not been effected by the County Government. **Annex 4** to the financial statement which is summary to the fixed assets register reflects expenditure on the building under building and structures comprising of old building valued at Kshs 52,464,576 and new building (Eshisiru Centre) valued at Kshs 11,464,576. However, the financial statements do not disclose the details of the MOU. In the circumstance, the propriety and value-for-money of the expenditure of Kshs 62,429,152 on the projects could not be confirmed.

Response by Fund Account Manager

- 50. Works office advised the NG-CDF to carry out structural integrity tests and post Geo-technical site on the stalled building. (Annex 2). The FAM communicated to Chief Engineer Materials, ministry of Transport, Infrastructure, Housing and Urban Development. The tests were done, and report availed (Annex 3). Thereafter, the pending works (roofing and Ground Floor) were contracted afresh at a cost of Kshs 28,970,524.

Committee Observations

- 51. *The Committee observed that: –*
 - i. *The audit issue was not satisfactorily responded to when the Lurambi NGCDF appeared before the committee.*
 - ii. *The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
 - iii. *The committee also planned for a field visit which was undertaken on 10th May 2023.*
 - iv. *During the field visit the Fund Accounts Manager furnished the committee with the copies of BQs, Certificate of Completion.*
 - v. *Roof had been fitted at second floor, however, external walling for first and second floor had not been done.*

- vi. *Ground floor houses Lurambi NG-CDF Office.*
- vii. *Members were satisfied with the works done so far through the stewardship of the current Member of Parliament who had ensured that ground floor offices were being utilized.*

Committee Recommendation

52. *The Committee recommended that the Lurambi NG-CDF and the NG-CDF Board should source for more funds to complete the building so that the value for money can be realized.*

7.0 Project Implementation and Management.

53. Over the period of two (2) years to 30 June 2015 the fund allocated a total of Kshs 181,745,059 to one hundred forty-seven (147) projects. However, these included construction of two (2) staff houses for administration police, three (3) houses for health centers and construction of classrooms in 14 schools allocated funds in 2013/2014 as detailed below.
54. Five (5) projects worth Kshs 4,400,000 were abandoned while works on five (5) other allocated Kshs 4,000,000 had not commenced as at 30th June 2015. Seventy-three (73) projects were ongoing. Only sixty-six (66) projects were completed during the year ended 30th June 2015.
55. In view of the foregoing, the residents of Lurambi constituency and the fund have not obtained value for the money invested in the abandoned and incomplete projects.

Sector/Status	Abandoned		Not Started		Ongoing		Complete	
	No	Value Kshs	No	Value Kshs	No	Value Kshs	No	Value Kshs
Administration				-	9	24,953,500	2	3,600,000
Agriculture								
Education	4	2,400,000	1	1,000,000	48	64,838,630	49	29,222,931
Environment			1	500,000	3	2,500,000		-
Health					8	9,282,759		-
ICT			1	1,000,000				
Market			1	1,000,000				
Road	1	2,000,000					11	31,447,239
Security			1	500,000	3	4,000,000	4	1,500,000
Sports					2	2,000,000		
Total	5	4,400,000	5	4,000,000	73	107,574,889	66	65,770,170

Response by the Fund Account Manager

56. The projects were not funded due to delay of release of funds by the exchequer (project list schedules indicating the status and supporting documents were submitted to the auditor for review).
57. All the projects which were to be implemented by 30 June 2015 have been fully implemented. The Projects were fully funded, completed and in use.

Committee Observations

58. *The Committee observed that:–*

- i. The audit issue was not satisfactorily responded to when the Lurambi NGCDF appeared before the committee.*
- ii. The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- iii. The Auditors were instructed to carry a physical verification of the 147 projects.*

59. Verification of 30 projects sampled out of 147 projects revealed that 8 projects were still incomplete. The incomplete projects are:

No.	Project	Project Details	Status
1.	NG-CDF Office in Kakamega town	Office Block	Not Complete
2.	Matende Secondary School	Teachers' quarters	Not Complete
3.	Kakamega Township Primary School	Latrines	Not Complete
4.	Mwiyala Primary School	Classrooms	Not Complete
5.	Kakamega Primary School for deaf	Classrooms	Not Complete
6.	Kakamega Primary School	Classrooms	Not Complete
7.	Ebwambwa Primary School	Classrooms	Not Complete
8.	Daisy Special School	Dining hall	Not Complete

Committee Recommendation

60. *Within three months of adoption of this report Lurambi NG-CDF should prioritize in Financial Year 2023/24 budget proposal to allocate funds to incomplete projects, to enable it to complete all the pending projects so that value for money can be realized.*

FINANCIAL YEAR 2015/2016

1.0 Transfer to Other Government Units Kshs. 24,967,931.00

61. Included in the Kshs 24,967,931 in respect of transfer to other Government Units is Kshs 1,200,000 which was disbursed by the CDPC to Shisasari Primary School PMC for construction of two (2) classrooms. The school had received Kshs 500,000.00 in the financial year 2014/15 making a total of Kshs 1,700,000.00 for the same project. However, physical audit verification exercise conducted on 2nd September 2016 revealed that the classrooms had been roofed, plastered, floored and the doors and windows had been fitted with panes, but painting had not been done.

Response by the Fund Account Manager

62. Lurambi CDF funded Shisasari Primary School PMC with Kshs 1,200,000.00 for the construction of two classrooms in the financial year 2015/16. It further funded the same school with Kshs 500,000.00 for completion of the two classrooms.
63. The 7200mm is the whole area of the slab of the classroom. However, the difference 1200mm (4feets) were provisions for the pavement slabs around the classrooms. The project implementation was done in consultation with the County Public Works who certified the project and issued a final report on the project.

Committee Observation

64. *The Committee observed that the matter was satisfactory. The query was adequately addressed and resolved.*

OTHER MATTER

1.0 Budget Performance

65. During the year under review, the approved budget for Lurambi CDF was Kshs 110,183,370 but received Kshs 109,683,370 resulting in an underfunding by Kshs 500,000. In addition, the constituency Development Fund recorded an overall under expenditure of Kshs. 60,928,714 as analysed below:

ITEM	Original Budget	Adjustments	Final budget	Actual figure	Variance	% of unutilized Fund
EXPENDITURE	110,183,370	30,351,458	140,714,828	140,214,828	500,000	0.4%
Compensation of employee	2,676,000	615,000	3,291,000	2,179,320	1,111,680	33.8%
Use of goods and services	7,240,503	3,213,543	10,454,046	9,014,680	1,439,366	13.8%
Transfer to other government entities	54,086,867	2,854,044	56,940,911	24,967,931	31,972,980	56%
Other grants & other payments	44,680,000	21,500,000	66,180,000	42,460,663	23,719,337	36%
Acquisition of assets	1,500,000.00	2,348,871	3,848,871	1,164,120	2,684,751	70%
Total	110,183,370	30,531,458	140,714,828	79,786,714	60,928,114	

Response by the Fund Account Manager

66. The projects were not funded due to delay of release of funds by the exchequer. (Project list schedules indicating the status and supporting documents were submitted to the auditor for review)

Committee Observation

67. The Committee observed that project list schedules indicating the status and supporting documents were availed to the Office of the Auditor General for review and verification. The query was adequately addressed and resolved.

Committee Recommendation

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

2.0 Project Implementation Performance

69. The fund implemented a total of 237 projects/programmes in different sectors as at 30th June 2016. However, it was noted that: (i) twenty (24) projects which represent 10% of the projects costing Kshs 27,050,000.00 had not started (ii) One hundred and twenty-two (122) projects which represents 52% of the projects costing Kshs 172,397,798.40 were still ongoing (iii) Ninety-one (91) projects representing 38% of the projects costing Kshs 89,560,116.49 had been completed as at the time of audit in the month of August 2016 and three categories are analyzed as follows:

ITEM	Not Started		Ongoing		Complete	
	No	Value	No	Value	No	Value
Administration	2	1,500,000	8	32,829,700	2	3,596,706
Education	15	13,050,000	82	110,671,850	62	35,456,586
Environment	1	500,000	7	4,413,490	2	-
Health	0	-	12	12,882,759	1	1,580,000
ICT	1	1,000,000				
Markets	1	1,000,000				
Roads	2	8,500,000			19	46,821,825
Security	2	1,500,000	10	8,600,000	5	1,585,000
Sports			3	3,000,000		
Total	24	27,050,000	122	172,397,798	91	89,560,117

Response by the Fund Account Manager

70. The projects were not funded due to delay of release of funds by the exchequer. (Project list schedules indicating the status and supporting document were submitted to the auditor for review)

Committee Observation

71. *Following physical verification by the Office of the Auditor General .The Management response was found to be satisfactory. The issue of disbursement of funds is beyond the control of NG-CDF.*

Committee Recommendation

72. *The National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

3.0 Stalled Lurambi CDF Office

73. The construction of Lurambi CDF office with a technical valuation of Kshs 54,168,070 had stalled. The office was to be handed over by the Lurambi CDF management to the County Government of Kakamega according to the memorandum of understanding (MOU) dated 28th January 2014, but as at the time of audit this had not been finalized. The county Government was supposed to take over and compensate the CDF office Kshs 54,168,070. No reason has been given why the handing over of the CDF office building to the County Government as provided for in the MOU was not affected.

Response by the Fund Account Manager

74. County Government of Kakamega could not effect the MOU since the CDF did not receive authority from NG-CDF Board.

Committee Observations

75. *The Committee observed that:-*
- i. The audit issue was not satisfactorily responded to when the Lurambi NGCDF appeared before the committee.*
 - ii. The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
 - iii. The committee also planned for a field visit which was undertaken on 10th May 2023.*
 - iv. During the field visit the Fund Accounts Manager furnished the committee with the copies of BQs, Certificate of Completion.*
 - v. Roof had been fitted at second floor, however, external walling for first and second floor had not been done.*
 - vi. Ground floor houses Lurambi NG-CDF Office.*
 - vii. Members were satisfied with the works done so far through the stewardship of the current Member of Parliament who had ensured that ground floor offices were being utilized.*

Committee Recommendation

76. *The Committee recommends that the Committee recommended that the Lurambi NGCDF and the Board source more funds to complete the first and second floors of the building so the value for money can be realized.*

MIN. NA/AA&SC-DFAC/2023/56 EXAMINATION OF THE AUDIT REPORTS ON ACCOUNTS OF NAVAKHOLO NG-CDF THE FINANCIAL YEAR 2013/2014 TO 2015/2016

Mr. Thomas Ontweka, the Fund Manager took oath of witness oath and tabled the Navakholo NG-CDF management responses and supporting documents on the audited accounts of Financial Years 2013/2014 to 2015/2016.

FINANCIAL YEAR 2013/2014

1.0 Incomplete Financial Statements

77. The Financial Statements as at 30th June, 2014 presented for audit review have not compiled with the requirements of IPSAS as a statement of budget performance is not included and details of compensation of key employees and Constituency Development Fund Committee are not disclosed.
78. During the year under audit, the Fund did not maintain a general ledger from which it could periodically balance the accounts. Thus, the accounts are not extracted from a ledger and a trial balance but are directly extracted from the cash books and a vote book. This implies that proper books of account were not kept.
79. Consequently, it has not been possible to confirm the completeness and accuracy of the financial statements as at 30 June 2014.

Response by the Fund Account Manager

80. Budget performance was elaborated in the statement of appropriation that was included in the financial statement.
81. The Constituency maintains an expenditure return which serves as the ledger and forms the basis for the preparation of financial statement. A trial balance is not part of the financial statement but it's a source document for preparation of financial statement. The trial balance was provided to the auditor for review.

Committee observation

82. *The Committee observed that a trial balance which is a source document for preparation of financial statement was provided to the Office of the Auditor General for review.*

Committee Recommendations

83. *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 ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

2.0 Unauthorized Project Payments

84. Two payment vouchers totalling Kshs 2,169,539.68 in respect of rehabilitation of roads were not supported by the committee minutes approving the expenditure. As a result, the propriety of the expenditure could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

85. Voucher number 36b and 43 amounting to Kshs 1,381,379.68 and Kshs 788,160 respectively (totaling Kshs 2,169,539.68) were supported by committee minutes of 13th April 2014 number NAV CDFC/MIN 4/04/2014. These documents were availed to the auditor for review and verification.

Committee Observation

86. *The Committee observed that vouchers number 36b and 43 amounting to Kshs. 1,381,379.68 and Kshs. 788,160 respectively (totaling Kshs. 2,169,539.68) that were supported by committee minutes of 13th April, 2014 number NAV CDFC/MIN 4/04/2014, were later submitted to the Office of the Auditor General for review.*

Committee Recommendations

87. *The Committee recommends that:-*

- i. The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*
- ii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns,*

tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.

3.0 Unaccounted for scholarships and Educational Benefits

88. Schedules availed in respect of bursaries only added up to Kshs 5,924,000.00 as compared to the total expenditure of Kshs 6,300,000.00 reflected in the financial statements. The overstatement of Kshs 376,000.00 remain unaccounted for as at 30 June 2014.

Response by the Fund Account Manager

89. The correct expenditure schedule amounting to Kshs 6,300,000.00 as extracted from the cashbook was availed for verification.

Committee Observation

90. *The Committee observed that the Fund account manager availed the cashbook to the Office of the Auditor General and amended schedules for verification.*

Committee Recommendation

91. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*

4.0 Unsupported Expenditure

a) Navakholo District Commissioner’s Office

92. An amount of Kshs 1,500,000 was paid out for the completion of the armory, wiring and septic tank at the District Commissioner’s Office Navakholo. However, the tender minutes and bid documents for the award of the works were not availed for audit review.
93. It was also not clear why the amount paid out of Kshs 1,500,000.00 was different from the contractors’ priced bills of quantity figure of Kshs 1,687,370 giving a difference of Kshs 187,370.00. Further, it was not explained why this bill of quantities’ figure was the same as that for putting up toilets at Burangasi Primary School by the same contractor given the difference in the nature of work.

Response by the Fund Account Manager

94. The project was initially being funded by the Lurambi CDF at a contract sum of the DCC's office was Kshs 7,235,475. After split of Navakholo from Lurambi, Navakholo funded the PMC with Kshs 1,500,000 to undertake the extra works (electrical works, mechanical works, armoury RC walling, entry ramp & septic tank) The PMC implemented the project at a cost of Kshs 1,085,000.

Committee Observation

95. *Following physical verification by the Office of the Auditor General, it was noted that the project was completed and in use but it was not labeled hence it could not be confirmed whether it was done by CDF.*

Committee Recommendation

96. *The Committee recommended that the Navakholo NG-CDF should label all the projects that have been implemented by the NG-CDF.*

b) Burangasi Primary School – pit latrines

97. The fund allocated an amount of Kshs 1,600,000.00 out of its emergency funds to Burangasi Primary School to put up twenty (20) pit latrines to replace those that had collapsed out of which expenditure amounting to Kshs 1,392,000.00 was incurred. However, the project file containing among others formal requests for the emergency assistance, tender minutes, certificate of works done and even the handing over report were not made available for our audit review.
98. It has not been possible to confirm the propriety of the expenditure of Kshs 1,392,000.00 and whether the constituency obtained value for money in the transaction.

Response by the Fund Account Manager

99. The project documentations were misplaced in the sub-county treasury office where they are kept but they have since been availed to the auditor for verification.

Committee Observations

100. *The Committee made the following observations:-*

- (i) This was a case where management failed to provide documents for audit within the statutory timelines since the project documentations were misplaced in the sub-county treasury office. Nevertheless, all the necessary documents were later availed and verified by the Office of the Auditor General thereby resolving the matter.*
- (ii) This was a case of poor recording keeping by the sub-county treasury office.*

Committee Recommendations

101. *The Committee recommends that:-*

- (i) The Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*
- (ii) The sub-county treasury office should strengthen the maintenance of books and ensure that officers in that office are continuously trained in basic record keeping.*
- (iii) The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

c) Chebuyusi High School

102. An amount of Kshs 1,500,000.00 was allocated and disbursed to Chebuyusi High School for the purpose of walling and fitting fixture (shutters) to the first floor of a resource Centre at the school. However, out of the total Kshs 1,500,000.00 disbursed, payment vouchers for only Kshs 1,099,700 were made available for audit verification. Further, the bank statements reflected a balance of only Kshs 2,047.05 leaving a balance of Kshs 389,252.95 unaccounted for as at 30 June 2014.

Response by the Fund Account Manager

103. The project was initially started by Lurambi CDF at a contract sum of Kshs 6,554,350. After the split Navakholo CDF funded the project with Kshs 1,500,000 which was paid as follows; The first payment vouchers (payment certificate) was for Kshs 1,099,700 and the 2nd was for Kshs 389,252.95. The payment voucher for Kshs 389,252.95 was provided to auditors.

Committee Observation

104. *The Committee observed that the explanation provided was satisfactory. The payment vouchers were also availed to the Auditors for review and verification. The query was adequately addressed and resolved.*

5.0 Cash and Bank Balances Inaccuracies

105. The Bank reconciliation statement for the CDF bank account at Co-operative bank as of 30 June 2014, indicates payment in cash book not yet recorded in bank statement of Kshs 1,133,527.00 which included a figure of Kshs 760,000.00 in respect of cheques payable to various schools and colleges for students' bursaries. However, the schedules in support of the Kshs 760,000.00 adds up to only Kshs 656,000.00 resulting to an overstatement by Kshs 104,000.00.
106. Consequently, it has not been possible to confirm the accuracy of the cash and bank balances of Kshs 1,133,527.00 as at 30 June 2014.

Response by the Fund Account Manager

107. The correct expenditure schedule amounting to Kshs 760,000.00 as extracted from the cashbook was availed for verification.

Committee Observation

108. *The Committee observed that the expenditure schedule was availed to the Office of the Auditor General for review and verification. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy, and completeness of the Financial Statements

109. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires the Management to include among the financial statements presented for audit, a report action taken to address previous year auditor's recommendations. In the year 2013/ 2014, Navakholo CDF had a Qualified Opinion. However, a report on follow-up of the audit issues raised was not included in the financial statements for the year under review. As a result, the presentation of the financial statements does not conform with IPSAS (Cash Basis) format prescribed by the National Treasury and Public Finance Management Act, 2012.
110. Further, the statement of receipt and payments reflects a surplus of Kshs 3,782,561 while the statement of assets reflects a deficit of Kshs 46,202,048 resulting in a difference (deficit) of Kshs 42,419,487.
111. In addition, the cash and cash equivalents balance of Kshs 3,782,562 differs with the cash flow statement balance of Kshs 3,781,951.52 and statement of assets deficit of Kshs 46,202,048. The fixed assets register balance is Kshs 12,850,000. However, the balance brought forward figure of Kshs 511,995 has not been disclosed.
112. In view of the foregoing, the accuracy, and completeness of the financial statements for the year ended 30 June 2015 cannot be ascertained.

Response by the Fund Account Manager

113. The 2013/2014 Auditor General Report for Navakholo CDF was not yet released to the constituency by the time of submission of 2014/2015 financial statements. However, the report on follow-up the year 2013/14 were availed to the auditor for review.
114. The financial statements for the year 14/15, statement of receipts and payments was erroneously posted with the balance from the previous FY 2013/14 of Kshs 49,984,609 under receipts which subsequently led to a surplus of Kshs 3,782,560.90.
115. However, the correct treatment ought to have been Kshs 56,987,414.50 as receipts under the FY 2014/15 against payments in the same period of Kshs 103,189,462 leading to a deficit of Kshs 46,202,048.10 as included in statement of receipts and payments and evidenced under the surplus / deficit for the statement of financial asset and liabilities.
116. We noted an incorrect cash opening balance was posted to the cash flow statement. The corrected cash flow statement was submitted to the auditor for review.

Committee Observations

117. *The Committee observed that;*
- i. *At the time of preparation of the 2014/2015 financial statements. The 2013/2014 Auditor General Report for Navakholo CDF was not yet released to the constituency. However, the report on follow-up the year 2013/14 was later availed to the auditor for review.*
 - ii. *The Fund Account Manager admitted that the financial statements for the year 14/15, statement of receipts and payments was erroneously posted with the balance from the previous FY 2013/14 of Kshs 49,984,609 under receipts which subsequently led to a surplus of Kshs 3,782,560.90.*
 - iii. *He noted that the correct treatment ought to have been Kshs 56,987,414.50 as receipts under the FY 2014/15 against payments in the same period of Kshs 103,189,462 leading to a deficit of Kshs 46,202,048.10 as included in statement of receipts and payments and evidenced under the surplus / deficit for the statement of financial asset and liabilities.*
 - iv. *He also noted that an incorrect cash opening balance was posted to the cash flow statement. The corrected cash flow statement was submitted to the auditor for review.*

Committee Recommendations

118. *The Committee recommends that the Accounting Officer: -*
- (i) *ensures that the Fund Account Managers: -*
 - a. *keeps financial and other records that are accurate, reliable, and complete;*
 - b. *adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c. *adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with*

receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and

- d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
- (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

2.0 Cash and Cash Equivalents

119. Included in the cash and cash equivalents balance of Kshs 3,782,562 is cash-at-bank of Kshs 3,689,413 which however differs from the corrected cash book balance of Kshs 6,507,166 resulting in an unexplained difference of Kshs 2,817,753. Consequently, the accuracy of the reported bank balance of Kshs 3,689,413 cannot be confirmed.

Response by Fund Account Manager

120. Included in the cash and cash balance of Kshs 3,782,562 is cash at bank of Kshs 3,689,413 and outstanding imprest of Kshs 93,149 from our books of account for the year ended 30th June 2015. NOTE: There was no corrected cash book balance of Kshs 6,507,166.

121. The cashbook balance was Kshs 3,689,413.

Committee Observation

122. *The Committee observed that the cashbook extracts were availed to the Auditor for review and verification. The query was adequately addressed and resolved.*

3.0 Budgetary Control Equivalents

123. The summary statement of appropriation indicates that the Fund budgeted and received grants totalling to Kshs 106,972,024 from the National CDF Management Board. However, actual expenditure was Kshs 103,189,463 and thus exceeded the budget of Kshs 36,869,763 by amount of Kshs 66,319,700. The original approved budget was not presented for audit to authenticate the statement presented which is summarized below; (table 1)
124. In view of the discrepancy, it has not been possible to confirm the budgetary performance of the Fund and whether the statement of appropriation presents fairly the operations of the Fund during the year under review.

Revenue/Expense Item	Final Budget	Actual Expenditure	Variation	Percentage Variation
RECEIPTS	(Kshs)	(Kshs)	(Kshs)	
Transfers from CDF Board	106,972,024	106,972,024	-	0%
PAYMENTS				
Compensation of Employees	725,600	1,420,000	(694,400)	-96%

Use of goods and services	776,893	2,985,042	(2,208,149)	-284%
Committee Expenses	4,628,045	10,279,305	(5,651,260)	-122%
Transfers to other Government Units	10,882,759	30,787,937	(19,905,178)	-183%
Other grants and transfer	19,055,641	44,833,819	(25,778,178)	-135%
Social Security Benefits	10,800	33,360	(22,560)	-209%
Acquisition of Assets	764,675	12,850,000	(12,085,325)	-1580%
Other Payments	25,350	-	25,350	100%
TOTALS	36,869,763	103,189,462	(66,139,699)	-180%

Table 1

Response by the Fund Account Manager

125. The actual allocation of Navakholo CDF for financial year 2014/2015 was Kshs 102,774,829. During the year the constituency received Kshs 56,987,414.50 as funding from NG CDF board and had an opening balance for the year was Kshs 49,984,609 hence having the total available funds at Kshs 106,972,023. The expenditure of Kshs 103,189,463 was the actual expenditure for the year. The extra expenditure was incurred from the opening balance for the year.

Committee Observation

126. The Committee observed that the financial statements showing actual expenditure for the year were availed for audit review and verification. The query was adequately addressed and resolved.

4.0 Project Implementation and Management

127. During the year under review, the Fund allocated a total amount of Kshs 104,055,592 for a total of seventy-six (76) projects. As at 30 June 2015, twenty (20) projects allocated Kshs 42,268,651 were ongoing while twenty-six (26) projects allocated Kshs 14,000,000 and falling under the education sector had not commenced at the time of the audit in March 2016 as detailed below (see table 2).
128. The delay in implementing forty-six (46) projects implies that services were not responsively and promptly provided to the public and constituents as required by the Constitution of Kenya.

Sector/Status	Stalled		Not Completed		Ongoing		Complete	
	No.	Value	No.	Allocation (Kshs)	No.	Allocation (Kshs)	No.	Allocation (Kshs)
Administration					3	7,864,725	3	13,257,735
Education			26	14,000,000	9	23,921,167	19	20,329,106
Environment					1	500,000		
Health					3	4,482,759		
Water					1	1,600,000		
Market					1	2,000,000	1	1,600,000
Road					1	900,000	6	11,100,000
Security							1	1,500,000
Sports					1	1,000,000		
Total			26	14,000,000	20	42,268,651	30	47,786,841

Table 2

Response by the Fund Account Manager.

129. The project implementation was affected by the delayed funding by the exchequer which resulted in under absorption. All the projects for the year under review were completed and in use. The project implementation status was submitted to the auditor for review.

Committee Observations

130. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors were instructed to carry a physical verification of the projects.*
- (iv) However, verification report was not received, hence existence of the 46 projects could not be confirmed.*

Committee Recommendations

131. *The Committee recommends that:-*

- (i) The Navakholo NGCDF and the Board, auditors to physically confirm the completion of these projects three months after adoption of this report.*
- (ii) The Accounting Officer ensures that the Fund Account Managers avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.*

5.0 Transfer to other Government Units – Irregularities in the Implementation of CDF Projects

132. During the year under review, the Fund reported transfers amounting Kshs 30,787,936 to other Government Units. The transfers included a sum of Kshs 15,600,000 spent on projects in three health institutions and three secondary schools. However, physical verification revealed the works several irregularities including un-approved variations, abandoned and stalled projects, commissioning of new projects without completing earlier ones and poor workmanship. As a result, the grants totaling to Kshs 15,600,000 were not efficiently spent and the constituents did not realize value for money from the expenditure.

Response by the Fund Account Manager

133. The projects earmarked for implementation from 2013-2015 were all been implemented and in use.

Committee Observations

134. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee in Nairobi.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors conducted a physical verification of the projects and were satisfied with the projects.*

Committee Recommendations

135. *The Committee recommends that:-*

- i. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.*
- ii. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

6.0 Other Grants and Transfers – Irregularities in the implementation of Projects

136. Included in the other grants and transfers balance of Kshs 44,833,819 is a sum of Kshs 6,801,148 used to implement two projects namely grading a road at Kshs. 4,501,148 and construction of District Office at a cost of Kshs 2,300,000. However, poor workmanship was evident in respect of the road works while the district office was not completed and occupied without a finished floor, ceiling and other fittings thus implying that the contractor was paid the full contract price before the works were completed. Consequently, public funds were not spent efficiently as required by the law and the Fund did not obtain value for money from the expenditure totalling to Kshs. 6,801,148.

Response by the Fund Account Manager

137. Navakholo CDF transferred Kshs 2,300,000 to the PMC to implement the project. During the time of audit, the contractor was still on site and the defects liability period had not lapsed. The poor workmanship was later addressed before the release of retention for both projects and the anomalies corrected. The projects are currently complete and in use.

Committee Observations

138. *The Committee observed that: –*

- (i) *The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee in Nairobi.*
- (ii) *The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) *The Auditors conducted a physical verification of the projects and were satisfied with the projects.*

Committee Recommendation

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

7.0 Acquisition of Assets – Unprocessed land for the CDF Office

140. During the year under review, the Fund acquired assets worth Kshs 12,850,000.00 including land bought at Kshs 850,000 for the CDF office. However, the CDF paid the seller the full value without transfer documents and title deed. As at the time of audit inspection, the CDF had not obtained the title deed to the land. In the circumstance, it has not been possible to establish ownership of the land by the Fund and this has cast doubt on the propriety of the Kshs 850,000 and to the seller.

141. Further, included in the asset purchase balance of Kshs 12,850,000 is Kshs 7,950,000 incurred on construction of Navakholo CDF Office against the total contract price of Kshs 12,000,000. However, tender committee minutes confirming the method of procurement used and award of the tender were not made available for audit review.
142. In addition, there were irregular variations in materials, for example use of Gauge 30 sheets in roofing instead of the billed gauge 26 in the construction works among other irregularities related to the building which was not completed anyway.
143. In view of the foregoing, it has not been possible to confirm that the Fund obtained value for money on the expenditure of Kshs 12,850,000 reported to have been incurred on acquisition of assets.
144. At the time of audit, the ownership documents for CDF office land were available but the title deed was issued on 17th March 2021. At the time of audit the tender committee minutes were not availed but have now been availed to the auditor for verification.

Response by the Fund Account Manager

145. The procurement documents for the construction of CDF office at Kshs 12,000,000 were not availed during audit review but were later availed to the auditor for verification. The variation in use of iron sheets of Gauge 30 instead of gauge 26 for roofing was because of more costs incurred on the substructure.

Committee Observations

146. *The Committee observed that: –*

- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee in Nairobi.*
- (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) The Auditors conducted a physical verification of the projects and were satisfied with the projects, title documents were also submitted.*

Committee Recommendations

The Committee recommends that:-

- i. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.*
- ii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

8.0 Use of Goods and Services

147. The schedule in supporting expenditure of Kshs 2,985,048 incurred on amounts for use of goods and services revealed that except for bank charges amounting to Kshs 7,245 and rent charges of Kshs 30,000 which adds to a total of Kshs 37,245, the remainder of the balance amounting to Kshs 2,947,797 was paid out in cash to officers at the CDF. Therefore, nearly all the procurement for items of use of goods and services was effected in cash. Given the inherent weaknesses of the controls over cash payments, it was not possible to confirm whether the payments represented value received.
148. Further, note 3 to the financial statements indicates the expenditure on rent amounting to Kshs 240,000 (also categorized under use of goods and services) while the detailed schedule availed in support of the account reflects Kshs 30,000 as rent paid. The difference in the two sets of information was not explained.
149. According to the note, the expenditure item use of goods and services was only composed of two components of rent at Kshs 240,000 and specialized materials and services at Kshs 2,745,042 with other items like office and general supplies and utilities respectively reported at nil. This is unrealistic and thus the information in the Note is not fairly stated and misleading.
150. Consequently, the propriety of the expenditure of Kshs 2,985,042 under use of goods and services cannot be confirmed.

Response by the Fund Account Manager

151. The Kshs 2,985,048 incurred on amounts for use of goods and services was paid out in cash. However, in the subsequent years the office worked with the procurement officer of the Kakamega county to ensure proper procurement methods are used.
152. Kshs 240,000 was the actual expenditure for rent for the whole year. The lease agreement for the rent was submitted.

Committee Observation

153. *The documents were availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

The Committee Recommends that:-

- i. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers avails supporting documents to the Auditor during audit as required under section 9(1)(e) Public Audit Act, 2015.*
- ii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*
- iii. The Committee recommends that the Fund Account Manager should ensure that procurement of goods, works and services should be competitive in accordance to the Public Procurement and Asset Disposal Act of 2015 and the Regulations, 2020 which*

provides that "Procurement of goods, works and services under these Regulations shall be competitive in accordance with the provisions of section 157(3)(b) of the Act".

FINANCIAL YEAR 2015/2016

1.0 unsupported Balances

154. Included in the Kshs 24,967,931 in respect of transfer to other Government Units is Kshs 1,200,000 which was disbursed by the CDFO to Shisasari Primary School PMC for construction of two (2) classrooms. The school had received Kshs 500,000.00 in the financial year 2014/15 making a total of Kshs 1,700,000.00 for the same project. However, physical audit verification exercise conducted on 2nd September 2016 revealed that the classrooms had been roofed, plastered, floored and the doors and windows had been fitted with panes, but painting had not been done.

Response by Fund Account Manager

155. The constituency maintains an expenditure return which serves as the ledger and forms the basis for the preparation of financial statements. A trial balance is not part of the financial statement but it's a source document for preparation of financial statement. The trial balance has since been provided to the auditor for review.

Committee Observation

156. *The Committee observed that the trial balance and ledgers were later availed to the Auditor for review and verification. The query was adequately addressed and resolved.*

2.0 Board of Survey Report

157. During the year under review, the Management did not provide the Board of Survey Report for audit review to confirm the cash balances as at June 2016. Consequently, it has not been possible to confirm that cash and cash equivalents balances of Kshs 72,515,051 is fairly stated.

Response by the Fund Account Manager

158. The Board of Survey Report has since been availed in support of Kshs 72,515,051.

Committee Observation

159. *The Committee observed that the Board of Survey Report in support of Kshs 72,515,051 was availed to the Auditor for review and verification. The query was adequately addressed and resolved.*

Committee Recommendations

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

3.0 Unaccounted for Disbursement

161. The CDF management disbursed a total of Kshs 7,600,000 to 13 secondary schools and Kshs 15,900,000 to 11 primary schools during the year under review for various projects. However, the project returns from the schools were not availed for audit review.
162. In the circumstances, it was not possible to ascertain propriety of the expenditure of Kshs 23,500,000 disbursed to various schools.

Response by the Fund Account Manager

163. During the time of audit, the expenditure returns were with the PMC's who had not submitted them to the CDF office. The PMCs later submitted the expenditure returns and were availed to the auditor for review.

Committee Observation

164. *The project management committee availed a sample of the expenditure returns to the Auditor for review.*

Committee Recommendation

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

4.0 Unsupported Expenditure

166. The CDF management made payments to Bushiri, Ironga and Buhayi Primary Schools totalling Kshs 2,900,000. The payments were, however, not supported with the relevant documentary evidence. Consequently, it has not been possible to ascertain the propriety of the expenditure of Kshs 2,900,000.

Response by Fund Account Manager

167. The project documentation evidence for Bushili Primary and Buhayi Secondary schools have since been availed to the auditor for verification. Furthermore, completion certificates for both schools were also availed for verification.
168. Note: Ironga Primary School was erroneously captured since NGCDF Navakholo has never funded a project by the name.

Committee Observation

169. *The Fund Account Manager availed the payment certificates.*

Committee Recommendation

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

5.0 Transfer to Health Institutions

5.1 Construction of Paediatric Ward at Navakholo Health Centre

171. A local contractor was paid Kshs 1,200,000.00 on 21 December 2015 being second interim payment for the construction of a paediatric Ward at Navakholo Health Centre. The payment was however not supported with a detailed payment certificate indicating the value of work done as per the bill of quantities.
172. In addition, it was noted that the project appears stalled as the contractor has not been on site for the last one year.
173. Consequently, the propriety of the payment of Kshs 1,200,000 could not be ascertained.

Response by the Fund Account Manager

174. The payment certificate was availed to the auditor for verification. However, the project is not complete and not in use.

Committee Observations

175. *The Committee observed that: –*
- (i) The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee.*
 - (ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
 - (iii) The Auditors were instructed to carry a physical verification of the projects.*
 - (iv) it was observed after physical verification that the project was not complete and not in use.*

Committee Recommendation

176. *The Committee recommended that the Navakholo NGCDF and the Board to source for more funds to complete the projects so the value for money can be realized.*

5.2 Construction of Health Staff Houses

177. During the year under review, the CDF management paid Kshs 1,774,255 to Navakholo CDF Health PMC as a grant for the construction of staff houses at Sisokhe, Namirama and Bushiri Health Centers. However, no supporting documents were attached except for the CDFC meeting minutes.
178. In addition, the project files for the three houses were not availed for audit verification hence it was not possible to confirm how much was the contract price and how much has been transferred towards the projects.

179. Physical verification of the projects on 13 March 2017 revealed the following unsatisfactory issues: -

- (i) Namirama staff house was not in use and the floor has big cracks, Sisokhe staff house though in use had not been handed over.
- (ii) In both staff houses, rainwater installations were done at a cost of Kshs 75,946 as per the bill of quantities. However, the works had not been done.
- (iii) Consequently, the authenticity of the payment of Kshs 1774,255 could not be ascertained.

Response by the Fund Account Manager

180. The payment certificate was availed to the auditor for verification. Furthermore, the project (Sisokhe, Namirama and Bushiri) are complete and in use. Occupational certificate attached.

Committee Observations

181. *The Committee observed that: -*

- (i) *The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee.*
- (ii) *The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.*
- (iii) *The Auditors were instructed to carry a physical verification of the projects where it was noted that the project was in use.*

OTHER MATTERS

1.0 Budget Controls and Performance

182. The Fund had budget receipts of Kshs 234,778,208 including Kshs 114,444,432 brought forward from 2014/2015. However, the actual receipts of Kshs 64,023,188 as analysed below.

Components	Actual Expenditure /Receipts	Current Year Budget	Difference between Actual and Budget Kshs.	Difference	Remarks
	Kshs.	Kshs.		%	
Receipts	116,987,414	234,778,208	(117,790,794)	(50.17)	Under allocation
Payments					
Salary payments	2,464,703	2,590,974	(126,271)	(4.87)	Under expenditure
Goods and services	11,889,414	13,654,793	(1,765,379)	(12.93)	Under expenditure
Transfer to Other Government units	34,555,207	130,406,308	(95,851,173)	(73.50)	Under expenditure
Other Grants and transfers	49,330,209	85,117,585	(35,787,376)	(42.04)	Under expenditure
Acquisition of Assets	0	3,008,476	(3,008,476)	(100.00)	Unutilized funds

183. Further, the management underspent on all the five (5) components; compensation of employees, use of goods and services, transfer to other government units, other grants and transfers and acquisition of assets by between 4.87% to 100%.
184. Consequently, the Fund did not operate within the approved budget and negatively impacted delivery of prompt for services for the constituents.

Response by the Fund Account Manager

185. There was under expenditure on the 5 components since some of the funds allocated for that year had not yet been released by the exchequer.

Committee Observation

186. *The late disbursement of funds by the exchequer affects delivery of prompt service to the constituents. The matter therefore stands resolved.*

Committee Recommendation

187. *The Committee recommends that the National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies. Quote section in law)*

2.0 Project Analysis

188. The Fund management had an approved plan to implement a total of 128 projects valued at Kshs 82,100,000. However, 3 projects valued at Kshs 1,000,000 were completed, 86 projects valued at Kshs 60,800,000 had not started and 39 projects valued at Kshs 20,300,000 were ongoing.

Sector/Status	Completed		Not Started		Ongoing	
	No.	Kshs.	No.	Kshs.	No.	Kshs.
Sports	3	1,000,000				
Primary Schools			16	10,000,000	37	18,800,000
Secondary Schools			12	32,000,000	0	
Health			0	8,000,000	2	1,500,000
Environment			50	500,000	0	
Security			8	10,300,000		
Administration			86	60,800,000		
Total	3	1,000,000	86	60,800,000	39	20,300,000

Response by the Fund Account Manager

189. There was delay in project implementation due to late disbursement of funds from exchequer. However, on receipt of funds the projects were implemented to completion.

Committee Observations

190. *The Committee observed that: –*
 (i) *The audit issue was not satisfactorily responded to when the Navakholo NGCDF appeared before the committee.*

(ii) The committee therefore instructed the Fund Account Manager to provide additional information and documents to Auditors.

(iii) The Auditors were instructed to carry a physical verification of the projects.

(iv) Following physical verification of 8 sampled projects it was observed as follows:

No.	Name	Project/Works	Amount	Observation
1.	Navakholo District Commissioner Office	Construction of District Commissioners Office	2,500,000	The project is complete. But not labelled.
2.	Ingotse High School	Completion of twin lab	9,733,680	Not complete. But it is partially in use.
3.	Shinoyi Secondary School	Completion of twin lab	7,200,000	Not complete. But it is partially in use.
4.	Namirama Health Centre	Construction of staff houses	2,467,654	The project is complete. But not in use.
5.	Tanga Primary School	Construction of one class room	500,000	The project is complete. But not labelled.
6.	Chebunyi Muslim Primary School	Construction of 4 classes	2,500,000	The project is complete. But not in use.
7.	St kizito girls sec school	Construction of twin dormitory	7,100,000	The project is complete. But not in use.
8.	Navakholo Health Centre	Construction of pediatric ward	3,000,000	The project stalled.

Committee Recommendation

191. The Committee recommends that:-

- The Navakholo NGCDF and the Board should immediately ensure that the completed projects are fully utilized so that the value for money can be realized.
- Within three months of adoption of this report the National Treasury and the NG-CDF Board should allocate funds to Navakholo NGCDF to enable it to complete all the pending projects.
- Navakholo NG-CDF should label all the projects that have been implemented by the NG-CDF.

MIN. NA/AA&SC-DFAC/2023/57

ADJOURNMENT

There being no other business, the meeting was adjourned 1.08 p.m. The next meeting will be held on Sunday March 5, 2023 at 2.00 pm.

SIGNED..... DATE.....

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

DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 11TH SITTING OF THE DECENTRALIZED FUND ACCOUNTS COMMITTEE HELD ON SATURDAY 4TH MARCH 2023, IN HOLIDAY INN, KIAMBU COUNTY AT 2.30PM

PRESENT

- | | |
|--|-------------------------|
| 1. Hon. Gideon Mutemi Mulyungi, M.P. | Chairperson |
| 2. Hon. Gertrude Mwanyanje Mbeyu, M.P | Vice-chairperson |
| 3. Hon. Mejjadonk Benjamin Gathiru, M.P. | |
| 4. Hon. Innocent Momanyi Obiri, M.P | |
| 5. Hon. Caroline Jeptoo Ng'elechei, M.P | |
| 6. Hon. Joseph Kahangara Mburu, M.P | |

APOLOGIES

1. Hon. David Mboni Mwalika, M.P.
2. Hon. Abdi Barre Hussein, M.P
3. Hon. Adhe Guyo Wario, M.P.
4. Hon. Dorothy Muthoni, Ikiara, M.P
5. Hon. Jackson Lentoijoni, Lekumontare, M.P.
6. Hon. Joyce Osogo, Bensuda, Atieno, M.P
7. Hon. Stephen Mogaka, M.P
8. Hon. Martin Wanyonyi Pepela , M.P
9. Hon. Reuben Kipngor, Kiborek, M.P

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

- | | |
|-------------------------|-------------------------|
| 1. Mr. Ahmad Guliye | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Ms. Comfort Achieng | Clerk Assistant III |
| 5. Mr. Clinton Sindiga | Legal Counsel II |
| 6. Ms. Elizabeth Kibati | Research Officer III |
| 7. Mr. Calvin Njoroge | Media Relations Officer |

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND

- | | |
|-----------------------------|--------------------------------------|
| 1. Ms. Beatrice Otieno | Manager Field Financial Coordination |
| 2. Ms. Elizabeth Kilundu | Chief Manager, Programmer |
| 3. Mr. Collins Obuya | Fund Account Manager Malava |
| 4. Ms. Mary Goretti Wanjala | Regional Coordinator |
| 5. Mr. Humphrey Sechero | Fund Account Manager Lurambi |
| 6. Mr. Thomas Ontweka | Fund Account Manager Navakholo |
| 7. Mr. Benard Misiko | Fund Manager Khiwesero |

OFFICE OF THE AUDITOR GENERAL

- | | |
|---------------------------|-------------------|
| 1. Dr. Jackson Ndungu | Director of Audit |
| 2. Mr. Patrick K. Muriuki | Principal Auditor |
| 3. Mr. Maurice O. Oyoo | Principal Auditor |
| 4. Ms. Pamela Ochieng | Principal Auditor |

NATIONAL TREASURY

Mr. Simon Kiriiba	Liaison Officer
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MIN. NA/AA&SC-DFAC/2023/050

PRELIMINARIES

The Chairperson called the meeting to order at 2.11pm, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the Auditor General Reports on Accounts of Malava NG-CDF for the Financial year 2013/2014 to 2015/2016.**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&SC-DFAC/2023/051

EXAMINATION OF THE AUDIT REPORTS ON ACCOUNTS OF MALAVA NG-CDF THE FINANCIAL YEAR 2013/2014 TO 2015/2016

Mr. Collins Obuya, the Fund Manager took oath of witness oath and tabled the Malava NG-CDF management responses and supporting documents on the audited accounts of Financial Years 2013/2014 to 2015/2016.

MALAVA CONSTITUENCY

FINANCIAL YEAR 2013/2014

1.0 Cash and Cash equivalents

1. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs 8,972,184.47 as at 30 June 2014. However, reflected in the bank reconciliation statements are unrepresented cheques amounting to Kshs 370,392.00 which relate to the period 2010 to 2013 and are stale. Further, payments amounting to Kshs 337,000.00 made by the bank during the year 2006 also remain outstanding and unaccounted for.

Consequently, it had not been possible to confirm the accuracy of the cash and cash equivalents balance of Kshs 8,972,184.47 as at 30 June, 2014.

Response from Fund Account Manager

2. It is true that we still had the unpresented bursary cheques amounting Ksh.370.392.00 relating to the years 2010 to 2013 at the time of Audit. However, the cheques have since been reversed in the cashbook. A copy of the cashbook extract was provided. Ksh.337,000.00 relating to the year 2006 were payments done in the bank accounts that had not been recorded in the cashbook which have since been recorded as a payment in the cashbook.

Committee Observations

3. *The Committee observed that bank reconciliations were provided for and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

4. *The Committee recommends that the Accounting Officer: -*
 - (i) *ensures that the Fund Account Managers: -*
 - a. *keeps financial and other records that are accurate, reliable, and complete;*
 - b. *adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c. *adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d. *adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
 - (ii) *engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

2.0 Transfer to Other Government entities

5. The statement of receipts and payments reflects fund disbursements totaling Kshs 48,971,312.80 to various institutions to implement proposed projects during the year ended 30th June 2014. However, Project Management Committee (PMC) returns, and inspection reports were not made available for audit review to confirm fund utilization.
6. In the circumstances, it has not been possible to ascertain whether the funds were utilized for the purpose intended and properly accounted for as at 30th June 2014.

Response from the Fund Account Manager

7. At the time of audit, the project files were with the PMC. However, the project Returns and Inspection Reports were availed for audit verification.

Committee Observations

8. *The Committee observed that: –*
 - (i) *At the time of the audit, the Fund had not provided the project expenditures reports returns for audit review.*
 - (ii) *The project returns and inspection reports were later availed for audit verification.*
 - (iii) *The query was adequately addressed and resolved.*

Committee Recommendation

9. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act and Section 68(2)(k) of the Public Finance Management Act, No. 18 of 2012 which provides that “(2) In the performance of a function under subsection (1), an accounting officer shall—(k) prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury” on the timely submission of documents.*

OTHER MATTER

1.0 Going Concern

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

Response by the Fund Account Manager

11. The issue of going concern was resolved through adoption of the NGCDF Act 2015, Regulations 2016 which aligned the fund functions to National Government functions.

Committee Observation

12. *The Committee observed that the matter was satisfactorily addressed and resolved.*

Committee Recommendation

13. *The Committee recommends that the NGCDF Board, Office of the Auditor General should be aware that in a bid to align the CDF with the Constitution of Kenya, 2010, Parliament passed the National Government Constituencies Development Fund (NG-CDF) Act, 2015. The NG-CDF is a national fund that comprises of monies of an amount of not less than 2.5% of all the national government's share of revenue as divided by the annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statements

14. The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires, the management to include among the financial statements submitted for audit, a report on action taken to address previous year auditor's recommendations. In the year 2013/14, Malava CDF had a qualified audit opinion. However, no report on the follow up of the audit issues raised in the report was included in the financial statements for the year under review.
15. In the circumstance, the presentation of the financial statements does not conform with IPSAS (Cash Basis) prescribed by the National Treasury with the Public Finance Management Act, 2012.

Response by the Fund Account Manager

16. The audit certificate had not been received at the time of financial reporting. However, it has since been received and a report on the follow up of the audit issues was prepared and presented to the auditors for review. An extract of the Financial Statement is provided.

Committee Observations

17. *The Committee observed that –*
 - i. *The Financial Statements were availed and verified by the Office of the Auditor General.*
 - ii. *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.*
 - iii. *The query was adequately addressed and resolved.*

Committee Recommendations

18. The Committee recommends that:-

The Committee recommends that the Accounting Officer: -

- (i) ensures that the Fund Account Managers: -*
 - a. keeps financial and other records that are accurate, reliable, and complete;*
 - b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
- (ii) 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*
- (iii) The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

2.0 Budgetary Control and Performance

19. The Fund's budgeted receipts totaled to Kshs 89,621,249 but only Kshs 116,792,662 was received and therefore the CDF was underfunded by Kshs 72,828,587 as detailed below:

Receipt/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	Funds Utilization
	(Kshs.)	(Kshs.)	(Kshs.)	f=d/c %
RECEIPTS				

Transfers from CDF Board	189,621,249	116,792,662	72,828,587	62
Other Receipts (AIA)	6,000	6,000	-	100
TOTALS	189,627,249	116,798,662	72,828,587	62
PAYMENTS				
Compensation of Employees	2,251,000	1,473,420	777,580	65
Use of Goods and Services	9,294,531	4,392,830	4,901,701	47
Committee Expenses	6,514,197	5,920,890	593,307	91
Transfers to Other Government Units	112,451,436	71,879,465	40,571,971	64
Other Grants and Transfers	49,580,437	25,569,269	24,011,168	52
Social Security Benefits	137,760	137,760	-	100
Acquisition of Assets	9,391,888	6,838,603	2,553,285	73
TOTALS	189,621,249	116,212,237	73,409,012	61

20. The delayed release of funds by the Constituencies Development Fund Board caused delay in implementation of projects.

Response by the Fund Account Manager

21. This was due to delay in disbursement of funds from the Exchequer. However, funds were received in the following financial year and the projects were fully implemented, complete and are in use.

Committee Observations

22. *The Committee observed that –*
- i. The delay in implementation of projects was due to late receipt of funds from the exchequer. The projects were, however, undertaken and completed in the subsequent financial year.*
 - ii. The AIEs indicating when the funds were received were submitted for audit review and verification by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

23. *The Committee recommends that the National Treasury should release funds on time to the National Government Constituencies Development Fund Board as budgeted for implementation of projects.*

3.0 Transfer to other Government Units

24. The fund disbursed a total amount of Kshs 2,530,050 to various project management committees to purchase land for four schools in the constituency. However, the respective land title documents were not obtained by the Fund. Consequently, ownership of the land parcels by the Fund could not be confirmed.

Response by the Fund Account Manager

25. The Malava NG-CDFC disbursed a total of Kshs 2,530,050 to PMCs for purchase of land as follows:
1. Makuche Primary School – 2 acres land – Kshs 700,000
 2. Friends Secondary School Silungai Girls – 3.5 acres land – Kshs 605,050
 3. St. Marygorett Kalenda Girls Secondary School – 1 acre land – Kshs 350,000
 4. Matete Secondary School – 2.5 acres land – Kshs 875,000
26. The Title Deeds were not ready at the time of audit. However, the Title Deeds for Friends Secondary School Silungai Girls and Matete Secondary School were availed for review, whereas the Titles for Makuche Primary School and St. Marygorett Kalenda Girls Secondary School were still being processed.

Committee Observations

27. *The Committee observed that –*
- i. At the time of Audit the title deeds were not availed as they were still being processed. However, the title deeds for Friends Secondary School Silungai Girls and Matete Secondary School were later acquired and verified by the Office of the Auditor General.*
 - ii. The titles deeds for Makuche Primary School and St. Marygorett Kalenda Girls Secondary School were still being processed.*

Committee Recommendation

28. *The Committee recommends that the Fund Account Managers should liaise with the NG-CDF Legal Department, Sub-County Land Registrar and the Sub-County Educational Office to fast-track succession process to ensure Makuche Primary School and St. Marygorett Kalenda Girls Secondary School receive land ownership documents.*

a. Other Grants and Other Transfers - Unsupported expenditure on Joint Evaluations Tests (Mock)

29. During the year under review, the Fund disbursed Kshs 25,569,269 as Other Grants and Transfers to various beneficiaries. Further, the Fund released Kshs 1,000,000 to Kakamega North Sub – County Secondary Schools Association to facilitate the Sub – County's joint evaluation tests for 2670 form four candidates. However, there were no budget estimates or signed schedules to support the expenditure. In view of the foregoing, the propriety of the expenditure of Kshs 1,000,000 could not be confirmed.

Response by the Fund Account Manager

30. The supportive documents for Kshs 1,000,000 released to Kakamega North Sub – County Secondary Schools Association to facilitate the Sub – County’s joint evaluation tests for 2670 form four candidates was availed for audit verification. The expenditure returns are availed.

Committee Observation

31. *The Committee observed that: –*

The expenditure returns were availed and verified by Office of the Auditor General. The query was adequately addressed and resolved.

5.0 Project Implementation and Management

32. Out of one hundred and seventy-one (171) projects allocated funds to Malava CDF during the two years ending 30 June 2015, fifty-five (55) projects allocated Kshs 116,096,445 were ongoing as at 30 June 2015, forty-nine (49) projects costing Kshs 36,019,590 had not started while two projects had stalled as detailed below:

Sector/Status	Stalled		Not Started		Ongoing		Complete	
	No	Value (Kshs)	No	Value (Kshs)	No	Value (Kshs)	No	Value (Kshs)
Administration	1	1,800,000	3	1,198,900	4	13,494,152	4	14,481,234
Agriculture						0		
Education			32	25,100,000	43	89,108,028	53	37,630,000
Environment			2	600,000	2	1,900,000	3	1,300,000
Health	1	1,120,690	4	3,620,690	4	4,141,379	3	3,155,479
Market						0		
Road			1	2,000,000		0	2	11,564,466
Security			7	3,500,000		5,327,999		
Sports					2	2,124,887		
Total	2	1,920,690	49	36,019,590	55	116,096,445	65	68,131,179

33. The delay in implementing the projects impacted negatively on service delivery to residents of the Constituency.

Response by the Fund Account Manager

34. It is true that at the time of Audit 55 projects worth Kshs 116,096,445 were ongoing, and 49 projects had not started due to delay in disbursement of funds from the Exchequer.
35. The funds were, however, received in the subsequent year and the projects implemented, complete and are in use.

36. The Schedule of projects, Completion Certificates and photos were availed to Office of the Auditor General for review.

Reaction from Members

37. *Although the Committee observed that the matter was addressed satisfactorily. It tasked the Office of the Auditor General to conduct physical verification of the project before it makes its recommendations on the matter.*

Committee Observation

38. *Following physical verification by the Office of the Auditor General it was observed that the projects were later completed and are in use.*

Committee Recommendation

39. *The National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

FINANCIAL YEAR 2015/2016

1.0 Transfer to Other Government units

40. A local company was awarded tender for construction of two-bedroom staff houses and external pit latrines at Shihome Dispensary a contract sum of Kshs. 2,360,048. During the year under review, Kshs 1,509, 358 was disbursed and paid to Shihome Dispensary PMC account.
41. According to the contract agreement, construction was to begin on 9 November 2015 and be completed by March 2016, but the work had not been completed during the time of audit in February 2017, eleven (11) months after the expected completion date. Further, it was noted that the iron sheets used were gauge 30 and not gauge 28 as specified in the bill of quantities. Consequently, value for money may not have been obtained from this project.

Response by the Fund Account Manager

42. At the time of audit, the project had not been completed due to the piecemeal funding from the Exchequer. However, the project was fully funded in the subsequent year, complete and is in use. The Completion Certificate and Hand-over Report were availed for review.
43. The choice of iron sheets gauge 30 instead of gauge 28 was as a result of Variation Order from the Public Works Department.

Committee Observation

44. *Due to time constraints the Office of the Auditor General did not conduct physical verification of the project. However a letter from the Public Works Department confirmed that the project was undertaken and was in use. The query was adequately addressed and resolved.*

OTHER MATTER

1.0 Budget Performance

45. During financial year under review, the CDF was allocated Kshs 208,421,378 and spent Kshs 135, 538, 353 or 64.88% of the total receipts leaving Kshs 73,383,025 or 35.12% of the total receipts unspent as analyzed below. The explanation given was that delayed release of funds by the National Government Constituencies Development Fund Board caused delay in implementation of projects.

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	Funds Utilization
	A	B	C	D	E	f=d/c %
RECEIPTS			(Kshs.)	(Kshs.)	(Kshs.)	
Transfers from CDF Board	135,506,366	73,415,012	208,921,378	208,421,378	500,000	99.76
Proceeds from Sale of Assets	-		-			
Other Receipts (AIA)	-		-			
TOTALS	135,506,366	73,415,012	208,921,378	208,421,378	500,000	99.76
PAYMENTS						
Compensation of Employees	2,480,000	1,239,720	3,719,720	2,201,650	1,518,070	59.19
Use of Goods and Services	9,365,573	4,428,978	13,794,551	9,296,341	4,498,210	67.39
Transfers to Other Government Units	85,617,647	42,661,386	128,279,033	84,661,300	43,617,733	66.00
Other Grants and Transfers	36,693,146	20,075,638	56,768,784	38,293,717	18,475,067	67.46
Acquisition of Assets	1,350,000	5,009,290	6,359,290	1,085,345	5,273,945	17.07
TOTALS	135,506,366	73,415,012	208,921,378	135,538,353	73,383,025	64.88

Response by the Fund Account Manager

46. Malava NG-CDFC was allocated Kshs 35,506,366 for Financial Year 2015/2016 and Kshs 2,915,012 being balance brought forward meant for Financial Year 2014/2015 making a total sum of Kshs 208,421,378 as funds available.
47. However, the Malava NG-CDF could not fully implement the budget since some funding had not yet been received from the Exchequer as at the closure of the financial year.

Committee Observation

48. *The Committee observed that –*

- i. The delay in the implementation of projects was due to late receipt of funds from the exchequer. The projects were, however, undertaken and completed in the subsequent financial year.
- ii. The AIEs indicating when the funds were received were submitted for audit review and verification by the Office of the Auditor General. The query was adequately addressed and resolved.

Committee Recommendation

49. The Committee recommends that the National Treasury should release funds on time to the National Government Constituencies Development Fund Board as budgeted for implementation of projects.

2.0 Project Implementation Performance

50. The CDF management was to implement a total of 231 projects during the year under review. 62 projects valued at Kshs 90,757,726 were ongoing, 24 valued at Kshs 34,600,000 had not started and 145 projects valued at Kshs 139,669,278 were completed as analyzed below:

F/Y	Sector/Status	Not Started		Ongoing		Complete	
		No	Value (Kshs)	No	Value (Kshs)	No	Value (Kshs)
2013/2014	Administration					2	7,536,991
2014/2015		1	1,000,000				
2015/2016		1	1,000,000	2	12,195,573		
2013/2014	Education			3	7,125,281	52	58,630
2014/2015		1	500,000	17	20,600	59	76,827,415
2015/2016		21	32,100,000	26	60,960,793	19	18,700,000
2013/2014	Environment					1	917,500
2014/2015							
2015/2016				1	800,000		
2013/2014	Road					1	6,564,466
2014/2015						1	4,736,858
2015/2016							
2013/2014	Health						
2014/2015				1	1,255,479	1	1,255,479
2015/2016				2	2,800,000	1	850,000
2013/2014	Security						
2014/2015				3	1,500,000		
2015/2016				7	4,100,000		
2013/2014	Sports					1	124,887
2014/2015							
2015/2016						1	2,000,000
	Total	24	34,600,000	62	90,757,726	145	139,665,278

51. Delay in implementing the projects impacted negatively on service delivery to the residents of the Constituency.

Response by the Fund Account Manager

52. At the time of Audit, 62 projects worth Kshs 90,757,726 were ongoing and 24 projects worth Kshs 34,600,000 had not started. This was due to late disbursement of funds by the NGCDF Board.
53. However, the projects were fully funded in the subsequent year, implemented, complete and in use. Schedule of projects, Completion certificates and photos were availed to auditors for review.

Committee Observation

54. *Following inspection visit of the projects and verification of completion certificates and photos of the completed projects by the Office of the Auditor General the Committee was satisfied and noted that the issue of disbursement of funds was beyond the control of NG-CDF. The query was adequately addressed and resolved.*

**MIN. NA/AA&SC-DFAC/2023/52 EXAMINATION OF THE AUDIT REPORTS ON
ACCOUNTS OF KHIWESERO NG-CDF THE
FINANCIAL YEAR 2013/2014 TO 2015/2016**

KHIWESERO CONSTITUENCY

55. Mr. Benard Misiko, the Fund Manager appeared before the Committee on 4th March, 2023 to respond to the audit matters raised in the report of the Auditor General for Khiwisero Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Cash and Cash Equivalents

56. The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs 40,725,688 as at 30 June 2014. However, the statement of receipts and payments reflects a surplus of Kshs 36,062,156.06 resulting to a difference of Kshs 4,663,531.94.
57. The difference is supported with a brought forward balance of Kshs 4,555,037.10 and an unsupported prior year adjustment of Kshs 108,494.84. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs 40,725,688 could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

58. Kshs 40,725,688 was the closing cashbook balance as at 30th June 2014 as reflected in the statement of financial assets and liabilities. The statement of receipts and payments captures the actual receipts and payments during the year hence reflecting a surplus of Kshs 36,062,156.06. The difference between the surplus and the cash book closing balance is the

opening cashbook balance of Kshs 4,555,037.10 and the prior year adjustment of Kshs 108,494.84.

The opening and closing cashbook balance extracts were provided to the auditor for review.

Committee Observation

59. *The Committee observed that the explanation offered was satisfactory. The query was adequately addressed and resolved.*

Committee Recommendations

60. *The Committee recommends that the Accounting Officer: -*

(i) ensures that the Fund Account Managers:

- a. keeps financial and other records that are accurate, reliable, and complete;*
- b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

(ii) The NG-CDF Board should consider allowing direct bank debits to beneficiary institutions to increase efficiency in disbursement and reduce cases of stale cheques.

(iii) The NGCDF Board engages the Public Sector Accountings Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all National Government -CDF constituency staff.

2.0 Unsupported Over Expenditure

61. The summary statement of appropriation reflects total over expenditure of Kshs 38,210,583.80 as the approved budget was Kshs 86,901,961.94 whereas the actual expenditure is Kshs 125,112,545.74 as at 30 June 2014. Further, the over expenditure relates to Transfers to Other

Government entities and Other Grants and Transfers. In the circumstances, the propriety of the expenditure and the source of the funds could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

62. The expenditure of Kshs 38,210,583.80 was relating to the previous year projects, which were not part of the 2013/2014 financial year allocation.
63. The expenditure of Ksh.38,210,583.80 was implemented with the AIE (No. A711835) of Kshs 46,310,065 which related to the previous year.

Committee Observations

64. *The Committee observed that the AIE No. A711835 for Kshs 46,310,065 for financial year 2012/2013 was availed for audit and verification. The query was adequately addressed and resolved.*

3.0 Accuracy and Completeness of Financial Statements

65. The statement of financial assets and liabilities includes unsupported balances for use of Goods and Services Kshs 2,666,088, other Grants and Transfers Kshs 41,669,902.74, Committee expenses Kshs 5,997,713 and Compensation of Employees Kshs 545,998.20 all totaling Kshs 50,879,701.94.
66. As a result, the accuracy and completeness of the financial statements could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

67. Supporting schedules for the underlisted were submitted to the auditor for verification verification:
 - (i) **Goods and Services**= Ksh.2,666,088
 - (ii) **Other Grants & Transfers** = Ksh.41,669,902
 - (iii) **Committee expenses**= Ksh.5,997,713
 - (iv) **Compensation of Employees**= Ksh.545,998.20.

Committee Observations

68. *The Committee observed that the supporting schedules were availed for audit review. The query was adequately addressed and resolved.*

Committee Recommendations

69. *The Committee Recommends -
 - 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 ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

OTHER MATTER

Going Concern

70. The High Court of Kenya in its ruling on petition 71 of 2013 held that the CDF Act 2013 establishing the CDF since enactment of the Constitution 2010 was unconstitutional rendering the existence of the fund illegal.

Response by the Fund Account Manager

71. The CDF Act 2013 was rescinded and replaced by the enactment of the NG-CDF Act of 2015 which ensured continued existence of the Fund.

Committee observation

72. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2014/2015

1.0 Presentation, Accuracy and Completeness of the Financial Statements

73. According to the IPSAS (Cash Basis) financial statements presentation format prescribed by the National Treasury, the management is required to include the action taken on the previous year auditor's recommendations. In the year 2013/2014, Khwisero CDF had an except for opinion. However, no report on the progress on follow up of the audit issues raised was included in the financial statements for the year under review.
74. Further, the statement of management responsibilities has not been duly signed as required. In addition, the deficit for the year of Kshs 14,636,588 differs with Ksh.13,786,586 reflected in the statement of assets. The resultant difference of Kshs 850,003 has not been explained.
75. In addition, the figure of receipts of Kshs 82,634,499 has not been reflected in the statement of receipts and payments.
76. In the circumstances, the presentation of the financial statements is not in conformity with IPSAS (Cash Basis) as prescribed by the National Treasury and in accordance with the Public Finance Management Act, 2012. Also, the accuracy and completeness of the financial statements could not be ascertained.

Response by the Fund Account Manager

77. During the preparation of financial statements, the final Auditor's report had not yet been received by constituency hence the statement had not been prepared.
78. Failure to sign the statement of Management responsibilities was an oversight. The statement was later signed.
79. The actual deficit for the year was Ksh.14,636,588, being the difference between total receipts and payments in the year.
80. The figure of Kshs 82,634,499 was reflected in the revised financial statement as a correction. It was an omission error.
81. The expenditure totaled to Kshs 97,271,088. The deficit of the year was Kshs 14,636,588 as reflected in the revised financial statements.
82. Page 6 of the financial statements was later signed by the CDF chairperson.

Committee Observation

83. *The Committee observed that at the time of preparation of the financial statements Khiwesero CDF had not received the final audit certificate from the auditor general hence did not include it in the financial statements. However, the Fund Account Manager later submitted the revised financial reports and report on prior year audit issues. These were verified to be correct by the Office of the Auditor General and the matter therefore stands resolved.*

Committee Recommendations

84. *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.*
 - ii. *The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.*

2.0 Budget Control and Performance

85. The fund approved budget receipts were Kshs 150,020,688 including Kshs 40,725,688 brought forward from 2013/2014 financial year. However, actual receipts amounted to only Kshs 82,634,499 implying an underfunding of Kshs 27,544,833.
86. Further, the fund underspent on transfers by Kshs 16,244,654 (79%). In addition, the fund overspent on social security benefit by Kshs 53,660 (167%).
87. Consequently, the fund did not operate within the approved budget and negatively impacted delivery of prompt services to the constituents.

Response by the Fund Account Manager

88. The last AIE No. A796217 worth Kshs 27,544,833.00 (for the year under review) was received on 11th September 2015. This therefore implies that the funds were received and spent in the current financial year that is FY 2015/2016.
89. Underfunding is because of the delayed disbursement from the exchequer.

Committee Observations

90. *The Committee observed that :-*
- i. Underfunding was because of the delayed disbursement from the exchequer.*
 - ii. AIE No. A796217 worth Kshs 27,544,833.00 (for the year under review) was received on 11th September 2015. The funds were received and spent in the FY 2015/2016.*
 - iii. A copy of the AIE and list of projects were availed to the Office of the Auditor General for review and verification.*
 - iv. The query was adequately addressed and resolved.*

Committee Recommendation

91. *The Committee recommends that the National Treasury should ensure timely release funds to enable implementation of projects approved by the NG-CDF Board.*

3.0 Project Implementation and Management

92. The fund budgeted for the implementation of 92 projects with an allocation of Kshs 106,170,336. However, only 77 projects with an allocation of Kshs 88,927,337 were completed. Further, 10 projects costing Kshs 4.5million were not started with another 4 projects with an allocation of Kshs 12,427,999 ongoing and 1 project with allocation of Kshs 315,000 had stalled. In view of the foregoing, the fund did not deliver the expected services to the constituents and did not therefore achieve its development objectives.

Response by the Fund Account Manager

93. The Funds were received later, and the projects were implemented and completed. The projects later implemented are:
- i) Buhili Primary School- was allocated funds for land purchase but changed to classrooms renovation (reallocation approval from the Board, deposit slip and PMC minutes were availed to the auditor for review and verification).
 - ii) Khwisero District Hospital land- was later purchased (deposit slip, Agreement of sale/purchase, PMC minutes and Copy of title deed were availed to the auditor for review and verification).

- iii) Audit fee- was reallocated to Emwaniro for a new classroom (reallocation approval from the Board, codelist, completion and handover certificates for the classrooms were availed to the auditor for review and verification)
- iv) Kisa North Chief's office- was implemented and complete (deposit slip, Completion & Handover certificates, and photo of the office were availed to the auditor for review and verification)
- v) Roads-Initially was for lease of murram site. However, was changed due to devolution for construction of toilets at the Khwisero Police Station, Sh.500,000 and renovation of classrooms at Ibinda Primary School, sh.500,000 (deposit slip to Police PMC account, minutes, reallocation approval from the Board & PMC bank account statement on funds flow were availed to the auditor for review and verification).

94. All were completed and are in use. Updated Project Implementation Status Report including the projects were availed to the auditor for review and verification

Committee Observations

95. *The Office of the Auditor was instructed to carry a physical verification of the projects. it was observed that:*

Project	Project Details	Verification findings
1) Buhili Primary School	Renovation of 4 classrooms	Completed and in use
2) Purchase of land for construction of level 4 Hospital	Purchase of Land for construction of level 4 Hospital	Land seen and title deed provided to auditor for review and verification
3) Emwaniro for a new classroom	Construction of a new classroom	Completed and in use
4) North Kisa Location Chief's Office	Construction of North Kisa Location Chief's Office	Completed and in use
5) Khwisero Police Station	Construction of 4 door toilet	Completed and in use
6) Ibinda Primary School	Renovation of classrooms	Completed and in use

4.0 Tax Compliance and Defective Workmanship

96. The fund contracted the construction of a modern dining hall at Eshinutsa Secondary school in November 2013 at a contract sum of Kshs 6,366,418 and in October 2012 for the construction of a multipurpose dining hall at Emalindi Girls' Secondary school at a contract sum of Kshs 6,599,750. During the year under review the CDF allocated and disbursed Kshs 3,570,000 and Kshs 2,100,000 for the dining hall and dormitory respectively. However, tax was not withheld

and remitted to the KRA from the payments made. Further, details of how provisional sum of Kshs 770,000 in the contract was utilized were not made available for audit review. In addition, poor workmanship in the construction of the dining hall at Emalindi Girls' Secondary school was evident from the cracked floors and weak pavements and the project was incomplete.

97. The fund consequently failed to comply with the tax law on withholding taxes and did not ensure efficient completion of the projects.

Response by the Fund Account Manager

98. The constituency transfers money to the Project management committee who implement projects. During the implementation it's when the contractors are paid, and this is the point the withholding taxes should be withheld. Therefore, the constituency could not withhold taxes at the point of transferring funds to the PMC.
99. Constituencies were appointed as withholding agents by KRA in August 2018. From this period the constituency has put in place controls and measures to ensure the PMCs withhold the taxes and are remitted
100. The provisional sum of Kshs 770,000 under Eshinutsa Sec School for Dining hall was utilized on plumbing works, electricity and serving tables. For Emalindi Girls' Sec School dining hall, there are pending works as per the Works officer, but the building is partially complete.

Committee Observations

101. *The Committee observed that:-*

- (i) CDF allocated and disbursed Kshs 3,570,000 and Kshs 2,100,000 for the construction of a dining hall and dormitory respectively.*
- (ii) Tax was not withheld and remitted to the KRA from the payments made.*
- (iii) A provisional sum of Kshs 770,000 in the contract was utilized were not made available for audit review.*
- (iv) Poor workmanship in the construction of the dining hall at Emalindi Girls' Secondary school was evident from the cracked floors and weak pavements.*
- (v) The fund failed to comply with the tax law on withholding taxes and did not ensure efficient completion of the projects.*
- (vi) Due to time constraint the Office of the Auditor General was not able to visit the projects to ascertain its status and therefore the matter was still pending.*

Committee Recommendations

- (i) Within three months of the adoption of this report the NGCDF Board in consultation with the County Public Works Office should assesses the status and structural integrity of the Emalindi Girls' Secondary school.*
- (ii) The Committee recommends that in line with Section 46(1) of the National Government Constituency Development Fund Act, 2015, which provides that "The Constituency Development Fund Committee may make appropriate consultations with the relevant Government departments to ensure that cost estimates for the projects are*

realistic.” 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.

- (iii) *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.*
- (iv) *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.*

FINANCIAL YEAR 2015/2016

1.0 Follow up of previous year’s audit issues

102. The International Public Sector Accounting Standards (Cash Basis) financial statement presentation format prescribed by the Kenya Public Accounting Standards Board requires the management to include the action taken on the previous year’s Auditor’s recommendations. In the year 2014/2015, Khwisero CDF had adverse audit opinion. However, the report on follow-up of Audit issues raised in the audit report has been included in the financial statements for the year under review as required. Therefore, the presentation of the financial statements does not conform to Public Sector Accounting Standards Board Reporting template and Public Finance Management Act, 2012.

Response by the Fund Account Manager

103. The final Auditor’s report for 2014/2015 financial year had not yet been received by constituency hence the statement had not been prepared. However, the report on progress on follow up of audit issues has been prepared and provided to the auditor for review.

Committee Observation

104. *The Committee observed that the Fund Account Manager admitted that the final Auditor’s report for 2014/2015 financial year was not received by constituency at the time of audit hence the statement was not prepared. However, they were later prepared and availed to the auditor for review.*

Committee Recommendations

105. *The Committee recommends that the Accounting Officer: -*
- (i) *ensures that the Fund Account Managers: -*
 - a) *keeps financial and other records that are accurate, reliable, and complete;*
 - b) *adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that “The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards*

prescribed and published by the Accounting Standards Board from time to time”.

- c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that “Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible”; and*
- d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that “An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”.*

(ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

2.0 Non-remittance of Taxes

106. Included under other grants and transfers of Kshs 42,146,459 was Kshs 18,542,121 paid by the Khwisero Constituency Management in respect to road construction works during the year under review. However, the management only remitted Kshs 707,468 to KRA as 6% VAT and 3% withholding tax, leaving a balance of Kshs 882,148 not remitted as required. No explanation was given for non-remittance of Kshs 882,148 to KRA.

Response by the Fund Account Manager

107. The constituency transfers money to the Project management committee who implement projects. During the implementation it's when the contractors are paid, and this is the point the withholding taxes should be withheld. Therefore, the constituency could not withhold taxes at the point of transferring funds to the PMC.
108. Constituencies were appointed as withholding agents by KRA in August 2018. From this period the constituency had put in place controls and measures to ensure the PMCs withhold the taxes and are remitted.
109. When CDF could fund road works, the Constituency Roads Officer (the technical person in the field) could prepare BQs and even payment certificates. All payments were done based on such certificate calculations.

Committee Observations

110. *The Committee observed that:-*
- i. The query arose due to non-remittance of taxes to KRA.*
 - ii. The Constituency had put in place controls and measures to ensure the PMCs withhold the taxes and are remitted.*

Committee Recommendations

111. *The Committee recommends that:-*

- i. 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.*
- ii. 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.*
- iii. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

3.0 Non-utilization of Funds

112. Included in the transfer to other Government units of Kshs 27,757,312 is Kshs 2,100,000 allocated during the year under review towards purchase of land for Emung'abo Health Centre. The money was transferred to the Health Centre's PMC during the month of October 2016. However, by the time of audit, the money was still in the Health Centre's PMC bank account. Further, it was noted that there was no evidence that the land had been identified and that due procurement process followed.

Response by the Fund Account Manager

113. Land was later purchased, fenced, the health facility constructed plus toilet and even furnished. (Land purchase Agreement, Valuation report, BQ for the building, PMC minutes on implementation, official schedules and receipts utilized during implementation, photographs and minutes of stakeholders on site after completion were submitted to the auditor for verification).

Reaction from Members

114. *Although the Committee observed that the matter was addressed satisfactorily. It tasked the Office of the Auditor General to conduct physical verification of the project before it pronounces itself on the matter.*

Committee Observation

115. *Following physical verification carried out by the Office of the Auditor General it was observed that:*

Project	Project Details	Verification findings
Emugh'abo Health Centre	<ul style="list-style-type: none">i. Construction to completion of a Health Centre Building and toilets to completionii. Purchase of Land	<ul style="list-style-type: none">i. Both building and toilet were completed and are in use.ii. Land was purchased (documentation was provided to the auditor for review and verification).

OTHER MATTERS

1.0 Budget Performance

116. The Fund budgeted for a receipt of Kshs 172,544,000 including Kshs 26,939,102.43 brought forward from FY 2014/15. However, the actual expenditure was Kshs 91,608,214 resulting in an under expenditure of Kshs 80,965,786. Consequently, the fund did not operate within the approved budget, and this might impact negatively in respect of service delivery to the constituents.

Response by the Fund Account Manager

117. Under-expenditure was due to delayed funds disbursement from the ex-chequer. During the year under review, the budget was Ksh.116,780,065. However, the Constituency received Ksh.58,780,065 as balance for the financial year under review. These funds were through AIE No. A825931 dated 27th Sept 2016. A breakdown of respective projects is attached for your confirmation. The Board needs to improve on funds disbursement so that the budgetary allocation is received within the financial year and spent.

Committee Observations

118. *The Committee observed that:—*
- (i) *This was occasioned by the late disbursement of funds to the constituencies by the exchequer. The projects were later funded in the subsequent year.*
 - (ii) *The AIE No. 825931 dated 27th Sept 2016 for Kshs 58,780,065 was availed for audit review. The matter stands resolved.*

Committee Recommendation

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

2.0 Project Analysis

120. Khwisero CDF had an approved plan to implement a total of 240 projects valued at Kshs 601,997,135. However, 173 projects valued at Kshs 233,271,507 were complete, 59 projects valued at Kshs 66,226,943 were ongoing, 4 projects valued at Kshs 2,615,000 had stalled.

Response by the Fund Account Manager

121. The Funds were received later. The projects were implemented and completed. The projects implemented are:
- i) Buhili Primary School (sh.650,000)- was allocated funds for land purchase, but changed to classrooms renovation (Reallocation approval from the Board, deposit slip and PMC minutes were submitted to the auditor for review)
 - ii) Khwisero District Hospital Land (sh.1,000,000) - was later purchased (deposit slip, Agreement of sale/purchase, PMC minutes and copy of title deed were submitted to the auditor for review).
 - iii) Audit fee (sh.500,000)- was reallocated to Emwaniro for a new classroom (Reallocation approval from the Board, code list, Completion and handover certificates for the classrooms were submitted to the auditor for review).
 - iv) Kisa North Chief's office (sh.315,000)- was completed (deposit slip, Completion & Handover certificates and photo of the office were submitted to the auditor for review).
 - v) Roads (sh.1,000,000)-Initially was for lease of murram site. However, was changed due to devolution for construction of toilets at the Khwisero Police Station, Sh.500,000 and renovation of classrooms at Ibinda Primary School, sh.500,000 (deposit slip to Police PMC account, minutes, Reallocation approval from the Board & PMC bank account statement on funds flow were submitted to the auditor for review).

All were completed and are in use. Also attached is the updated Project Implementation Status Report including the projects.

Committee Observations


122. *The Office of the Auditor was instructed to carry a physical verification of the projects. it was observed that:*

Project	Project Details	Verification findings
1. Buhili Primary School	Renovation of 4 classrooms	Completed and in use
2. Purchase of land for construction of level 4 Hospital	Purchase of Land for construction of level 4 Hospital	Land seen and tittle deed provided to auditor for review and verification
3. Emwaniro for a new classroom	Construction of a new classroom	Completed and in use
4. North Kisa Location Chief's Office	Construction of North Kisa Location Chief's Office	Completed and in use
5. Khwisero Police Station	Construction of 4 door toilet	Completed and in use
6. Ibinda Primary School	Renovation of classrooms	Completed and in use

MIN. NA/AA&SC-DFAC/2023/53

ADJOURNMENT

There being no other business, the meeting was adjourned at 5.15 p.m. The next meeting will be held on Sunday 5th March at 10.00 am.

SIGNED..........DATE.....16/2/2023.....

HON. GIDEON MUTEMI MULYUNGI, M.P

(CHAIRPERSON)

DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 10TH SITTING OF THE DECENTRALIZED FUND ACCOUNT COMMITTEE HELD ON FRIDAY, 4TH MARCH 2023, IN HOLIDAY INN, SAMBURU CONFERENCE, KIAMBU COUNTY AT 10.00 AM

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. Mejjadonk Benjamin Gathiru, M.P. | |
| 5. Hon. Innocent Momanyi Obiri, M.P | |
| 6. Hon. Caroline Jeptoo Ng'elechei, M.P | |

APOLOGIES

1. Hon. Joyce Osogo, Bensuda, Atieno, M.P
2. Hon. Adhe Guyo Wario, M.P
3. Hon. Jackson Lentoijoni, Lekumontare, M.P
4. Hon. David Mboni Mwalika, M.P
5. Hon. Reuben Kipngor, Kiborek, M.P
6. Hon. Dorothy Muthoni, Ikiara, M.P
7. Hon. Abdi Barre Hussein, M.P
8. Hon. Martin Wanyonyi Pepela M.P
9. Hon. Stephen Mogaka, M.P

IN-ATTENDANCE

SECRETARIAT

- | | |
|-------------------------|-------------------------|
| 1. Mr. Ahmad Guliye | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Ms. Comfort Achieng | Clerk Assistant III |
| 5. Ms. Elizabeth Kibati | Research Officer III |
| 6. Mr. Clinton Sindiga | Legal Counsel II |
| 7. Mr. Calvin Njoroge | Media Relations Officer |

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND

- | | |
|--------------------------|-------------------------------|
| 1. Mr. James Chebii | Manager Financial Services |
| 2. Ms. Beatrice Otieno | Financial Coordinator |
| 3. Ms. Elizabeth Kilindu | Chief Manager, programmers |
| 4. Mr. Peter Maraya | Fund Account Manager Likuyani |

OFFICE OF THE AUDITOR GENERAL

- | | |
|---------------------------|-------------------|
| 1. Dr. Jackson Ndungu | Director of Audit |
| 2. Mr. Patrick K. Muriuki | Principal Auditor |
| 3. Mr. Maurice O. Oyoo | Principal Auditor |
| 4. Ms. Pamela Ochieng | Principal Auditor |

NATIONAL TREASURY

Mr. Simon K Kiriba

Deputy Accountant General

MIN.NO. NA/DAAOSC/ DFAC/2023/047 PRELIMINARIES

The Chairperson called the meeting to order at 10.20am, followed by a word of prayer and introductions.

AGENDA

1. Prayers
2. Introduction
3. Adoption of Agenda
4. Substantive

Examination of the Auditor General Reports on National Government Constituencies Development Fund for the Financial year 2013/2014 to 2015/2016 for Likuyani Constituency.

5. Any Other Business
6. Adjournment.

MIN.NO.NA/DAAOSC/DFAC/2023/048

**EXAMINATION OF THE AUDIT REPORTS OF
THE NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
FOR LIKUYANI CONSTITUENCY FY 2013/2014
TO 2015/2016**

LIKUYANI CONSTITUENCY

1. Mr. Peter Maraya, the Fund Manager appeared before the Committee on 3rd March, 2023 to respond to the audit matters raised in the report of the Auditor General for Likuyani Constituency for the financial years 2013/14, 2014/15 and 2015/16.

FINANCIAL YEAR 2013/2014

1.0 Cash and Cash Equivalents

2. The cash book maintained by the Fund reflected a cash on hand balance of Kshs. 301,460.00 and at bank balance of Kshs 45,537,228.05 as at 30th June 2014 which were different from the balances of nil for cash in hand and Kshs 36,505,623.05 for cash at bank respectively. In the statements of assets and liabilities as at 30th June 2014. Further note 23A indicated a bank balance of Kshs 44,354.00 resulting in an unreconciled balance of Kshs 9,333,065.
3. Consequently, the accuracy of cash and cash equivalent balances of kshs 36,505,623.00 could not be ascertained as at 30th June 2014.

Response by the Fund Account Manager

4. As at 30 June 2014, the cash book had an error i.e. payments posted in the cash book but not casted of Kshs 9,329,707.00 which was corrected in the cash book in August 2014. In their financial statements, they made that adjustment on the cash book balance to reduce from Kshs 45,537,228.75 to the adjusted correct balance of Kshs 36,505,623.01 which was inclusive of cash at bank (Kshs 36,204,163.05) and cash at hand (Kshs 301,460.00). The Financial statements were amended accordingly.
5. Note 23A indicated bank balance of Kshs 44,354,441.05 as opposed to the cash book balance indicated in the Financial Statements.
6. Note 23A was just to restate the balance on the bank statement, which is expected to be higher due to Cheques paid but not represented for clearance at the bank.

Committee Observation

7. *The Committee observed that the financial statements were later amended.*

Committee Recommendations

8. *The Committee recommends that the Accounting Officer: -*
 - (i) *ensures that the Fund Account Managers: -*
 - a. *keeps financial and other records that are accurate, reliable, and complete;*
 - b. *adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time";*
 - c. *adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - d. *adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury."*
 - (ii) *engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

2.0 Procurement of Land Kshs.6,500,000

9. The Fund incurred Kshs 6,500,000 on acquisition of land for educational institutions. However, the parcels were acquired through single sourcing and without a valuation report. Further, the title deed was not obtained since the sellers of the land did not have power of attorney to transfer the land. Further Kshs 800,000.00 was disbursed for the purchase of one acre of land for Godown Primary School but only 0.7 was bought.

10. Under the circumstances, the owner and value of the parcels bought amounting to Kshs 6,500,000.00 cannot be ascertained as at 30th June 2014.

Response by the Fund Account Manager

11. The parcels of land procured for education institutions were meant to expand the institutions' compounds, hence only landowners who neighbor the schools could be approached to sell their land and the valuations were done and title deeds processed.
(1314B-Copies of valuation and Title Deeds attached)
12. The valuation was done and by the time the funds were available to transact, time had elapsed, and the vendors had increased the prices of land to reflect market prices in the area hence the Kshs. 800,000.00 allocated could not purchase one full acre as earlier planned.

Committee Observation

13. *The Committee observed that valuations for Kongoni TTI, Godown Primary and Mukunga Primary school all totaling Kshs. 6,500,000 and title deeds in the names of the schools were availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

3.0 Unsupported Expenditure

14. The Fund through voucher number 96 of 20th June 2014 paid National Bank of Kenya an amount of Kshs 500,000.00 to clear a loan the bank had earlier advanced to Eshikulu Secondary School in the year 2009 for the purpose of purchasing a school bus an Isuzu FRR 33L registration number KBJ 025U. However, the bank statements availed indicated outstanding balance as of May 2014 of Kshs 616, 638.55 but no documents were availed to confirm clearance of the loan and the transfer of the logbook into the school's name.
15. In view of the foregoing, it has not been possible to confirm the propriety of the expenditure of 500,000.00 as at 30 June 2014.

Response by the Fund Account Manager

16. Bank loan was cleared partly the Kshs 500,000 funding from CDF and the balance of Kshs 116,638.55 from School savings.

Committee Observation

17. *The Committee observed that the fund account manager provided a copy of the bank clearance of the loan, a letter for the release of the logbook for vehicle No. KBJ 025U and copy of the logbook. The query was adequately addressed and resolved.*

4.0 Construction of Kongoni Secondary – Multipurpose Hall

18. The CDF Vide payment voucher number 85 of 25 June 2014 released an amount of Kshs 1000,000 to kongoni secondary school for the purpose of construction of multi-purpose hall. However, no board minutes approving the project and bills of quantities were availed for audit review. The project scope and estimated cost was not known, a phenomenon that could lead to wastage of public funds and even the stalling of the project. Further, supervision by the technical ministry of public works was not documented and therefore quality workmanship could not be utilized. The project file did also not have returns on how the amount released was utilized were not presented for audit review.

19. Even though the schedule of material availed in support of payment voucher indicated that the Kshs 1,000,000 was to cover both the foundation and walling, a visit to the school in November 2014 indicate that no walling had been done.

Response by the Fund Account Manager

20. The project returns were with the project management committee at the time of audit. The project scope of the work was defined by the Schedule of materials and Bill of quantities showing the specific activities and the engineers estimate. The project was supervised by the public works and the completion certificate issued.
21. At the time of audit, the project was still ongoing, and it was undertaken to completion as per attached completion certificate.

Committee Observation

22. *The Committee observed that schedules of material, bill of quantities and completion certificate were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

23. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.*

5.0 Under-Absorption of Funds

24. During the year, the Fund received a total allocation of Kshs 77,911,938.00 out of which Kshs 36,505,623.05 remained unspent as at the close of the financial year.
25. Thus, the beneficiaries were denied the planned and approved service delivery. The under absorption was not been explained by management.

Response by the Fund Account Manager

26. The under absorption was occasioned by delays by exchequer disbursements. The last disbursement was received on 29th May 2014.

Committee observations

27. *The Committee observed that:-*
- i. The under absorption of the funds was occasioned by the late disbursement of funds by the National Treasury and NG- CDF Board.*
 - ii. The funds were received towards the end of the financial year and therefore the projects couldn't utilize all the funds within a few days.*

Committee Recommendation

28. *The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

6.0 Failure to maintain a General Ledger

29. The Constituency Development Fund did not keep a general ledger from which the financial statement was to be prepared from and therefore even periodic balancing of books through trial balance was not being done. The financial statements were therefore prepared from the original books of accounts including the cashbooks and the Vote book.
30. Consequently, the fund balances amounting to Kshs 36,505,623.05 could not be confirmed as at 30 June 2014.

Response by the Fund Account Manager

31. The financial statements were prepared from the original books of accounts including the cashbooks and the vote book and the expenditure returns maintained, which applies as a general ledger.

Committee Observations

32. *The Committee observed that:-*
- i. The financial statements and expenditure returns were availed for audit review.*
 - ii. The ledgers were corrected to reflect the correct position and verified by the Office of the Auditor General.*

Committee Recommendations

33. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers:*
- (i) keeps financial and other records that are accurate, reliable, and complete.*
 - (ii) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

FINANCIAL YEAR 2014/2015

1.0 Disclosure, Completeness and Presentation of the Financial Statements

34. The financial statements presentation format prescribed by the National Treasury IPSAS (Cash Basis) requires the management to include the action taken on the previous year auditors' recommendations in the year 2013/2014, Likuyani CDF had an excerpt for opinion. However, no report on the follow up of the audit issues raised was included in the financial statements for the year under review. Further, the financial statements did not include a statement of appropriation as required.
35. In the circumstances the completeness and presentation of the financial statements for the year ended 30 June 2015 were not in conformity with IPSAS (Cash Basis) as prescribed by the National Treasury and in accordance with the Public Finance Management Act 2012.

Response by the Fund Account Manager

36. During the preparation of the financial reports, the constituency had not received the final certificate hence did not prepare prior audit issues report. The report was prepared and availed to the auditor.

Committee Observations

37. *The Committee observed that the Fund Account Managers experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in the preparation of financial statements. The financial reports were later availed for audit review. The query was adequately addressed and resolved.*

Committee Recommendations

The Committee recommends that:-

38. *The Committee recommends that the Accounting Officer: -*
- (i) ensures that the Fund Account Managers: -*
 - a. keeps financial and other records that are accurate, reliable, and complete;*
 - b. adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c. adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*

- d. adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that *"An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury"*.
- (ii) 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
- (iii) The NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.

2.0 Budgetary Performance

39. The Fund had budgeted to receive and spent as transfers from the National management Board a total of Kshs 148,590,684 including a brought forward balance of Kshs 36,505,623 in respect of 2013/2014. Even though the full amount was received, the Fund only managed to spend Kshs 121,868,748 resulting in an under spent difference of Kshs 26,721,935 as detailed below.

Receipts / Expense item	Final Budget	Actual on Comparable Basis	Budget utilisation Difference	% of Utilisation
Transfers from CDF Board	148,590,684	148,590,684	-	-
Other Receipts		40,000	(40,000)	
Total	148,590,684	148,630,684	(40,000)	
Payments				
Compensation of Employees	2,168,181	1,366,482	801,699	63
Use of Goods and Services	2,911,517	2,563,077	348,440	88
Committee expenses	9,400,795	8,066,765	1,334,030	86
Transfer to other government units	62,254,566	54,734,247	7,520,319	88
Other grants and transfers	63,846,300	50,012,897	13,833,403	78
Social security benefits	77,324	34,236	43,088	44
Acquisition of assets	5,650,000	5,091,044	558,957	90
Other payments	2,282,000	-	2,282,000	0
Totals	148,590,684	121,868,748	26,721,935	

Budgetary Performance

40. Consequently, the fund failed to meet its budgetary targets and service delivery goals.

Response by the Fund Account Manager

41. The NG-CDF board released the last disbursement to the committee of Kshs 59,315,444.00 through AIE No. A 82575 late, i.e., on 21st June 2016 and therefore before we could go through the required processes of disbursing the funds to the PMC's (NG-CDFC Minutes approval and Payment Voucher processing in the Sub County Treasury) it was late. Thus, we could not meet the deadline of disbursing all the funds to the PMCs as at 30th June, 2016.
42. The funds were disbursed to the PMC's and spent accordingly.

Committee Observations

43. *The Committee observed that:—*
- i. The NG-CDF board released the last disbursement to the committee of Kshs 59,315,444.00 through AIE No. A 82575 late, i.e., on 21st June 2016, which was towards the end of the financial year.*
 - ii. The funds were later disbursed to the PMC's and spent accordingly.*
 - iii. The AIE was availed for audit review.*

Committee Recommendation

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

3.0 Construction of Soysambu / Karimi Bridge

45. During the year under review the Fund carried out construction of Soysambu / Karimi bridge at a contract sum of Kshs 5,043,600.00 through request for quotation method of procurement instead of open tender. Further, the project design and certificate of work done were not made available for audit verification although a payment of Kshs 3,500,000.00 had been made.
46. In the circumstance, the propriety and value for money in the expenditure of Kshs 3,500,000.00 could not be confirmed as at June 2015.

Response by the Fund Account Manager

47. They prequalified list of ten contractors were invited to bid for works. Three showed interests by submitting filled Bill of quantities. Successful contractor was awarded. The works were supervised by Constituency Roads Officer to completion.

Committee Observation

48. *The Committee observed the payment of Kshs. 3,500,000 to the PMC account. Subsequent payments of Kshs. 2,960,623 and Kshs. 530,000 were supported by payment certificates were availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

The Committee recommends that:-

- i. The Committee recommends that the Accounting Officer ensures that the Fund Account Managers maintains proper records of each project which includes, project returns, tender documents, payment and completion certificates, bill of quantities and project designs, contracts, membership of the Project Management Committees, project minutes and procurement documents and a duplicate file to be maintained by the Project Management Committee.
- ii. The Committee recommends that the Fund Account Manager should ensure that procurement of goods, works and services should be competitive in accordance to the Public Procurement and Asset Disposal Act of 2015 and the Regulations, 2020 which provides that "**Procurement of goods, works and services under these Regulations shall be competitive in accordance with the provisions of section 157(3)(b) of the Act**".

OTHER MATTERS

4.0 Project Implementation

49. During the year under review, the Fund was to implement 275 projects with a total allocation of Kshs 173,030,796. However, only 58 projects were reported as complete, 176 projects with a total allocation of Kshs 119,427,871 remained ongoing and incomplete and 41 projects with an allocation amounting to Kshs 28,467,701 had not yet started.
50. Failure to implement projects in time denies the public the planned and budgeted services but also amounts to a contravention of the constitution which requires provision of effective and efficient services to the public.

Sector / Status	Not Started		Ongoing		Complete	
	No.	Value Ksh	No.	Value Ksh	No.	Value Ksh
Administration	2	3,500,000	15	23,275,478		
Agriculture						
Education	13	8,726,000	94	67,427,142	40	22,837,930
Environment	14	3,241,701	14	3,007,294	1	300,000
Health	3	1,475,000	11	7,257,759		
Market						
Road	6	6,450,000	37	15,048,496		
Security	2	1,075,000	4	1,170,000	2	600,000
Sports	1	4,000,000	1	2,241,701	15	1,397,294
Total	41	28,467,701	176	119,427,871	58	25,135,224

Project Implementation

Response by the Fund Account Manager

51. The disbursement of the funds from the NG-CDF board delayed i.e., received the AIE No. A82575 on 21st June 2016. This delay affected project implementation at the PMC level.
52. Note that PMCs after receiving funds from the committee they are supposed to carry out procurement of suppliers before actual construction begins and unless the procured supplier or

the number of ongoing projects has drastically been reduced because the committee has been allocating adequate funds to projects up to completion.

Committee Observations

53. *The Committee observed that:-*

- (i) *The underutilization of the funds was due to late disbursement of funds by the exchequer.*
- (ii) *The AIE indicating late disbursement was availed for audit review.*
- (iii) *The explanation by the Fund Account Manager was satisfactory.*

Committee Recommendation

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

FINANCIAL YEAR 2015/2016

1.0 Use of Goods and Services

- 55. Included in the use of goods and services figure of Kshs 6,440,067 is expenditure of Kshs 305,440 on supply of office stationery and fuel. However, no documentary evidence was availed for audit verification to ascertain whether the supplied goods were entered in the stock control records.
- 56. In the circumstances, it was not possible to ascertain propriety of the expenditure totalling Kshs 305,440 incurred on use of goods and services.

Response the Fund Account Manager

- 57. We have noted the anomaly and immediately put in place the stores ledger books for both stationery and fuel. Currently, stationery and fuel are registered in the stock control records.

Committee Observation

- 58. *The Committee observed that the copies of fuel register, stock control records and office stationaries were availed and verified by the office of the Auditor General. The query was adequately addressed and resolved.*

2.0 Other Matters

2.1 Budget Performance

- 59. During the year under review, the CDF was allocated Kshs 145,304,179 and spent Kshs 124,822,752 resulting to an under expenditure of Kshs 20,981,427 as analysed in the table below.

Receipts / Expense	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	A	B	C=a+b	D	E=c-d	F=d/c%
Receipts						

from CDF Board						
Proceeds from sale of Assets	0	0	0	0	0	0
Other Receipts	0	226,800	226,800	226,800	0	100%
Total	118,815,444	26,988,735	145,804,179	145,304,179	500,000	99.7%
Payments						
Compensation of employees	1,803,984	-	1,803,984	1,659,577	144,407	92.0%
Use of goods and services	8,726,405	307,548	9,033,953	6,440,067	2,593,886	71.3%
Transfers to other government units	65,158,757	10,601,247	75,760,005	75,675,005	85,000	99.9%
Other Grants and Transfers	40,263,297	14,300,883	54,564,180	37,114,606	17,449,574	68.0%
Acquisition of Assets	2,863,000	1,512,257	4,375,257	3,933,497	441,760	89.9%
Other payments	0	266,800	266,800	0	266,800	0.0%
Total	118,815,444	26,988,735	145,804,179	124,822,752	20,981,427	85.6%

Budget Performance

60. The Fund did not implement the aspirations of the approved budget limits, and this may have affected service delivery to the constituents.

Response by the Fund Account Manager

61. During the year under review, Likuyani NG-CDF was allocated Kshs 145,304,179 and spent Kshs 124,822,752 resulting into under expenditure of Kshs 20,981,427. The Funds and AIE were received late i.e., about 3 weeks to the end of the year and therefore the funds could not be spent by 30th June 2016 considering the processes required.

Committee Observations

62. *The Committee observed that:-*
- The underutilization of the funds was due to late disbursement of funds by the exchequer.*
 - The AIE demonstrating late disbursement was availed for audit review.*
 - The explanation by the Fund Account Manager was satisfactory.*

Committee Recommendation

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

2.0 Project Implementation

64. The Fund implemented a total of 485 projects/programmes in different sectors as at 30th June 2016. However, it was noted that 133 which represents 26.5% of the projects valued at Kshs 65,032,778 were ongoing and 352 projects which represents 73.4% costing Kshs 214,865,882 had been completed. The implementation status is as detailed below.

Sector / Status	Ongoing	Value (Ksh)	Completed	Value (Ksh)
	No.		No.	
Administration	10	9,626,087	12	13,33,961
Agriculture	25	2,535,227	13	2,738,376
Education	76	42,715,156	224	164,407,317
Emergency	0	0	20	3,564,466
Environment	1	200,000	0	0
Health	7	3,000,000	14	7,335,093
Market	1	200,000	0	0
Road	7	4,750,000	43	17,772,668
Security	5	630,000	9	3,175,000
Sports	1	1,376,309	17	2,539,002
Total	133	65,032,779	352	214,865,883

Project Implementation Status

Response by the Fund Account Manager

65. The Fund implemented a total of 485 projects/ programmes in different sectors as at 30th June 2016. However, 133 projects which represent 26.5% of the projects with a total cost of Kshs 65,032,778.00 were on going.
66. The committee has been allocating inadequate funds for some projects with the hope of completing the projects in two years. This has been the key cause of ongoing projects being dominant as they wait for further funding in the next financial year for completion. With immediate effect we shall now discourage partial allocation of funds to projects.

Committee observations

67. *The Committee observed that:-*

- Following inspection visit of the projects and verification of completion certificates and photos of the completed projects by the Office of the Auditor General the Committee was satisfied that with the management response and noted that the issue of disbursement of funds is beyond the control of NG-CDF. The query was adequately addressed and resolved.*
- Inadequate allocation of funds for projects with the hope of completing the projects in subsequent financial years is the key cause of pending ongoing projects. NG-CDF Board should with immediate effect discourage partial allocation of funds to projects.*
- The following were the sampled projects undertaken during the years. Management complied with the directive to give unfettered access to projects and provided documents.*

Project	Verification findings
1) Kongoni Secondary School. Construction of a dining hall.	Completed.

3) Kongoni TVC administration Block	Completed.
4) Likuyani NCDF Office Block	Completed.
5) Mbururu Primary Toilets	Completed.
6) Nabule River Crossing	Completed.
7) Nasianda Secondary schools Administration Block, classroom and toilets	Completed.
8) Syosambu Bridge	Completed.
9) Syosambu secondary school Laboratory	Completed.
10) St Johns Mutoni secondary Storey Building	Completed.

MIN.NO.NA/DAAOSC/DFAC/2023/049 ADJOURNMENT/DATE OF NEXT SITTING

There being no other business to deliberate on, the meeting was adjourned for lunch at 1:00pm. The next meeting will be held on Saturday March 2023 at 2.00p.m. at the same venue.

SIGNED.....  DATE 16/3/2023

HON. GIDEON MUTEMI MULYUNGI, M.P.

(CHAIRPERSON)

MINUTES OF THE 9TH SITTING OF THE DECENTRALISED FUND ACCOUNT COMMITTEE HELD ON FRIDAY, 4TH MARCH 2023, IN HOLIDAY INN, KIAMBU COUNTY AT 2.50 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. Mejjadonk Benjamin Gathiru, M.P. | |
| 5. Hon. Innocent Momanyi Obiri, M.P | |
| 6. Hon. Caroline Jeptoo Ng'elechei, M.P | |

APOLOGIES

1. Hon. Joyce Osogo, Bensuda, Atieno, M.P
2. Hon. Adhe Guyo Wario, M.P
3. Hon. Jackson Lentoijoni, Lekumontare, M.P
4. Hon. David Mboni Mwalika, M.P
5. Hon. Reuben Kipngor, Kiborek, M.P
6. Hon. Dorothy Muthoni, Ikiara, M.P
7. Hon. Abdi Barre Hussein, M.P
8. Hon. Martin Wanyonyi Pepela M.P
9. Hon. Stephen Mogaka, M.P

IN-ATTENDANCE

SECRETARIAT

- | | |
|-------------------------|-------------------------|
| 1. Mr. Ahmad Guliye | Clerk Assistant II |
| 2. Ms. Sylvia Ocharo | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Ms. Elizabeth Kibati | Research Officer III |
| 5. Mr. Clinton Sindiga | Legal Counsel II |
| 6. Mr. Calvin Njoroge | Media Relations Officer |

OFFICE OF THE AUDITOR GENERAL

- | | |
|------------------------------|----------------------------------|
| 1. Mr. Fred M. Abuga | Ag. Director OAG Western Region |
| 2. Ms. Pamela Ochieng | Principal Auditor Western Region |
| 3. Mr. Maurice Oyoo | Principal Auditor Western Region |
| 4. Mr. Patrick Irungu Kimani | Principal Auditor |

NATIONAL TREASURY

- | | |
|--------------------|---------------------------|
| Dr. Jackson Ndungo | Deputy Accountant General |
|--------------------|---------------------------|

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BOARD

- | | |
|--------------------------|-------------------------------------|
| 1. Mr. Yusuf Mbuno | Chief Executive Officer |
| 2. Ms. Elizabeth Kitundu | Chief Manager Programmes |
| 3. Ms. Beatrice Otieno | Manager Field Financial Coordinator |
| 4. Mr. James Chebii | Manager Financial Services |

5. Ms. Perez Anyango
6. Mr. Julius Oketch
7. Mr. Collins Obuya
8. Mr. Alex Lwamba
9. Mr. Peter Muraya

Fund Accounts Manager Lugari Constituency
 Fund Accounts Manager Butere Constituency
 Fund Accounts Manager Malava Constituency
 Fund Accounts Manager Kanduyi Constituency
 Fund Accounts Manager Likuyani Constituency

MIN.NO. NA/DAAOSC/ DFAC/2023/043 PRELIMINARIES

The Chairperson called the meeting to order at 2.54 pm followed by a word of prayer and introductions.

AGENDA

1. Prayers
2. Introduction
3. Adoption of Agenda
4. **Examination of the Auditor General Reports on National Government Constituencies Development Fund for the Financial year 2013/2014 to 2015/2016 for Lugari and Butere Constituency.**
5. Any Other Business
6. Adjournment.

MIN.NO.NA/DAAOSC/DFAC/2023/044 EXAMINATION OF THE AUDIT REPORTS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR LUGARI CONSTITUENCY FY 2013/2014 TO 2015/2016

Ms. Perez Anyango, the Fund Manager took oath of witness oath and tabled the Lugari NG-CDF management responses and supporting documents on the audited accounts for Financial Years 2013/2014 to 2015/2016.

FINANCIAL YEAR 2013/2014

1.0 Accuracy and Completeness of the Financial Statements

1. The Fund did not comply with the Standards and template contained in the Gazette pronouncement issued by IPSAS Board on the presentation of the financial statements as the cash flows was not prepared. Further, the general ledgers from which the financial statements were to be prepared were not maintained by the Fund.

Response by the Fund Account Manager

2. During the Financial Year under review the Cashflow Statement was not mandatory. However, the cashflow Statement was prepared and provided to the Auditor for review. Also, a comprehensive annual expenditure return, which serves as the general ledger and from which the financial statements were prepared and provided to the auditor for review.

Committee Observation

3. *The Committee observed that, during the period under review the cashflow Statement was not mandatory. Nevertheless, the cashflow statement and comprehensive annual expenditure return, which serves as the general ledger were submitted to the auditor for review.*

Committee Recommendations

4. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*
 - (i) *keeps financial and other records that are accurate, reliable, and complete;*
 - (ii) *should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time";*
 - (iii) *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as maybe necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
 - (iv) *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

2.0 Other Grants and Transfers

5. Other Grants and transfers (Roads) – Kshs 45,023,372
6. Included in Other Grants and Transfers balance of Kshs 45,023,372.00 as at 30 June, 2014 is Roads expenditure of Kshs 21,442,996.35. Payment Vouchers availed for audit totalled Kshs 16,778,920.00 resulting to a variance of Kshs 4,664,076.35 unaccounted for. In the circumstances, the accuracy and propriety of the roads expenditure of Kshs 21,442,996.35 could not be confirmed.

Response by the Fund Account Manager

7. Kshs 21,442,996.35 was the actual expense for roads during the year under review. The Payment Vouchers amounting to Kshs 4,664,076.35 were provided to the auditor for review.

Committee observation

8. *The Committee observed that, the payment vouchers were provided to the Office of the Auditor General for review and verification. The query was adequately addressed and resolved.*

3.0 Bursary to Secondary Schools and Tertiary Institutions

9. The Funds Bursary to Secondary Institutions balance of Kshs 20,913,712.00 differs with the audited schedules amount of Kshs 20,342,353.00 resulting to an unreconciled difference of Kshs 571,360.00.

10. Further, out of the total bursary amount of Kshs 20,342,352, only Kshs 18,694,452.00 was acknowledged leaving a balance of Kshs 1,647,900.00 unacknowledged by the beneficiary institutions.
11. In the circumstances, the accuracy and propriety of Other Grants and Transfers balance of Kshs 20,913,712.00 could not be confirmed.

Response by the Fund Account Manager

12. Kshs 571,360 was erroneously excluded in the audited schedules as reported. The Schedules were provided to the auditor for review.
13. The unacknowledged amount was Bursary payment to institutions outside the Constituency. They had delayed to send in their acknowledgement letters. These letters were received by the office after the audit. The letters were provided to the auditor for review.

Committee observation

14. *The Committee observed that, the acknowledgement letters were provided to the Office of the Auditor General for review and verification. The query was adequately addressed and resolved.*

Committee Recommendations

15. *The Committee recommends that: -*
 - (i) *Within three months of the adoption of the report, the National Government Constituencies Development Fund Board reviews the 2015 Guidelines on Issuance of Bursaries to Beneficiaries.*
 - (ii) *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.*

4.0 Cash and Cash Equivalents

16. The Statement of Assets and Liabilities reflects cash and cash equivalents balance of Kshs 44,332,734.00 as at 30 June 2014. However, an analysis of the bank reconciliation statement for June 2014 revealed.

a) Unpresented stale cheques – Kshs 214,158.80

17. Payments in cash book not yet recorded in the bank statement totalling to Kshs 7,033,828.90 included stale cheques amounting to Kshs 214,158.80.

Response by the Fund Account Manager

18. The stale cheques of Kshs. 214,158.80 were for bursary cheques that had not been presented. The Stale cheques were reversed and allocated to other needy cases. Cash book extract Folio 17 were provided to the auditor for review.

Committee Observation

19. *The Committee observed that the Fund Account Manager provided evidence that the stale cheques were reversed and provided to other needy cases. These were verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

b) Payments in Bank Statement not recorded in the cash book

20. The statement reflects payments in the bank statement not recorded in cash book amounting to Kshs 388,211.00 included standing orders and bank charges amounting to Kshs 47,811.00 leaving the balance of Kshs 340,400.00 as payments to third parties not accounted for.

Response by the Fund Account Manager

21. These were replaced bursary cheques that were delayed to be posted in the cash book. The cashier had delayed to post transactions worth Kshs 340,400 in the cashbook. They were later posted. Kshs 375,677 is the amount of reversed bursary cheques which had not been cleared off the Cash book at the time of Audit.

Committee Observation

22. *The Committee observed that the payment of Kshs 340,400 in the bank statement was not recorded in the cash book and supporting documents were not provided to the Office of the Auditor General for review.*

Committee Recommendations

23. *The Committee recommends that -*

- (i) Within three months of the adoption of this report, the Accounting Officer should ensure that the Fund Account Manager reconciles the amount of Kshs. 340,400 as payments to third parties not accounted for. Further, the reconciled statement with supporting documents should be submitted to the auditor for audit review.*
- (ii) The Accounting Officer should ensure that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c) should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may*

be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and

d) should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".

c) Receipts in cash book not recorded in the bank statements

24. There were long outstanding receipts amounting to Kshs 375,677.00 as at 30 June, 2014 which had not been received at bank. The amount includes two reversed cheques of Kshs 8,000.00 and Kshs 6,000.00 and 6 replacement cheques all of which were not included in the schedule for unrepresented cheques. The total amount of Kshs 375,677 thus remain unaccounted for. In view of the foregoing, the accuracy and completeness of the cash and cash equivalents balance of Kshs 44,332,734.00 could not be ascertained.

Response by the Fund Account Manager

25. Kshs 375,677 was the amount of reversed bursary cheques which had not been cleared off the Cash book at the time of Audit.

Committee Observation

26. The Committee observed that the receipts worth Kshs 375,677.00 were not recorded in the cash book. The amount includes two reversed cheques of Kshs 8,000.00 and Kshs 6,000.00 and 6 replacement cheques all of which were not included in the schedule for unrepresented cheques.

Committee Recommendations

27. The Committee recommends that -

(i) Within three months of the adoption of this report, the Accounting Officer ensures the Fund Account Manager reconciles the amount of Kshs 375,677.00 that were not recorded in the cash book. The amount includes two reversed cheques of Kshs 8,000.00 and Kshs 6,000.00 and 6 replacement cheques all of which were not included in the schedule for unrepresented cheques. Further, the reconciled statement with supporting documents should be submitted to the auditor for audit review.

(ii) The Accounting Officer should ensure that the Fund Account Managers: -

- a) keeps financial and other records that are accurate, reliable, and complete;
- b) should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time";

- c) *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible"; and*
- d) *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

5.0 Transfers to other Government entities

- 28. The Statement of receipts and payments reflects transfers to other government entities totalling to Kshs 70,817,532.00 as at 30 June, 2014. However, included in the amount is Kshs 413,800.00 transferred to Agricultural Institutions whose expenditure schedules were not provided for audit review.
- 29. As a result, the propriety of the expenditure of Kshs 413,800.00 could not be confirmed as at 30 June, 2014.

Response by the Fund Account Manager

- 30. Kshs 413,800 was erroneously classified under Agricultural Institutions instead of other grants and Transfers (Environment group). This was a single payment for Kshs 413,800 as recorded in the cashbook.

Committee Observation

- 31. *The Committee observed that the Fund Account Manager submitted the payment schedules which were verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

- 32. *The Accounting Officer should ensure that the Fund Account Managers: -*
 - i. *keeps financial and other records that are accurate, reliable, and complete; and*
 - ii. *should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

OTHER MATTER

1.0 Going concern

33. The High Court of Kenya in its ruling on petition 71 of 2013 held that the Constituencies Development Fund Act 2013 establishing the Constituency Development Fund since enactment of the Constitution of Kenya, 2010 was unconstitutional rendering the existence of the Fund illegal. It is not clear whether legislation providing for the Fund will be in place within the period given by the High Court of twelve months for the Fund to continue existing.

Response by the Fund Account Manager

34. The going concern issue was addressed through the enactment of the National Government Constituency Development Fund Act, 2015.

Committee observations

35. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

2.0 Going Concern

36. During the year under review, the fund disbursed Kshs 515,873.30 to an Environmental Group to carry out environmental activities. However, a site visit to two beneficiary schools where the seedlings were purportedly, revealed that the seedlings had dried up due to lack of technical management and supervision. Consequently, the expenditure did not meet the objectives intended and no value for money was received by the Fund.

Response by the Fund Account Manager

37. The trees were supplied to public institutions as required i.e., schools and health facilities. It was noted that some institutions did not come up with mechanism of maintenance during the 3-month dry spell (between January and March), thus some seedlings dried up. But majority of the trees seedlings survived. The committee adopted a mechanism to avoid such occurrences in the future activities by prequalifying registered youth groups to maintain the trees, as and when required.

Committee Observations

38. *The Committee observed that:-*

- i. it was the responsibility of the institutions to take care of the seedlings once planted.*
- ii. The Project Management Committees (PMCs) had adopted a mechanism to avoid such occurrences in the future activities by prequalifying registered youth groups to maintain the trees, as and when required.*
- iii. The query was adequately addressed and resolved.*

FINANCIAL YEAR 2014/2015

1.0 Unsupported Land Purchase

39. The Fund disbursed Kshs 4,800,000.00 purchase of land 8.4 acres of land valued at Kshs 6,410,000.00 for two institutions. 6.4 hectares and 2.0 hectares for Chevaywa Technical Training Institute and Muhomo Secondary School at Kshs 5,460,000.00 and Kshs 950,000.00 respectively. However, title documents had not been obtained. The ownership of the land bought could not be confirmed. As a result, the propriety of the purchase of land expenditure of Kshs 4,800,000.00 could not be ascertained.

Response by the Fund Account Manager

40. During the time of Audit, the Title Deeds were still being processed; however, the title deed for Chevaywa TTI was ready and had been submitted to the Auditor for review. For Muhomo Secondary School, succession process had not been concluded. The search document for the land of Muhomo secondary was provided to the auditor for review.

Committee Observations

41. *The Committee observed that:-*
- (i) during the time of Audit, the title deeds were still being processed.*
 - (ii) the title deed for Chevaywa TTI was later issued and was submitted to the Auditor for review.*
 - (iii) at the time of audit succession process for Muhomo Secondary School was still ongoing. However, the search documents for the said land were submitted to the auditor for review.*

Committee Recommendation

42. *The Committee recommends that the Fund Account Manager should liaise with the NG-CDF Legal Department, Sub-County Land Registrar and the Sub-County Educational Office to fast-track succession process for the Muhomo Secondary School to hasten the acquisition of the title deed.*

2.0 Other Grants and Transfers

2.1 Irregular lease of land

43. The Fund paid out the Emergency provision of Kshs 1,000,000.00 for a ten-year lease of ten acres of land for the proposed construction of a maize mill. However, the Project was not budgeted for. It was not an emergency as evidenced by the fact that it had not taken off one year down the line. No value for money has been received from the expenditure.

Response by the Fund Account Manager

44. The community through Lugari CDF was to lease 10 acres of land for ten years to build store house to help the famers preserve their maize from destruction and wastage. There was pressure to get the land for the County government of Kakamega to build the maize stores to avoid destruction of maize. It was a joint venture between the County government of Kakamega and the community. The county government was to construct the stores for that purpose after the lease of land. The county government had not yet done the project and the land was still laying bare. The committee did this in the spirit to stop destruction of the maize harvest and promote agricultural sector, but the project had not yet kicked off.

Committee Observations

45. *The Committee observed that: –*

- (i) The Fund did not adhere to National Government Constituencies Development Fund Act, 2015 regarding the threshold on the use of the Emergency Fund. It was not an emergency as evidenced by the fact that the project had not taken off one year down the line.*
- (ii) Kakamega County Government was to construct the stores to help the farmers preserve their maize from destruction and wastage. This was not done and the land was still laying bare.*

Committee Recommendations

46. *The Committee recommends that:-*

- i. The Accounting Officer should ensure that the Fund Account Manager and PMCs consult and involve relevant Government departments in initiation, cost estimation, and implementation of projects to ensure that priority projects are selected, adequate budgeting, and quality works are produced in compliance with Section 46(1) of the NG-CDF Fund Act, 2015 which provides that “The Constituency Development Fund Committee may make appropriate consultations with the relevant Government departments to ensure that cost estimates for the projects are realistic.”*
- ii. That the National Government Constituencies Development Fund Board to issue guidelines on the use of emergency funds to align emergency spending with the National Government Constituencies Development Fund Act, 2015; and*
- iii. The National Government Constituencies Development Fund Board ensures that the Fund Account Managers complies with provisions of sections 6(2) and section 8 of the National Government Constituencies Development Fund Act, 2015 which provides that “(2) Once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board” and “(1) A portion of the Fund, equivalent to five per centum (hereinafter referred to as the “Emergency Reserve”) shall remain unallocated and shall be available for emergencies that may occur within the Constituency; (2) The Constituency Committee shall determine the allocation of the emergency reserve in accordance with the Act ;and (3) “Emergency” shall be construed to mean an urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents” respectively on the reallocation of funds and the use of emergency funds*

2.2 Paid Electricity Power line not installed.

47. The Rural Electrification Authority of Kenya was paid Kshs 1,200,000 for the construction of a power line and wiring of Silungai Water Project that had not taken off one year down the line. Further, proper documentation including project proposals and official receipts from the Authority were not provided for review.
48. In view of the foregoing, the Fund has not gotten value for money for the entire expenditure of Kshs 2,200,000 as at 30 June, 2015.

Response by the Fund Account Manager

49. The project was initiated between the community and World Vision. The community had to contribute Kshs 1, 200,000 and World Vision to fund the rest. The activity was to bring power line closer to the project and connect power to the project to supply water to the community. The community requested Lugari CDF to pay the community contribution of kshs1,200,000. The same was done direct to REA.
50. The Project was successfully implemented.

Committee Observation

51. *The Committee observed that the Fund Account Manager submitted required documents which were verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

52. *The Committee recommends that the Accounting Officer ensures that all Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act*

3.0 Cash and Cash Equivalents

53. The Statement of financial assets reflects cash and cash equivalents balance of Kshs 29,482,878 as at 30 June, 2015. However, receipts amounting to Kshs 185,931.70 were not reflected in the Bank Reconciliation and were not in the schedules for uncredited cheques as would be expected.
54. Further, included in the balance are outstanding imprests of Kshs 91,000.00. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs 29,482,878 could not be confirmed as at 30 June, 2015.

Response by the Fund Account Manager

55. These were stale bursary cheques which were reversed in the cashbook and did not appear in the Bank Reconciliation for the month of June. Subsequently, fresh cheques were issued to new beneficiaries. Schedule of cheques is attached.
56. Kshs 91,000.00 outstanding imprest was surrendered vide PV No. 136 of Kshs 91,000.00 and cleared off the cashbook on 19th May, 2018.

Committee Observations

57. *The Committee observed that:-*

- (i) *The stale cheque reversal evidence was not availed and verified by the Office of the Auditor.*
- (ii) *The imprest surrendered vide voucher no. 136 dated 19th May 2018 was availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendations

58. *The Committee recommends that the Accounting Officer should ensure that the Fund Account Managers:-*

- a. *keeps financial and other records that are accurate, reliable, and complete;*
- b. *should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- c. *should ensure adherence to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible";*
- d. *should ensure adherence to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury"; and*
- e. *Should ensure that any officer allocated imprest surrenders within seven days failure to which recovery should ensue as provided for under Regulation 93(6) of the Public Finance Management Regulations of 2015 which provides that "In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall*

take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate."

OTHER MATTER

59. The Fund budgeted receipts were Kshs 166,075,217 but only received an amount of Kshs 91,306,865.50 implying an underfunding of Kshs 74,768,353.00. Consequently, projects amounting to Kshs 74,768,353 could not be implemented as planned.

Response by the Fund Account Manager

60. The delay in Project implementation was due to late disbursements from the exchequer. AIE No. 796050 – Kshs 30,435,621.25 and AIE No. 790793 – Kshs 28,885,618.50 received on 2nd July 2015..

Committee Observation

61. *The Committee observed that the query arose due to late disbursement by the exchequer. The evidence of late disbursement vide AIE No. 796050 – Kshs 30,435,621.25 and AIE No. 790793 – Kshs 28,885,618.50 received on 2nd July 2015 were availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

62. *The committee recommends that the National Treasury should ensure timely release funds to enable implementation of projects approved by the NG-CDF Board.*

FINANCIAL YEAR 2015/2016

1.0 Prior Year issues

63. According to International Public Sector Accounting Standards (Cash basis) financial statements presentation format prescribed by the National Treasury requires the management to include the action taken on the previous year auditors' recommendation. In the Year 2014/2015, Lugari CDF had a qualified opinion. However, no report on the progress of follow up of the audit issues raised was included in financial statements for the year under review.
64. In the circumstances, the presentations of the financial statements were not in conformity with the Public Sector Accounting Standard (cash basis) as prescribed by the National Treasury and in accordance with the Public Management Act, 2015.

Response by the Fund Account Manager

65. The omission was noted. Going forward the report will be included.

Committee Observation

66. *The Committee observed that the Fund Account Manager noted the error and endeavoured to include the report on the progress of follow-up of the audit issues raised in financial statements in the subsequent years.*

Committee Recommendation

67. *The Committee recommends that, the Fund Account Managers should ensure adherence to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*

2.0 Failure to Adhere to the Memorandum of Understanding (MOU)

68. The Lugari CDFC entered into an agreement with the National Youth Service (NYS) through Memorandum of Understanding which stipulated that the NYS was to provide operators and machinery for road maintenance works and Lugari CDFC was to provide murram by leasing gravel pits/murram sites. Joint report was to be provided after completion of a specific road indicating actual cost incurred by each party. However, it was noted that the Lugari CDFC went against this agreement and hired trucks from five (5) contractors to transport murram at a total cost of Kshs 22,422,718.00.

Response by the Fund Account Manager

69. The CDFC hired more tracks because NYS did not have enough trucks to transport murram to road sites. NYS had only one truck (tipper) which had mechanical problems and was not adequate to cope with two excavator machines available on site at that time. Due to the short timelines provided to use NYS machineries', an alternative was to be provided for the works to go on.
70. Further, there was no financial loss incurred in relation to this MOU, due to the engagement of other contractors. This decision was arrived at by the Lugari CDF committee and NYS officials and Government Transport officer.

Committee Observations

71. *The Committee observed that:-*
- i. The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager.*
 - ii. The documents were later provided and verified by the Office of the Auditor General.*
 - iii. The query was adequately addressed and resolved.*

Committee Recommendation

72. *The Committee recommends that the Accounting Officer ensures that the Fund Account Managers comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015*

which provides that – “(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act”

3.0 Cash and Cash Equivalent

73. The Statement of financial assets reflects long outstanding imprests of Kshs 91,000.00. it is not clear why it had taken too long to clear these long outstanding imprests.

Response by the Fund Account Manager

74. The fund account manager surrendered the Imprest vide PV No. 136 dated 19th May 2018.

Committee Observation

75. *The Committee observed that the query arose due to non-provision of adequate documents and explanation by the Fund Account Manager. The surrender documents were provided and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

The Committee recommends that the Accounting Officer should ensures that:-

76. *The Fund Account Managers should ensure that any officer allocated imprest surrenders within seven days failure to which recovery should ensue as provided for under Regulation 93(6) of the Public Finance Management Regulations of 2015 which provides that “In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.”*

OTHER MATTER

1.1 Budget performance

77. The Fund budgeted receipts was Kshs 189,048,378 but received an amount of Kshs 178,348,375 leading to an underfunding of Kshs 10,700,004. Consequently, projects amounting to Kshs 10,700,004 may not have been implemented as planned.

Response by the Fund Account Manager

78. This was due to late disbursement by the exchequer. The funds were received and projects amounting to Kshs 10,700,004 implemented. AIE No A839555 of Kshs 10,700,004, dated 26th October, 2016.

Committee Observation

79. *The Committee observed that the query arose due to late disbursement by the exchequer. The funds were later received and projects amounting to Kshs 10,700,004 implemented. The evidence of late disbursement vide AIE No. A839555 was availed and verified by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

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

1.2 Project implementation

81. During the year under review, the fund planned to implement 353 projects. However, it failed to implement 29 projects with a total value of Kshs 19,684,503 that were to be undertaken within the financial year although 272 projects were on going. In the circumstances it is not clear, and the fund management has not explained how the back log of the projects will be completed for the benefits of the constituency.

Response by the Fund Account Manager

82. This was due to delay in disbursement from the exchequer. The funds were disbursed, and projects implemented. The CDF Board came up with guidelines to complete ongoing projects within three Financial Years. The guideline was followed and projects were completed at the stipulated time. The Projects in question were completed. A sample of completion certificates were provided to the auditor for review.

Committee Observation

83. *The Committee observed that the delay in implementation of the projects was occasioned by late disbursement of funds by exchequer. Nevertheless, the projects in question were completed. The query was adequately addressed and resolved.*

Committee Recommendation

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

85. Mr. Julius Oketch, the Fund Manager took oath of witness and tabled the Butere NG-CDF management responses and supporting documents on the audited accounts of Financial Years 2013/2014 to 2015/2016.

BUTERE CONSTITUENCY**FINANCIAL YEAR 2013/2014****1.0 Going Concern**

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

Response by the Fund Account Manager

88. The issue of going concern was resolved through adoption of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions.

Committee observation

89. *The Committee observed that the issue was overtaken by events as it was addressed through the passing of the NG-CDF Act 2015 and its Regulations 2016 which aligned the fund functions to National Government functions. The query was adequately addressed and resolved.*

2.0 Under Expenditure

90. Butere CDF had an approved budget of Kshs 128,932,226.50 for the year ended 30 June 2014. However, the Fund spent Kshs 114,796,754.75 resulting to unexplained under expenditure of Kshs 14,135,471.75 approximately 11% of the total budget. The low budget absorption denies the constituents the much-needed service delivery. It was not clear how the CDF Committee intended to rectify the anomaly.

Response by the Fund Account Manager

91. The under absorption of Kshs 14,135,471.75 was due to the delayed disbursement of funds to the constituency. The Kshs 14,135,471.75 was the cash book balance for the year since the funds were

disbursed few days to the closure of financial year i.e., Kshs 23,945,726.70 on 9th May, 2014 and Kshs 23,945,726.70 on 27th May, 2014 making it difficult for the committee to utilise the funds.

92. However, the projects were implemented in the subsequent year and are completed and in use. The extract of the bank statement showing late disbursement was provided to the auditor for review.

Committee observation

93. *The Committee observed that:-*

- i. Under expenditure was occasioned by the late disbursement of funds by the National Treasury. The funds were, however, disbursed a few days before the closure of the financial year.*
- ii. The projects were implemented in the subsequent year, and they are in use.*
- iii. The extract of the bank statement indicating late disbursement was availed and reviewed by the Office of the Auditor General.*

Committee Recommendation

94. *The Committee recommends the National Treasury shall ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

FINANCIAL YEAR 2014/2015

1.0 Presentation and completeness of the financial statements

1.1 Presentation of the financial statements

95. The International Public Sector Accounting Standards (IPSAS) Cash Basis financial statements presentation format prescribed by the National Treasury requires the management to include among the financial statements presented for audit a report on action taken on the previous year auditor's recommendations. In the year 2013/2014 Butere CDF had a qualified audit opinion. However, the report on follow up of the audit issues raised was not included in the financial statements for the year under review. Therefore, the presentation of the financial statements does not conform to IPSAS (Cash Basis) prescribed by the National Treasury and the Public Finance Management Act, 2012.

Response by the Fund Account Manager

96. The Report on follow up of the Audit issues raised was not included in the financial statements for the year 2014/2015. As at the time of preparation of the report, the final audit certificate had not been issued by the auditor, however the statement on follow up on prior year audit issues was later prepared and submitted to the auditor for review.

Committee observation

97. *The Committee observed that the statement on follow up on prior year audit issues was prepared and submitted to the Office of the Auditor General for review. The query was adequately addressed and resolved.*

Committee Recommendations

98. *The Committee recommends that the Accounting Officer: -*

- (i) ensures that the Fund Account Managers: -*
 - a) keeps financial and other records that are accurate, reliable, and complete;*
 - b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
 - c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible".*
 - d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*
- (ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.*

1.2 Irregular fund title

99. The passing of the national government constituency development fund act, 2015, represented into the name of the reporting entity changing from "Constituency Development Fund; Butere to National Government constituency Development Fund: Butere" The financial statements are not presented under the new reference.

Response by the Fund Account Manager

100. The Financial Statements for the year under review were not presented under the reference NG-CDF. This is because the NGCDF Act 2015 took effect on 19th February, 2016. However, the subsequent Financial Statements are presented under the new reference.

Committee observation

101. *The Committee observed that the query arose because the NG-CDF Act 2015 took effect on 19th February 2016. The subsequent Financial Statements were presented under the reference NG-CDF. The query was adequately addressed and resolved.*

1.3 Identification of financial statements

102. The financial statements presented for audit are not properly identified but casually named as statement of receipts and payments and statement of financial assets without reference to the name of the Constituency Development Fund.

Response by the Fund Account Manager

103. The whole Financial Statement was prepared without reference to the name of the entity on the header of each page of the financial statement. However, the anomaly was rectified, and the amended financial statements were amended and provided to the auditor for review.

Committee observation

104. *The Committee observed that the anomaly was rectified, and the amended financial statements were amended and availed to the auditor for review. The query was adequately addressed and resolved.*

Committee Recommendations

105. *The Committee recommends that the Accounting Officer: -*

(i) ensures that the Fund Account Managers: -

- a) keeps financial and other records that are accurate, reliable, and complete.*
- b) adhere to accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as provided by Section 81(3) of the PFM Act, No. 18 of 2012 which provides that "The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time".*
- c) adhere to Regulation 100 of the PFM Act (National Government), 2015 which provides that "Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible".*
- d) adhere to Regulation 101(4) of the PFM Act (National Government), 2015 which provides that "An Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury".*

(ii) engages the Public Sector Accounting Standards Board (PSASB) to conduct continuous capacity building on financial reporting standards for all NG-CDF constituency staff.

1.4 Outstanding imprest

106. Note 12 (c) to the financial statements reflects outstanding imprests totaling to Kshs. 370,000 that are not analyzed whereas Note 14 reflects an unexplained prior-year adjustment of Kshs 370,000.
107. In view of the foregoing, the accuracy, completeness, and presentation of the financial statements cannot be ascertained.

Response by the Fund Account Manager

108. Kshs 370,000 was taken in June 2014 for purchase of office furniture and equipment. There was a delay in the purchase of the equipment which led to the issue being recorded as outstanding imprest.

109. However, the office furniture and equipment were later purchased, and imprest surrendered.

Committee observation

110. The Committee observed that the surrender voucher supporting the purchase of office equipment were availed and reviewed by the Office of the Auditor General. The query was adequately addressed and resolved.

Committee Recommendations

111. The Committee recommends that:-

- i. Fund Account Managers should ensure that any officer allocated imprest surrenders within seven days failure to which recovery should ensue as provided for under Regulation 93(6) of the Public Finance Management Regulations of 2015 which provides that **"In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate."**
- ii. The Committee recommends that the Fund Account Manager should ensure that procurement of goods, works and services should be competitive in accordance to the Public Procurement and Asset Disposal Act of 2015 and the Regulations, 2020 which provides that **"Procurement of goods, works and services under these Regulations shall be competitive in accordance with the provisions of section 157(3)(b) of the Act."**

2.0 Budgetary Control and Performance

112. The fund's budgeted receipts and total amounted to Kshs 129,479,916. However, the fund only received a total of Kshs 114,974,218 which amounted to underfunding of Kshs 14,505,472 representing money not received from the Constituency Development Fund (CDF) Board. Actual total payments amounted to Kshs 97,202,697 thus resulting in an under-expenditure of Kshs 32,277,218 as shown below:

Item	Final Budget (Kshs.)	Actual Expenditure (Kshs.)	Difference (Kshs.)	Percentage of Utilization (%)
Receipts				
Transfers from CDF-AIEs received	129,497,916	114,974,444	14,505,472	75%
Total	129,497,916	114,974,444		
Payments				
Compensation of employees	1,408,795	1,408,795	0	100%
Use of goods and services	7,676,560	7,676,560	0	100%
Committee expenses	3,552,279	3,552,279	0	100%
Transfers to other government units	45,450,000	26,343,457	19,106,675	42%
Other grants and transfers	70,991,882	57,821,207	13,170,675	82%
Social Security Benefits	30,400	30,400	0	100%
Acquisition of assets	370,000	370,000	0	100%
Total	129,479,916	97,202,698	32,277,218	75%

113. The management attributed the under-expenditure to delayed disbursement by the National Treasury. In addition, out of the total sum disbursed, Kshs 17,771,746 had not been utilized as at the end of the year on 30th June 2015. Consequently, the Fund did not meet its output targets and services delivery expectations of the constituents.

Response by the Fund Account Manager

114. The underfunding and under absorption were due to late disbursement of funds by the exchequer i.e., Kshs 28,743,611.40 was received on 26th June 2015. However, the projects were implemented in the subsequent year, complete and are in use.

Committee Observation

115. *The Committee observed that the bank statements, copies of AIEs proving delay in the disbursement of funds as well as completion certificates were availed and verified by the Office of the Auditor General.*

Committee Recommendation

116. *The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

3.0 Project Implementation and Management

117. For the two financial years to 30th, June 2015, the Fund allocated a total of Kshs 194,250,827 to implementation of three hundred and forty-three (343) projects. However, projects in the administration and education sectors allocated Kshs 16,860,925 and Kshs 10,460,000 respectively were not completed as detailed below:

Sector code	Allocated Amount (Kshs.)	Disbursed Amount (Kshs.)	Project status	No. of projects
Administration	10,956,090	10,956,090	Complete	9
Education	65,262,266	65,262,266	Complete	173
Environment	3,083,440	3,083,440	Complete	13
Health	16,772,759	16,772,759	Complete	11
Markets	4,070,000	4,070,000	Complete	10
Roads	48,000,000	48,000,000	Complete	38
Security	12,725,347	12,725,347	Complete	11
Sports	3,200,000	3,200,000	Complete	2
Water	3,150,000	3,150,000	Complete	61
Youth	10,000	10,000	Complete	1
Administration	16,860,925	16,860,925	Ongoing	12
Education	10,460,000	10,460,000	Ongoing	13
Total	194,550,827	194,550,827		343

118. The incomplete education projects included six construction projects in schools to which of Kshs 5,760,000 had been allocated way back 2013/2014. In the year 2014/2015, no allocation was made for these projects. The constitutional requirement of prompt and responsive services to the public was therefore not adhered to with respect to these projects.

119. In the circumstances, the Fund had not executed and managed its projects to achieve value for money for the constituents.

Response by the Fund Account Manager

120. As at the time of audit the projects were still on going.
121. The six projects include: Mutoma Girls Secondary School, Mukoye Girls Secondary School, Eshikomere Girls Secondary School, Buchenya Girls Secondary School, Mabole Boys Secondary School, Lufumbo Girls Secondary School.
122. However, the projects were later completed in the subsequent years and are in use and indicated in the completion certificates.

Committee Observation

123. *The Committee observed that relevant documentation in regard to the project, i.e., completion certificates and photos of the completed projects were availed and reviewed by the Office of the Auditor General. The query was adequately addressed and resolved.*

Committee Recommendation

124. *The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

4.0 Acquisition of Fixed Assets

125. The statement of receipts and payment reflects an acquisition of assets balance of Kshs 370,000 both in the year under review and in the previous (2013/2014) financial year. However, Note 10, shows a comparative balance of Kshs 370,000 (purchase of other office equipment) although Annex 4 – summary of fixed assets shows the historical cost of fixed assets as Kshs 11,963,446 in the year 2014/2015 but does not provide the previous years(comparative)balance.
126. In the circumstance, the accuracy and completeness of the summary fixed assets register could not be confirmed.

Response by the Fund Account Manager

127. The historical cost of fixed assets in 2014/2015 was disclosed as Kshs 11,963,446 in the Financial Statements without the comparative figures. The summary statement of fixed assets was updated to reflect the historical cost of the fixed assets for 2013/2014 and was provided to the auditor for review.

Committee Observation

128. *The Committee observed that: –*
- i. Failure to include comparative figures in the historical cost of fixed is attributed to lack of adequate capacity.*
 - ii. The summary statement of fixed assets was later updated to reflect the historical cost of the fixed assets for 2013/2014 and was submitted to the auditor for review.*

Committee Recommendation

129. The Committee recommends that the NG-CDF Board should ensure Constituency Committees employ qualified Accountants for the Constituency Offices beginning FY 2023/24 within the 6% administrative allocation to the NGCDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.

FINANCIAL YEAR 2015/2016

1.0 Budget Performance

130. The Fund approved budget receipts were Kshs 153,678,614 including Kshs 32,277,218 being unutilized cash balance brought forward from 2014/2015. However, actual receipts for the year under review totaled Kshs 142,751,324 resulting to an underfunding of Kshs 10,927,290 as analyzed below:

Details	Original Budget	Adjustments	Final Budget	Actual on comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	c=a+b	D	e=c-d	f=d/c %
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from CDF Board	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9
Proceeds from sale of assets						
Other Receipts						
Total	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9
Payments						
Compensation of employees	2,724,960	-	2,724,960	1,802,600	922,360	66.2
Use of goods and services	7,943,192	2,086,745	10,029,937	10,029,937	-	100
Transfers to other Government Units	39,250,000	19,200,000	58,450,000	58,450,000	-	100
Other grants and transfers	1,180,270	10,190,473	81,370,743	72,468,787	8,901,956	89.1
Acquisition of assets	302,974	300,000	602,974	-	602,974	0
Other payments		500,000	500,000		500,000	0
Total	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9

131. Further, the Fund underspent on compensation of employees by Kshs 922,360 or 66.2%. Other grants and transfers by Kshs 8,901,956 or 89.1% and did not acquire any asset during the year despite having a budget of Kshs 602,974 for acquisition of assets.
132. Consequently, the Fund did not operate within the approved budget and therefore the financial operations negatively impacted delivery of prompt services to the constituents.

Response by the Fund Account Manager

133. The underfunding and under absorption was due to late disbursement of funds by the exchequer i.e., Kshs 31,401,396 received on 3rd May 2016.
134. However, the projects were later implemented in the subsequent years, completed and are in use.
135. The money for compensation of employees usually comprises salaries and gratuity. Therefore, the unspent balance was provision for staff gratuity.

Committee Observations

136. *The Committee observed that: –*

- i. The underfunding and under absorption was occasioned by the late disbursement of funds by the National Treasury.*
- ii. The fund account manager availed the bank statements to the Office of the Auditor General for review and verification.*
- iii. The query was adequately addressed and resolved.*

Committee Recommendation

137. *The Committee recommends that the National Treasury should ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies.*

2.0 Projects Implementation and Management

138. The CDF was to implement a total of 92 projects. However, analysis of the project implementation indicates that 75 of the projects were completed and 17 were ongoing as at the time of audit in January 2017 as analyzed below.

Sector/status	Ongoing		Completed	
	No	Value Kshs.	No	Value Kshs.
Administration	1	1,312,623	8	9,916,152
Agriculture			4	1,600,000
Education	13	11,150,000	34	60,052,974
Emergency			1	5,767,647
Environment			2	1,400,000
Health	1	5,000,000	2	4,200,000
Market			9	3,200,000
Road	2	4,800,000	8	5,400,000
Security			6	6,100,000
Sports			1	2,000,000
Total	17	22,262,623	75	99,636,621

139. In view of the foregoing, the fund did not deliver the expected services to the constituents and did not therefore achieve its development objectives.

Response by the Fund Account Manager

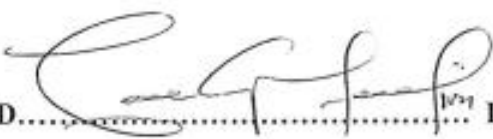
140. At the time of audit, the projects were still on going. However, the projects were later completed in the subsequent years and are in use and indicated in the completion certificates attached for your review.

Committee Observation

141. *Following inspection visit of the projects and verification of completion certificates and photos of the completed projects by the Office of the Auditor General, the Committee was satisfied with the management response and noted that the issue of disbursement of funds is beyond the control of NG-CDF. The query was adequately addressed and resolved.*

MIN.NO.NA/DAAOSC/DFAC/2023/046 ADJOURNMENT/DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at 6:05pm. The next meeting will be held on March 4th, 2023.

SIGNED.......... DATE16/3/2023.....

HON. GIDEON MUTEMI MULYUNGI, M.P.

(CHAIRPERSON)