

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 DEC 2025	DAY: TUESDAY
TABLED BY:	HON. GIDEON MURUNGU (CHAIRPERSON)
CLERK-AT-THE-TABLE:	INZOPU MWALI



Approved
SNA
2/12/25

REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT – FOURTH SESSION

.....

**SEVENTH REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE
(DFAC)**

ON ITS EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NG-CDF) BOARD FOR THE FINANCIAL YEARS 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022

**NATIONAL ASSEMBLY
RECEIVED**
02 DEC 2025
SPEAKER'S OFFICE
P. O. Box 41842, NAIROBI.

**Directorate of Audit, Appropriations
& General-Purpose Committees
The National Assembly
Parliament of Kenya
NAIROBI**

DECEMBER, 2025

TABLE OF CONTENTS

ANNEXURES.....	IV
ABBREVIATIONS AND ACRONYMS.....	V
CHAIRPERSON’S FOREWORD	VI
EXECUTIVE SUMMARY.....	VIII
CHAPTER ONE.....	1
1.0 PREFACE.....	1
1.1 Establishment and mandate of the Committee	1
1.2 Committee Membership.....	4
1.3 Committee Secretariat.....	5
1.4 Committee Proceedings.....	6
CHAPTER TWO.....	7
2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS.....	7
CHAPTER THREE.....	9
3.0 CONSIDERATION OF THE REPORTS THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NG-CDF) BOARD FOR FINANCIAL YEARS 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 TO 2021/2022	9
3.1 Audited Statements for Financial Year 2016/2017	9
3.2 Audited statements for financial year 2017/2018.....	15
3.3 Audited Statements for Financial Year 2018/2019	29
3.4 Audited Statements for Financial Year 2019/2020	36
3.5 Audited Statements for Financial Year 2020/2021	38
3.6 Audited Statements for Financial Year 2021/2022	43

ANNEXURES

- Annexure 1 - Adoption List
- Annexure 2 - Committee Minutes

ABBREVIATIONS AND ACRONYMS

BOQ	Bill of Quantities
CDF	Constituencies Development Fund
CoK	Constitution of Kenya, 2010
FAM	Fund Account Manager
FY	Financial Year
GDP	Gross Domestic Product
GOK	Government of Kenya
IPSAS	International Public Sector Accounting Standards
KeRRA	Kenya Rural Roads Authority
LSO	Local Service Orders
MDA	Ministries, Departments and Agencies
MP	Member of Parliament
NG-CDF	National Government Constituencies Development Fund
PMC	Project Management Committee
PSASB	Public Sector Accounting Standards Board
OAG	Office of the Auditor General
KRA	Kenya Revenue Authority
KDIC	Kenya Deposit Insurance Corporation
SPMC	Stimulus Project Management Committee
CPTC	Constituency Project Tender Committee
ESP	Economic Stimulus Programme
CBK	Central Bank of Kenya
BFIU	Bank Fraud Investigating Unit
MIS	Management Information System

CHAIRPERSON'S FOREWORD

The Decentralized Funds Accounts Committee (hereinafter referred to as “the Committee”) is amongst the six Watchdog Committees in the Thirteenth Parliament that examines reports of the Auditor-General laid before the National Assembly to ensure probity, efficiency, and effectiveness in the use of public funds. The Committee is established pursuant to the National Assembly Standing Orders 205B and is mandated to examine reports of the Auditor-General for the National Government Constituencies Development Fund, the National Government Constituencies Development Fund Board, The National Government Affirmative Action Fund, and the National Government Affirmative Action Fund Board. This ensures implementation of Article 229(8) of the Constitution of Kenya, 2010 on reports laid before the House by the Auditor-General. The Committee was hived off the Special Funds Accounts Committee for efficiency of examination of the audited Accounts of the National Government.

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 examining the reports of the Auditor General on the Accounts of the National Government Constituencies Development Fund (NG-CDF) Board, the Committee held **five** sittings where it invited and received oral and written submissions from the Chief Executive Officer of the National Government Constituencies Development Fund Board for the financial years 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 to 2021/2022, being the Accounting Officer of the NG-CDF as provided under Section 67 (1) of PFM Act, 2012.

The submissions formed the basis of observations, findings and recommendations of the Committee as outlined in this report. These are also contained in the Minutes and Hansard Reports of Committee proceedings. The report is structured as follows:

- i) general observations arising from recurring and cross-cutting audit queries;
- ii) recommendations to each of the above;
- iii) audit queries identified by the Auditor General in the audit reports of each state corporation;
- iv) management responses to each of the queries;
- v) Committee observations/ findings on each query; and
- vi) recommendations of the Committee to each query raised.

In this report, the Committee makes policy recommendations that it deems will cure financial and audit challenges and at the same time makes specific recommendations aimed at improving the overall governance framework within which the fund operates.

The Committee commends the Chief Executive Officer of the NG-CDF Board for preparing his responses in time and appearing before the Committee as scheduled.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it to enable it to perform its mandate. The Committee further extends its appreciation to the Office of the Auditor General and the the National Treasury and Economic Planning for the technical support provided during the examination of the reports.

I also extend my appreciation to the Members of the Committee for their Commitment and the Secretariat whose contributions and dedication to duty has enabled the Committee to examine the audited accounts and produce this report.

On behalf of the Decentralized Funds Accounts Committee and pursuant to Standing Orders 199, it is my pleasant duty and honor to present to the House the report of the Committee on the examination of the audited financial statements for the National Government Constituencies Development Fund (NG-CDF) Board for the Financial Years 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 and 2021/2022.



HON. DR. (Arch) GIDEON MULYUNGI, CBS, M.P.

CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

EXECUTIVE SUMMARY

The seventh report of the Decentralized Funds Account Committee contains the Committee's findings on its examination of audited financial statements of the National Government Constituencies Development Fund Board for the financial years 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 and 2021/2022.

In its examination and scrutiny of the audited financial statements of the Board, the Committee's primary approach was to receive submissions from the Accounting Officer of the National Government Constituencies Development Fund Board as regards errors of omission or commission that gave rise to the audit queries cited by the Auditor General. This was done guided by the relevant public financial management principles in the Constitution of Kenya, 2010, the Public Audit Act, 2015, the Public Finance Management Act, 2012 and the attendant Regulations, the Public Procurement and Asset Disposal Act, 2015 and the attendant Regulations and the International Public Sector Accounting Standards (IPSAS). The Committee has elaborated on these various provisions and the remedies that are prescribed for their breaches elsewhere in this report.

The preface of the report contains preliminaries on the establishment of the Committee; its membership and secretariat; mandate; and the guiding principles governing the Committee in the discharge of its mandate and its recommendations.

Chapter two of the report contains the general observations on cross-cutting issues and the specific recommendations to each.

Chapter three of this report contains reports of the NG-CDF Board examined for the specific financial years; the specific audit reservations raised by the Auditor General in each financial year; management response to each audit reservation raised; Committee observations/ findings after considering each audit reservation; and finally, Committee recommendations on each audit query.

This report serves as a critical assessment of the financial management practices of the National Government Constituencies Development Fund Board for the specified financial years. Through a comprehensive review of the audited financial statements, the Committee has identified significant errors and areas for improvement, emphasizing the importance of accountability in public financial management.

The recommendations presented in this report not only aim to address the audit queries raised by the Auditor General but also seek to foster transparency, ensure the effective use of public resources, and ultimately improve service delivery to the constituents. The commitment to ongoing evaluation and reform will play a vital role in building trust and ensuring the sustainability of development initiatives across the constituencies.

CHAPTER ONE

1.0 PREFACE

1.1 Establishment and mandate of the Committee

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

1.1 Guiding Principles

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

1.1.1 Chapter Twelve of the Constitution on Public Finance

Part 1- Principles on Public Finance

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

Part 6 – Control of public Money

4. **Article 226** deals with the accounts and audit of public entities and provides that:
 - (i) the accounting officer of a national public entity is accountable to the National Assembly for its financial management (Article 226(2)); and
 - (ii) the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not (Article 226(5); and
5. **Article 227** deals with the procurement of public goods and services. Article 227 (1) in particular, provides that “when a State organ or any other public entity contracts for goods or

services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective”.

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

1.1.2 Obligations of Accounting Officers

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

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

1.1.3 National Government Constituencies Development Fund (NG-CDF)

10. The Constituency Development Fund (CDF) was set up in 2003 through the Constituency Development Fund Act (2003) sponsored by the then Ol Kalou Member of Parliament and former Senator for Nyandarua County, Hon. Muriuki Karue, MP.
11. In a bid to align the CDF with the Constitution of Kenya, 2010, Parliament passed the National Government Constituencies Development Fund (NG-CDF) Act, 2015. The NG-CDF is a national fund that comprises of monies of an amount of not less than 2.5% of all the national government's share of revenue as divided by the annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution.
12. Apart from the above-named laws, the Committee was further guided by the following: -
 - (i) the Parliamentary Powers and Privileges Act, (CAP. 6);
 - (ii) the Public Finance Management Act, (CAP. 412A);
 - (iii) the Public Finance Management (National Government) Regulations, 2015;
 - (iv) the Public Procurement and Asset Disposal Act, (CAP. 412C);

- (v) the Public Procurement and Asset Disposal Regulations, 2020;
- (vi) the Public Audit Act, (CAP. 412B);
- (vii) the Fair Administrative Action Act, (CAP. 7L);
- (viii) the National Government Constituencies Development Fund (NG-CDF) Act (CAP. 414A)
- (ix) the National Government Constituency Development Regulations, 2016;
- (x) the Accountants Act, (CAP. 531);
- (xi) the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016; and
- (xii) the National Assembly Standing Orders

1.2 Committee Membership

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

Chairperson

Hon. Dr. (Arch) Gideon Mutemi Mulyungi, CBS, EBS, M.P.
Member for Mwingi Central Constituency

Wiper Patriotic Front

Vice-Chairperson

Hon. Gertrude Mwanyanje Mbeyu, M.P.
Member for Kilifi Constituency

Orange Democratic Movement

Hon. Kilel Richard Cheruiyot, M.P.
Member for Bomet Central Constituency
United Democratic Alliance

Hon. Mboni David Mwalika, M.P.
Member for Kitui Rural Constituency
Wiper Patriotic Front

Hon. Kahangara Joseph Mburu, M.P.
Member for Lari Constituency
United Democratic Alliance

Hon. Momanyi Innocent Obiri, M.P.
Member for Bobasi Constituency
Wiper Patriotic Front

Hon. Caroline Jeptoo Ng'elechei, M.P.
Member for Elgeyo Marakwet Constituency
Independent Member

Hon. Barre Hussein Abdi, M.P.
Member for Tarbaj Constituency
United Democratic Alliance

Hon. Mogaka Stephen, M.P.
Member for West Mugirango Constituency
Jubilee Party

Hon. Dorothy Muthoni Ikiara, M.P.
Nominated Member
United Democratic Alliance

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

Hon. James Onyango K'Oyoo, M.P.
Member for Homabay Constituency
Orange Democratic Movement

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

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

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

1.3 Committee Secretariat

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

Mr. Ahmad Guliye
Clerk Assistant I/Lead Clerk

Mr. John Mutinda
Clerk Assistant III

Ms. Sharon Cherotich Koskei
Clerk Assistant III

Mr. Mabuti Mutua
Legal Counsel II

Ms. Elizabeth Kibati
Research Officer III

Mr. Wilson Mwangi
Fiscal Analyst III

Ms. Winifred Kiziah
Media Relations Officer I

Mr. Wilson Angatangoria
Serjeant-at-Arms II

Mr. Eric Ogolo
Protocol Officer I

Mr. Muchiri Mwangi
Audio Officer III