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REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

13TH PARLIAMENT – FOURTH SESSION

.....

**TENTH 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) FOR LARI, LURAMBI, EMBAKASI CENTRAL,
KILIFI NORTH AND MVITA CONSTITUENCIES FOR THE FINANCIAL YEARS
2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022**

THE NATIONAL ASSEMBLY PAPERS LAID	
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TABLED BY:	Hon. GIDEON MWUMBI (CHAIRPERSON)
CLERK-AT-THE-TABLE:	INDITU MWALE



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

DECEMBER, 2025

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ABBREVIATIONS AND ACRONYMS

BOQ/BQ	Bill of Quantities
CoK	Constitution of Kenya, 2010
FAM	Fund Account Manager
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
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
EACC	Ethics and Anti-Corruption Commission
PFM	Public Finance Management
NGCDFC	National Government Constituencies Development Fund Committee
AIE	Authority to Incur Expenditure

CHAIRPERSON'S FOREWORD

The Decentralized Funds Accounts Committee is amongst the six **Watchdog Committees** in the Thirteenth Parliament that examine reports of the Auditor-General laid before the National Assembly to ensure probity, efficiency, and effectiveness in the use of public funds.

The Committee was established in the First Session of the Thirteenth (13th) Parliament pursuant to the **National Assembly Standing Order 205B** to examine reports of the Auditor General for the National Government Constituencies Development Fund, the National Government Affirmative Action Fund, and their respective Boards.

In examining the Accounts of the Auditor General, the Committee invited 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 the PFM Act, Cap.412A.

The Committee also invited the Fund Account Managers, both current 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, Cap.414A.

This report therefore contains observations and recommendations arising from examination of thirty (30) reports of the Auditor General for the National Government Constituencies Development Fund for Lari, Lurambi, Embakasi Central, Kilifi North and Mvita Constituencies for the Financial Years 2016/2017, 2017/2018, 2017/2019, 2019/2020, 2020/2021 and 2021/2022.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it during consideration of these reports. The Committee further extends its appreciation to the Offices of the Auditor General and the National Treasury for the technical support and liaison services they offered during the entire period.

The Committee acknowledges the Office of the Chief Executive Officer of the National Government Constituencies Development Fund Board for the coordination of Fund Account Managers and other officers who appeared to respond to various audit queries raised in the reports.

I acknowledge the contributions of the Committee Members and the Secretariat, whose work has enabled the Committee to review the audit queries and prepare this report.

On behalf of the Decentralized Funds Account Committee, and pursuant to Standing Order 199(6), it is my pleasant duty and honor to present to this House the report on audited financial statements for the National Government Constituencies Development Fund for **Lari Constituency (Kiambu County)**, **Lurambi Constituency (Kakamega County)**, **Embakasi Central (Nairobi County)**, **Kilifi North Constituency (Kilifi County)** and **Mvita Constituency (Mombasa County)** for the **Financial Years 2016/2017, 2017/2018, 2017/2019, 2019/2020, 2020/2021 and 2021/2022.**



HON. DR. (Arch) GIDEON MULYUNGI, CBS, EBS, MP

CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

EXECUTIVE SUMMARY

The Tenth Report of the Decentralized Funds Account Committee contains the Committee's examination of audited financial statements of the National Government Constituencies Development Fund for Lari Constituency (Kiambu County), Lurambi Constituency (Kakamega County), Embakasi Central (Nairobi County), Kilifi North Constituency (Kilifi County) and Mvita Constituency (Mombasa County) for the Financial Years 2016/2017, 2017/2018, 2017/2019, 2019/2020, 2020/2021 and 2021/2022.

In its examination and scrutiny of the audited financial statements of the Constituencies, the Committee's primary approach was to receive submissions from the Accounting Officer of the NG-CDF and the Fund Account Managers as regards errors of omission or commission that gave rise to the audit queries cited by the Office of the Auditor General.

This was done guided by the relevant public financial management principles in the Constitution of Kenya, 2010, the Public Audit Act, Cap.412B, the Public Finance Management Act, Cap.412A and the attendant Regulations, the Public Procurement and Asset Disposal Act, Cap.412C 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.

Chapter one, which is 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.

Chapter three of the report contains the examination of reports of each specific constituency, the specific audit reservations raised by the Office of the Auditor General, management response to each audit query by the Fund Account Managers, Committee observations after consideration of the respective audit reservations and lastly Committee recommendations on each audit query.

The report underscores the importance of transparency and accountability in the management of the NG-CDF. Following the examination of the financial statements and engagement with the Fund Accounts Managers, the Committee has identified critical areas for improvement and has provided actionable recommendations aimed at enhancing compliance with established financial management principles. By addressing the audit queries and implementing the recommended remedies, **Lari, Lurambi, Embakasi Central, Kilifi North** and **Mvita Constituencies** can enhance trust and efficiency in the utilization of public funds, thus contributing to the development objectives of their regions.

CHAPTER ONE

1. 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.

1.2 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: -

1.2.1 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.

1.2.2 Obligations of Accounting Officers

7. The Public Finance Management Act, Cap.412A –

8. **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)).

9. **Section 72** focuses on the accounting officers' responsibility to manage the assets and liabilities of national government entities

10. It is on this basis that each Fund Account Manager 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.

1.2.3 National Government Constituencies Development Fund (NG-CDF)

11. 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.

12. In a bid to align the CDF with the Constitution of Kenya, 2010, Parliament passed the National Government Constituencies Development Fund (NG-CDF) Act, Cap.414A. 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.

13. 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 (National Government) Regulations, 2015;
- (iii) the Public Procurement and Asset Disposal Act, Cap.412C;
- (iv) the Public Procurement and Asset Disposal Regulations, 2020;
- (v) the Public Audit Act, Cap.412B;
- (vi) the Fair Administrative Action Act, Cap.7L;
- (vii) the National Government Constituencies Development Fund (NG-CDF) Act, Cap.414A;
- (viii) the National Government Constituency Development Regulations, 2016;
- (ix) the Accountants Act, Cap.531;
- (x) the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016.
- (xi) the National Assembly Standing Orders;
- (xii) the Constitution of Kenya, 2010

1.3 Committee Membership

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

Chairperson

Hon. Dr. Gideon Mutemi Mulyungi, CBS, EBS, MP
Member for Mwingi Central Constituency

Wiper Patriotic Front

Vice-Chairperson

Hon. Gertrude Mwanyanje Mbeyu, MP
Member for Kilifi Constituency

Orange Democratic Movement

Hon. Kahangara Joseph Mburu, MP
Member for Lari Constituency

United Democratic Alliance

Hon. Momanyi Innocent Obiri, MP
Member for Bobasi Constituency

Wiper Patriotic Front

Hon. Caroline Jeptoo Ng'elechei, MP
Member for Elgeyo Marakwet Constituency

Independent Member

Hon. Barre Hussein Abdi, MP
Member for Tarbaj Constituency

United Democratic Alliance

Hon. Mogaka Stephen, MP
Member for West Mugirango Constituency

Jubilee Party

Hon. Ikiara Dorothy Muthoni, MP
Nominated Member

United Democratic Alliance

Hon. Wanyonyi Martin Pepela, MP
Member for Webuye East Constituency

Ford Kenya

Hon. K'oyoo James Onyango, MP
Member for Muhoroni Constituency

Orange Democratic Movement

Hon. Kilel Richard Cheruiyot, MP
Member for Bomet Central Constituency

United Democratic Alliance

Hon. Mboni David Mwalika, MP
Member for Kitui Rural Constituency

Wiper Patriotic Front

Hon. Lentoijoni Jackson Lekumontare, MP
Member for Samburu East Constituency

KANU

Hon. Guyo Adhe Wario, MP
Member for North Horr Constituency

KANU

Hon. Kipngor Reuben Kiborek, MP
Member for Mogotio Constituency

United Democratic Alliance

1.4 Committee Secretariat

15. 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 Koskei
Clerk Assistant III

Mr. Mabuti Mutua
Legal Counsel II

Ms. Elizabeth Kibati
Research Officer III

Mr. Wilson Mwangi
Fiscal Analyst II

Ms. Winifred Kiziah
Media Relations Officer I

Mr. Eric Ogolo
Protocol Officer I

Mr. Wilson Angatangoria
Serjeant-at-Arms II

Mr. Muchiri Mwangi
Audio Officer III

CHAPTER TWO

2. GENERAL OBSERVATIONS AND RECOMMENDATIONS

16. In consideration of the reports of the Auditor General, the Committee encountered cross-cutting and at times persistent matters that informed the following general observations and recommendations, which cut across **Lari, Lurambi, Embakasi Central, Kilifi North and Mvita** Constituencies.

2.1 Ongoing Investigations by EACC

Committee Observation

17. The Committee observed that certain documents in Lari Constituency were not provided for audit review, as they were subject to ongoing investigations by the Ethics and Anti-Corruption Commission (EACC). This affected the resolution of the audit queries.

Committee Recommendation

18. **The Committee recommends that, in order to expedite the resolution of outstanding audit matters, the Accounting Officer to follow up on the status of the investigations and submit a comprehensive status report to the National Assembly within three months upon adoption of this report.**

2.2 Outstanding Land Issues

Committee Observation

19. The Committee observed that during the period under review, Lurambi and Embakasi Central Constituencies faced unresolved land matters specifically the acquisition of the title deeds for parcels of land purchased.

Committee Recommendations

20. **The Committee recommends that the Accounting Officer should within three (3) months upon the adoption of this report ensure that the Fund Account Managers, NG-CDFCs and Project Management Committees have been guided as follows:**
- a) **Where land is under succession, the Accounting Officer should guide the respective Fund Account Managers and PMC on the succession process.**
 - b) **Where transfers are pending, the respective Fund Account Managers and PMCs are advised on the land transfer processes and guided to collaborate with the Accounting Officer to facilitate expeditious processing of the title documents for the institutions affected.**
 - c) **The Accounting Officer should establish a policy on the procedure of buying land and adhere to Section 11 (1) (k) of the National Government Constituency Development Fund Regulations 2016.**
 - d) **The Accounting Officer should ensure that the PMCs give priority to purchase land in areas where there are clear ownership documents especially where land adjudication has been done.**
 - e) **That within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap. 412B, the Fund Account Managers should submit to the Accounting Officer, a progress status report on the transfer, documentation relating**

to the transfer and all pending land matters in the constituency concerning misplaced title deeds, delayed title deeds processing, succession, transfer and ownership, and:

- f) **The Accounting Officer should upon receipt of the progress reports relating to land ownership, follow up with the relevant Ministry and State Departments, and ensure that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.**

2.3 Poor Record Keeping by PMCs (Project Management Committees)

Committee Observation

21. The Committee observed that several PMCs did not maintain procurement files, payment records, or project monitoring tools. In addition, there was no systematic framework for tracking project milestones, deliverables, or expenditures.

Committee Recommendation

22. **The Committee recommends that the Accounting Officer should at all times ensure that proper records of each project which includes, project returns, tender documents, payment vouchers, completion certificates, bill of quantities, project designs, contracts, project minutes, bank balances and procurement documents are maintained by the PMCs and original file maintained by the Fund Account Manager.**

2.4 Unsupported and Unverified Expenditures

Committee Observation

23. The Committee observed that there was frequent lack of supporting documents such as BQs, bank statements, payment vouchers, procurement records, journal entries and completion certificates, incomplete or missing documentation for key project activities and payments, compromising audit verification.

Committee Recommendations

24. **The Committee recommends that:**

- i) **The Accounting Officer should ensure that the Fund Account Managers should at all times comply with the provisions of Sections 62 (1)(b) and (c) of the Public Audit Act, Cap. 412B.**
- ii) **The Accounting Officer should at all times ensure that Fund Account Managers maintain the original Project Management Committee files at the NG-CDF office, while the duplicate be maintained by the Project Management Committees at the project's site to ensure that documents are always available at the time of audit.**
- iii) **The Accounting Officer should ensure Constituency Committees employ qualified accountants for the Constituency Offices beginning FY 2026/27 within the 6% administrative allocation to the NG-CDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.**

2.5 Delay in Exchequer Releases

Committee Observation

25. The Committee observed that there were delays in exchequer releases leading to under expenditure, delays in implementation and completion of projects.

Committee Recommendation

26. **The Committee recommends that the National Treasury should at all times ensure timely and adequate disbursement of funds to the National Government Constituencies Development Fund Board for immediate release to the Constituencies for implementation of approved and budgeted projects.**

2.6 Procurement Irregularities

Committee Observation

27. The Committee observed that there was a misapplication of procurement methods, including use of request for quotations (RFQs) where open tendering was required.

Committee Recommendation

28. **The Committee recommends that the Accounting Officer:**

- i) In consultation with the Public Procurement Regulatory Authority (PPRA), should at all times conduct continuous capacity building to all Fund Account Managers and Project Management Committees to enhance compliance with the Public Procurement and Asset Disposal Act, Cap.412C and its regulations.**
- ii) The Accounting Officer should at all times ensure that the Fund Account Manager and Project Management Committees comply with the provisions of Part IX, Section 91 to 114 of the Public Procurement and Asset Disposal Act, Cap.412C.**

2.7 Presentation and accuracy of financial statements

Committee Observation

29. The Committee observed that the Fund Account Managers (FAM) experienced challenges in adapting to International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. The Standards were introduced in the financial year 2013/14 and failure to comply with the standards in subsequent years occasioned qualification of financial statements.

Committee Recommendations

30. **The Committee recommends that:**

- i) The Accounting Officer should at all times comply with the International Public Sector Accounting Standards (IPSAS) framework and provide accurate and reconciled financial statements.**
- ii) The Accounting Officer, in consultation with the Public Sector Accounting Standards Board (PSASB) should conduct continuous regular capacity building on financial reporting standards for constituency staff.**

2.8 Capacity building of Fund Account Managers

Committee Observation

31. The Committee observed that some Fund Account Managers were ill-prepared during the examination of the Reports of the Auditor General on the accounts of the National Government Constituencies Development Fund.

Committee Recommendations

32. **The Committee recommends that the Accounting Officer:**

- i) **Should Conduct continuous capacity building on financial reporting standards, record keeping and other necessary training on a regular basis for the Fund Account Managers, Project Management Committees (PMC) and other NG-CDF Constituency staff.**

- ii) **Should at all times strengthen the link between the Board, the Office of the Auditor General and the Fund Account Managers, particularly regarding the timely response to audit queries.**

2.9 Unresolved Prior Year Matters

Committee Observation

33. The Committee observed that the Auditor General raised several issues to be resolved by Management in the audit report of the previous years under the “report on the financial statements and report of lawfulness and effectiveness in the use of public resources”. Management in some instances failed to resolve the issues and did not provide a follow-up report.

Committee Recommendations

34. **The Committee recommends that:**

- i) **The Accounting Officer should at all times ensure Fund Account Managers adhere to Section 68 (2) (l) of the PFM Act, Cap.412A.**

- ii) **The Accounting Officer should at all times ensure Fund Account Managers comply with the reporting template provided by the Public Sector Accounting Standards Board on prior year and provide a follow up report to the Office of the Auditor General in the subsequent audit cycle.**

2.10 Handover Process

Committee Observation

35. The Committee observed that the handover process between Fund Account Managers upon the conclusion of their term of service in a given constituency was inadequately structured.

Committee Recommendation

36. **The Committee recommends that the Accounting Officer should at all times ensure there is a structured handover process whereby a witness (the Regional Coordinator or a representative from the Board) should be present to oversight the handover. The handover report should also include unresolved prior year matters that have been raised by the Office of the Auditor General.**

CHAPTER THREE

3. EXAMINATION OF REPORTS ON THE AUDITED ACCOUNTS FOR LARI, LURAMBI, EMBAKASI CENTRAL, KILIFI NORTH AND MVITA CONSTITUENCIES FOR THE FINANCIAL YEARS 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022

37. The Committee examined thirty (30) reports of the Auditor General for the NG-CDF for the Financial Years 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 and 2021/2022 for the following five (5) Constituencies:

- 1) Lari Constituency
- 2) Lurambi Constituency
- 3) Embakasi Central Constituency
- 4) Kilifi North Constituency
- 5) Mvita Constituency

3.1 LARI CONSTITUENCY

38. The Fund Account Manager for **Lari Constituency** appeared before the Committee on Tuesday, 19th March 2024, tabled the NG-CDF management responses and supporting documents on the audited accounts, and submitted as follows:

3.1.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017

1. Unsupported payments

39. The statement of receipts and payments reflects payments amounting to Kshs.137,257, 815 for the year ended 30 June 2017. Included in the balance are payments totaling to Kshs.70,037,966 which were not supported by relevant documentation such as invoices, tender opening and evaluation minutes or authority as analyzed below.

No.	Item	Amount Kshs	–	Observations
1	Use of goods and services various items	2,421,700		Missing payment vouchers
2	Hire of Public address system	1,116,954		Lack of procurement records and list of events and activities carried out
3	Committee allowances/ expenses	1,733,000		Lack of supporting documents e.g., work plans and progress reports on projects visited during the period
4	Printing, advertising and supplies	733,100		Lack of procurement and store records. Further, the expenditure appeared excessive for the level of NG-CDF activities
5	Environment projects	3,743,931		Lack of stores records and distribution schedules

No.	Item	Amount Kshs	–	Observations
6	Security projects	26,806,035		Lack of procurement records and project files with payment completion certificates and the payment vouchers
7	Sports – Purchase of uniforms	2,843,931		Lack of stores ledgers and signed distribution schedules for the beneficiaries. Unauthorized projects expenditure of Kshs.2.175.000 Lack of supporting documents on how the suppliers of school accessories of Kshs.2,252,800 were identified. Further, the signed distribution schedules were not provided for audit verification
8	Bursary funds	25,269,715		Lack of supporting documents (acknowledgement letters, receipts)

Management Response

40. The payment vouchers were filled by the sub county treasury who had mixed them with vouchers from the other departments, however the vouchers were retrieved and availed to the auditors for review.
- i. Hire of public address was paid together with other payments for a particular event. Payment6 vouchers have been availed for review
 - ii. The committee undertook its programs as planned in their first meeting of the financial year which draws up a road map on the operations of the constituency. Payment vouchers have been attached with payment schedules
 - iii. Printing, advertising and supplies were expenses incurred for purchase and distribution of learning materials to schools. Attached are photos for evidence.
 - iv. Kshs.3,743,931 was spent on environment where the constituency purchased seedlings for distribution to various institutions, trees were planted and monitored. Attached are vouchers for review.
 - v. Kshs.26,806,035 was undertaken for the construction of various security projects. The projects were implemented through labour-based contract mode, through the supervision of the works officer who issued the payment certificates for the projects. The projects were funded to completion. Attached are photos for the projects
 - vi. The sports project was for the purchase of various uniforms, balls and nets to facilitate the football tournament within the constituency. The uniforms were distributed to the various teams that were participating in the tournament. Attached are participating teams, vouchers and photos for verification.
 - vii. The constituency faced challenges in receiving all the acknowledgments during the year under review. However, the constituency currently forwards the bursary cheques with a letter that requires the institutions to acknowledge receipt of funds, and this has helped in receiving most of the acknowledgement receipts.

Committee Observations

41. The Committee observed that:

- (i) The Management submitted payment vouchers and acknowledgement receipts for the other queries raised.**
- (ii) The completion certificates for security projects totalling Kshs.26,806,035 were not submitted for audit verification.**
- (iii) The audit query was partially addressed.**

Committee Recommendation

- 42. The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B, the Accounting Officer should submit the completion certificates to the National Assembly.**

Other Matter

2. Procurement of works-primary schools' projects

- 43. Reviews of records revealed that included in transfer to other government entities balance of Kshs.54,600,000 are disbursements amounting to Kshs.2,000,000 and Kshs.3,000,000, towards construction of classrooms in Kagwe Township and Lare primary school respectively. Records indicate that contracts for the works valued at Kshs.6,728,982 and Kshs.4,096,390 for Kagwe township and Lari respectively were awarded through request for quotations procurement method. However, the contracts sum for the two projects exceeded the minimum threshold of Kshs.4,000,000 for request for quotations stipulated in the first schedule of the Public Procurement and Disposal Regulations, 2013 and therefore national open tender method should have been used. No justification was provided for non-compliance with the procurement law.**

Management Response

- 44. The procurement of the work was done through quotations and the procurement process followed to completion. The projects were undertaken to completion, and the photos and completion certificate had been availed for review.**

Committee Observation

- 45. The Committee observed that the contract sums for the two projects exceeded the minimum threshold of Kshs.4,000,000 for request for quotations and the Fund Account Manager therefore contravened the First Schedule of the Public Procurement and Disposal Act regulations by using quotations instead of open tendering while awarding the tender.**

Committee Recommendations

46. The Committee recommends that:

- i) The Accounting Officer should at all times comply with the first schedule of the Public Procurement and Disposal Regulations, 2013 in the procurement of goods and services.**
- ii) The Accounting Officer should pursuant to the provisions of Section 74 of the PFM Act, Cap.412A take administrative action against the Fund Account Manager and any other officers involved in the procurement process within three months upon adoption of this report.**

3.1.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018

1. Unsupported Outstanding Imprest

47. The statement of assets as at 30 June 2018 reflects outstanding imprests balance of Kshs.1,167,750 and as disclosed in Note 11 to the financial statements. However, contrary to the guidelines issued by the Public Sector Accounting Standards Board, the details of the imprest holders including their names, dates issued and due, and the respective amounts outstanding as at 30 June 2018 have not been disclosed in Note 11. The corresponding Note has also been erroneously indicated in the statement of assets as 10C instead of 11. In addition, the imprests register has not been updated and the AIE Holder had been issued with multiple imprests contrary to the provisions of Regulation 93 of the Public Finance Management (National Government) Regulations, 2015. Consequently, it has not been possible to confirm the accuracy, completeness and recoverability of the outstanding imprests balance of Kshs.1,167,750 as at 30 June 2018.

Management Response

48. As at the end of the financial year, imprest that was taken had not been surrendered as the exercise the imprest was taken for had not been completed. The outstanding imprest was cleared in the subsequent financial years as per the cashbook extract for the year 2018/2019. However, the surrendered vouchers and imprest register could not be availed at that point as they were collected by EACC.

Committee Observation

49. **The Committee observed that the documents relating to the query were taken by the EACC as the matter was under investigation and is active in court. The audit query remains unresolved.**

Committee Recommendation

50. **The Committee recommends that, in order to expedite the resolution of the outstanding audit query, the Accounting Officer to follow up on the status of the investigations and submit a comprehensive status report to the National Assembly within three months upon adoption of this Report.**

2. Cash and Cash Equivalents

51. The statement of assets as at 30 June 2018 reflects cash and cash equivalents of Kshs.14,578,490. However, the following unsatisfactory matters have been noted regarding the same:

(i) Unpresented Cheques

52. The bank reconciliation statement as at 30 June 2018 reflects unpresented cheques totalling Kshs.14,578,490 which includes stale cheques amounting to Kshs.880,356. However, no explanation has been given for the failure to reverse the stale cheques in the cash book.

(ii) Unsupported Bank Reconciliations

53. Further, examination of bank reconciliation statements for twelve months from July 2017 to June 2018 revealed payments in the bank statements not recorded in the cash book amounting to Kshs.932,484. However, documents in support of these payments have not been provided for

audit review. In the circumstances, the validity and propriety of the payments totalling Kshs.932,484 cannot be ascertained.

Management Response

54. The stale cheques amounting to Kshs.880, 356 had not been reversed as the sub county treasury had not received the authorization by the NG-CDFC on the new beneficiaries, however the cheques were reversed and replaced. The cashbook extract had been availed for review.
55. The payments in bank not recorded in the cashbook were bank charges that had accrued for several years that had not been posted to the cashbook. However, the bank charges were paid by 30th June 2018.

Committee Observation

56. **The Committee observed that the management availed the cashbook extract for audit verification, and the query was adequately addressed.**

Basis of Conclusion

3. Budget Under Absorption

57. During the year under review, Lari NG-CDF management had budgeted to receive and spend an amount of Kshs.98,356,990, respectively. However, the actual expenditure was Kshs.27,826,266 only or 28%, leading to an under expenditure of Kshs.70,530,724 or 72% of the total budget. The under expenditure implies that planned activities and programmes were not executed, and which in turn means that the public resources budgeted for and made available by parliament were not efficiently and effectively used for the benefits of the constituents.

Management Response

58. The unutilized funds were due to a delay in disbursement from the exchequer at the end of financial year 2017/18. However, the funds were received and utilized in the subsequent financial years. The AIE's showing the late release of funds had been availed for review.

Committee Observation

59. **The Committee observed that the under expenditure was occasioned by the late disbursement of funds by the National Treasury. The management availed the AIE's showing the late release of funds to the Office of the Auditor General for audit verification thereby addressing the matter. Consequently, the query is addressed.**

4. Non-Implementation of Projects and Activities

60. Examination of budget documents revealed that Lari NG-CDF management had not implemented as at 30 June 2018, projects budgeted for amounting to Kshs.64,176,379.94 as detailed below:

Project	Specific Activities	Amount Kshs
Strategic plan	To undertake a constituency strategic plan	3,500,000
Sports		
Sports	Organizing of marathon and purchase of uniforms for the winning teams	1,736,206.90
Sports	Organizing football matches for. Kinale, Kijabe, Kamburu, Lari, Kirenga and Nyanduma F. C'S	227,586.20

Environment Projects	Planting Trees	227,586.20
Primary School Projects		
Kamahindu Primary School	Renovation of eight classrooms (Plastering, reroofing, fixing windowpanes, flooring, painting and fixing fascial boards)	1,800,000.00
Muhoro Primary	Renovation of eight classrooms (Plastering, reroofing, fixing windowpanes, flooring, painting and fixing fascial boards)	1,800,000.00
Kijabe Primary School	Construction of one Classroom to completion	1,000,000.00
Kago Primary School	Construction of two Classroom to completion	2,000,000.00
Utugi Primary School	Construction of two Classroom to completion	2,000,000.00
Sulmac Primary School	Construction of one Classroom to completion	1,000,000.00
Githirioni Primary School	Renovation of eight classrooms (Plastering, reroofing, fixing windowpanes, flooring, painting and fixing fascial boards)	1,800,000.00
Kabunge Primary School	Construction of One class to completion	1,000,000.00
Secondary School Project		
Gachema Secondary School	Completion of three Classroom (Walling and roofing)	3,000,000.00
Iria-ini Secondary School	Construction Of one class to completion	1,000,000.00
Bursaries	Allocation of bursary to the needy students in secondary schools, tertiary and special needs	12,942,758.62
Emergencies		
Emergency	To cater for any unforeseen emergency occurrences in the constituency during the financial year	568,965.51
Emergency	To cater for any unforeseen emergency occurrences in the constituency during the financial year	4,568,965.52
Security Projects		
Kwaregi AP Post	Renovation of 3AP houses (Plastering, reroofing, fixing windowpanes, flooring, painting and fixing fascial boards)	656,035.16
Kwaregi AP Post	Construction of two AP Post Offices	1,548,275.83
Kijabe ACCs Office	Construction of Assistant County Commissioner Office top completion	1,200,000.00
ICT Hub		
Kamburu ICT Hub	Equipment (Kshs.1,169,256.80) and Construction (Kshs 2,330,743.20)	3,500,000.00
Kagwe ICT Hub	Equipment (Kshs.1,169,256.80) and Construction (Kshs 2,330,743.20)	3,500,000.00

Kimende ICT Hub	Equipment (Kshs.1,169,256.80) and Construction (Kshs 1,830,743.20)	3,000,000.00
Kinale ICT Hub	Equipment (Kshs.1,169,256.80) and Construction (Kshs 2,330,743.20)	3,500,000.00
Multi-purpose Units-Re-Allocation to school		
Sulmac Secondary School	Construction of one classroom to completion	1,300,000.00
Gitithia Girls Secondary school	Construction of a Dormitory	1,200,000.00
Munyaka Primary School	Construction of 4 Cubicle Latrines at Kshs 300,000. Leveling of School Playground at Kshs 200,000	500,000
	Sub-Total	3,000,000
Technical Institute		
Lari Technical Training Institute	Construction of 1200m Security Perimeter Wall around the Institution at Kshs2,700,000. Landscaping of the whole Institution at Kshs 600,000	3,300,000.00
Acquisition of Assets		
Office Furniture	Purchase of Office furniture	800,000.00
TOTAL		64,176,379.94

61. The failure to implement the above planned projects and activities impacted negatively on service delivery to the constituents.

Committee Observation

62. **The Committee observed that the delay in implementation of the projects and activities was occasioned by the late disbursement of funds by the National Treasury. However, the projects were subsequently implemented, and the photos and completion certificates were provided and verified by the Office of the Auditor General, and the query is thereby addressed.**

3.1.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019

1. Unreconciled Receipts

63. The statement of receipts and payments reflects total receipts of Kshs.108, 833,483 for the year ended 30 June 2019. However, the summary statement of appropriation: recurrent and development combined indicates actual receipts of Kshs.123, 411,973 during the year, resulting in unreconciled variance of Kshs.14,578,490. Consequently, the completeness and accuracy of the receipts during the year ending 30 June 2019 could not be ascertained.

Management Response

64. The statement of appropriation: recurrent and development combined under the actual receipts combines the funds received during the year and the opening balance. Kshs14,578,490 was the

opening cashbook balance which was added to the fund receipts during the year of Kshs.108, 833,483 thus making it Kshs.123 411,973.

Committee Observation

65. **The Committee observed that the management submitted the correct financial statements to the Office of the Auditor General for verification and the query was therefore addressed.**

2. Net Liabilities

66. The statement of financial assets reflects total financial assets of Kshs.5,693,128 and nil financial liabilities as at 30 June 2019. However, contrary to the guidelines issued by the Public Sector Accounting Standards Board, the net financial position of Kshs.5,693,128 has instead been presented erroneously as net liabilities at the bottom of the statement.

Management Response

67. The template provided during the year under review had the net liabilities instead of the required the net financial position, however the template was amended in the subsequent financial year to reflect the correct presentation as per the guidelines issued by the Public Sector Accounting Standards Board.

Committee Observation

68. **The Committee observed that the accounting error was due to an error in the IPSAS template provided in the financial year. It was later corrected, and the query was therefore addressed.**

3. Unreconciled Variances in Comparative Balances

69. The comparative figures reflected in the financial statements for 2018/2019 differs with the audited financial statements figures for the year ended 30 June 2018 as follows:

Item	Comparative figures for 2017/2018 in the financial statements for 2018/2019 Kshs.	Figures as per Audited Financial statements for 2017/2018 Kshs.	Variance Kshs.
Use of goods and services	2,744,949	1,577,199	1,167,750
Current Receivables – Outstanding imprest	Nil	1,167,750	1,167,750

70. Journal entries, documentation or approval for the restated figures were not presented for audit review. In addition, no reasons or disclosures were provided for the restated prior year figures. In the circumstances, the accuracy of the comparative figures could not be confirmed.

Management Response

71. Kshs.1,167,750 was the outstanding imprest that was surrendered in the subsequent financial year. The misclassification was amended and availed to the auditors for review.

Committee Observation

72. The Committee observed that the documents provided before the Committee were not the correct ones. Further, the amendments should have been made in the next financial year as prior year adjustments and there was no evidence submitted to the Office of the Auditor General showing that the error was considered for corrections in the subsequent financial statements. The audit query was not addressed.

Committee Recommendation

73. The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B, the Accounting Officer should submit the reconciled financial statements to the National Assembly.

4. Unsupported Expenditure

74. The statement of receipts and payments reflects total payments of Kshs.117,718,845 for the year ended 30 June 2019. Included in the expenditure are unsupported payments totalling Kshs.25,226,827 in respect of sports activities, environment, emergency projects and construction of ICT Hubs of Kshs.4,114,535, Kshs.2,408,402, Kshs.7,838,993 and Kshs.10,834,897 respectively as detailed below:

Category	Payee	Date	Payment voucher No.	Cheque No.	Amount	Total
Sports	Various Project Management Committees	3/7/2018	314	12352	1,736,207	
	Various Project Management Committees	10/16/2018	354	12293	227,511	
	Various Project Management Committees	4/24/2019	various		2,180,817	4,144,535
Environment	PMC- Constituency Environmental Programme	16/10/2018	353	12295	227,586	
	PMC- Constituency Environmental Programme	3/7/2018 24/4/2019	various		2,180,816	2,408,402
Emergency Projects	Kinale Primary School	9/7/2018	323	12357	1,300,000	
	Karatina Chief's Office	9/7/2018	324	12358	300,000	

	Kagwe Police Post	7/7/2018	325	12359	200,000	
	Kamukombi Chief's Office	7/7/2018	326	12360	300,000	
	Various Project	7/7/2018	various		5,738,993	7,838,993
ICT Hub	Kinale ICT Hub	17/10/18	356	12299	2,330,743	
	Kimende ICT Hub	17/10/19	357	13000	1,830,743	
	Kagwe ICT Hub	17/10/19	358	13285	2,330,745	
	Kamburu ICT Hub	17/10/19	359	13286	2,330,746	
	Telkom Kenya	31/10/19	369	13549	2,011,920	10,834,897
	Grand Total					25,226,827

75. Although the NGCDF Management indicated that payment vouchers, relevant minutes of the CDF committee, procurement records and relevant bank statements were taken by the Ethics and Anti-Corruption Commission (EACC) for investigations, certified copies of the same were not provided for review. Consequently, the accuracy and propriety of Kshs.25,226,827 expenditure for the year ended 30 June 2019 could not be confirmed.

Management Response

76. These expenses were incurred during the year as per the financial statements. However, before the audit was undertaken the Ethics and Anti-Corruption Commission had requested several documents from our office for investigations that they were undertaking. The documents were taken by EACC, and the record of the documents taken has been availed for review.

Committee Observation

77. **The Committee observed that the documents relating to the query were taken by the EACC as the matter was under investigation and active in court. The audit query remains unresolved.**

Committee Recommendation

78. **The Committee recommends that, in order to expedite the resolution of the outstanding audit query, the Accounting Officer to follow up on the status of the investigations and submit a comprehensive status report to the National Assembly within three months upon adoption of this Report.**

5. Unsupported Other Grants and Other Payments

79. Disclosed under Note 7 to the financial statements on other grants and other payments is an expenditure of Kshs.6,104,311 on security projects. The amount was incurred on five projects as follows:

	Project Name	Amount
1	Gachoire Chief's Office	900,000
2	Kwaregi Administration	2,204,311
3	Kijabe ACCs Office	1,200,000
4	Kimende Police Post	900,000
5	Kamukombi Police Post	1,000,000
	Total	6,204,311

80. However, the expenditure was not supported with payment vouchers, procurement records, relevant minutes of NGCDF committee and projects status reports. In addition, title documents for the land on which the projects have been constructed were not provided for audit verification. In the absence of supporting documentation and title deeds for the land, the propriety and validity of the total expenditure of Kshs.6,204,311 incurred on these projects could not be confirmed.

Management Response

81. The security projects of Kshs.6,204,311 were done by the various project management committees, however the documents were with the project committees during the time of audit. The documents have been retrieved and availed for review to the auditors. The projects were all undertaken on public land and the constituency was given confirmation from the Deputy County Commissioner.

Committee Observation

82. **The Committee observed that the Fund Account Manager did not provide the completion certificates for the projects for audit verification to the Office of the Auditor General. The query was not addressed.**

Committee Recommendation

83. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the completion certificates to the National Assembly.**

Other Matter

6. Budget Control and Performance

84. During the year under review, the Fund received a total of Kshs.123,362,973 from NGCDF Board, representing about 69% of the budgeted amount of Kshs.178,403,849. Similarly, the Fund expended Kshs.117,718,845 against an approved budget of Kshs.178,403,849 resulting to an under-expenditure of Kshs.60,685,004 or 34% of the budget.

Management Response

85. The underperformance and under expenditure were due to the delay in funding from the exchequer. However, the various projects were undertaken to completion, and the constituents received the services.

Committee Observation

86. The Committee observed that the query was occasioned by the late disbursement of funds by the National Treasury. The projects were all implemented and in use thereby addressing the query.

3.1.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020

1. Errors in Presentation and Inaccuracy of the Financial Statements

87. The financial statements presented for the audit review reflected the following anomalies:
- Note 3 to the financial statements on other receipts does not reflect the total receipts for the year.
 - The 2019/2020 financial statements comparative balances were at variance with the notes to the financial statements as follows:

Item	Note	Financial Statements Balance Kshs	Amount in note to financial statements Kshs	Variance Kshs
Transfers from CDF board	1	108,784,483	43,405	108,741,078
Use of Goods and services	5	12,091,724	12,614,576	(522,852)
Other grants and Transfers	7	52,172,141	47,020,118	5,152,023
Acquisition of Assets	8	0	135,000	(135,000)
Gratuity	12B	0	550,566	(550,566)

- The statement of receipts and payments for the year ended 30 June 2020 reflects transfers from CDF Board of Kshs.123,070,876 and compensation of employees of Kshs 2,022,308 while the respective Notes 1 and Note 4 reflect Kshs.123,040,876 and nil respectively resulting to unreconciled and unexplained variances of Kshs.30,000 and Kshs.2,022,308 respectively.
- The statement of receipts and payments for the year ended 30 June 2020 reflects transfers from CDF Board of Kshs.123,070,876 and use of goods and services expenditure of Kshs.6,303,296 while the statement of cash flows reflects transfers from CDF Board of Kshs.123,040,876 and use of goods and services of Kshs.6,273,296 both resulting to a variance of Kshs.30,000.
- The statement of financial assets reflects cash and cash equivalents balance of Kshs.10,839,664 that varies with the cash and equivalent at the end of the year balance reflected in statement of cash flow of Kshs.9,804,327 resulting in unreconciled variance of Kshs.1,035,347.
- The statement of financial assets reflects nil prior year adjustment balance while corresponding Note 14 to the financial statements reflects a prior year adjustment balance of Kshs.5,693,128. In the circumstances, the accuracy of the financial statements for the year ended 30 June 2020 could not be confirmed.

Management Response

88. The errors to the financial statements were addressed in the subsequent financial period.

Committee Observation

89. **The Committee observed that the management reduced the errors to the financial statements in subsequent financial period and the query was adequately addressed.**

2. Use of Goods and Services

2.1. Unsupported Training Expenses

90. Disclosed in Note 5 to the financial statements under the use of goods and services is an expenditure of Kshs.1,878,000 in respect to training expenses. However, the expenditure was not supported with the relevant authorization or approval, details of payees, participant's invitation letters, signed attendance lists, evidence of travel and invoices from the venue where the training took place. In the absence of sufficient and relevant evidence, the occurrence and validity of the expenditure totalling Kshs.1,878,000 could not be confirmed.

Management Response

91. The payment of Kshs.1,878,000 was made to facilitate training of NGCDFC members. The payment voucher had been availed for review.

Committee Observation

92. **The Committee observed that the Fund Account Manager did not avail the payment vouchers for audit review and the documents provided during the examination of accounts were incorrect thereby the query was not addressed.**

Committee Recommendation

93. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the payment vouchers to the National Assembly.**

2.2. Unsupported Committee Allowances

94. Disclosed in Note 5 to the financial statements under use of goods and services is an expenditure of Kshs.1,128,000 spent on committee allowances during the year under review. The expenditure includes an amount of Kshs.100,000 paid to an ad hoc Committee consisting of the Lari - NG-CDFC Chairman, the Fund Account Manager and other members constituted to deliberate on complaints and outstanding issues on gratuity and salary arrears owed to CDF staff. The payments were, however, not supported with information on dates of the meeting, the signed attendance list, approval letters and alleged complaints to warrant the establishment of a committee. In the absence of sufficient and relevant evidence, the occurrence and accuracy of the expenditure totalling Kshs.100,000 could not be confirmed.

Management Response

95. The ad hoc Committee was formed so as to facilitate the resolution of the complaints that had been raised. The committee met to deliberate on the various issues as raised in the complaints.

Committee Observation

96. The Committee observed that relevant supporting documents were not availed for audit review. The query was not addressed.

Committee Recommendation

97. The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the documents showing the membership of the ad hoc committee, approval letters and alleged complaints and the minutes to the National Assembly.

2.3. Unsupported Transfers to Other Entities

98. The statement of receipts and payments reflects transfers to other government units and other grants and transfers expenditure of Kshs.53,296,000 and Kshs.57,368,072 respectively. However, nineteen (19) projects costing Kshs.51,700,000 had no project files containing key procurement documents such as advertisement, tender opening minutes, evaluation and awarding minutes, engineer's estimates, contract agreement, inspection and acceptance reports and payment vouchers. As a result, expenditure totalling Kshs.51,700,000 listed below was not supported:

	Project Name	Amount Disbursed (Kshs.)
1	Magina primary school	2,900,000
2	Kago primary school	5,700,000
3	Githogoyo Primary School	2,900,000
4	Kamburu Primary School	2,600,000
5	Kibagare Primary School	2,400,000
6	Kirenga Primary School	2,800,000
7	Karugo Primary School	3,000,000
8	Kinale Primary School	2,300,000
9	Kibathithi Primary School	2,500,000
10	Kamae Primary School	3,000,000
11	Mbau-ini Primary School	2,800,000
12	Gachema Primary School	4,800,000
13	Kariguini Secondary School	4,500,000
14	Kirenga Girls Secondary School	1,000,000
15	Nyamweru Secondary School	1,000,000
16	Magina Chiefs Camp	2,000,000
17	Matimbei Chiefs Camp	1,500,000
18	Githogoiyo Chiefs Camp	2,000,000
19	Lari/Kirenga Chiefs Camp	2,000,000
	Total	51,700,000

99. In the absence of sufficient and relevant evidence, the occurrence and accuracy of the expenditure totalling Kshs.51,700,000 could not be confirmed.

Management Response

100. The constituency transferred the funds to the project management committees to undertake the projects. However, the project management committees did not undertake the right procedure in procuring for the services. The constituency has undertaken continuous Capacity building to

train the PMCs to follow the required guidelines and regulations. The projects were completed, and the completion certificates and photo were availed for review.

Committee Observations

101. **The Committee observed that:**

- (i) The management did not avail the procurement records for audit review.**
- (ii) The completion certificates and photos of the completed projects were provided for audit review.**
- (iii) The Project Management Committee did not maintain proper records.**
- (iv) The NGCDF Board was in the process of developing a procurement manual to guide project management Committees**

Committee Recommendations

102. **The Committee recommends that within three months upon the adoption of this report, the Accounting Officer should:**

- i) Finalize on the development of a project implementation manual providing guidelines on procurement, and a checklist for the requirements on procurement, to guide and improve the procurement processes at the PMC level.**
- ii) In accordance with Section 53 (1) of the Public Audit Act, Cap.412B, submit the procurement records to the National Assembly.**

3. Inaccuracies in Cash and Cash Equivalents

3.1 Stale Cheques

103. As disclosed under Note 10A to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.10,839,674. A review of the bank account reconciliation statement for the month of June 2020 revealed that they included unrepresented cheques amounting to Kshs.491,085 which were stale and had not been reversed in the cash book. No reason was given for failure to reverse the stale cheques or reconcile and clear the long outstanding items. As a result, the accuracy and completeness of bank balances of Kshs.10,839,674 as at 30 June 2020 could not be confirmed.

Management Response

104. The stale cheques amounting to kshs.491, 085 had not been reversed as the sub county treasury had not received the authorization by the NGCDFC on the new beneficiaries, however the cheques were reversed and replaced. The cashbook extract had been availed for review.

Committee Observation

105. **The Committee observed that the cashbook extract was provided and verified by the Office of the Auditor General and the query was therefore addressed.**

3.2 Unsupported Cash Withdrawals

106. A review of the bank statements and records of payments revealed that cash withdrawals totalling Kshs.4, 107,700 were made during the year under review out of which Kshs. 2,076,000 was withdrawn and spent on 30 June 2020. No reason was provided for the payment for goods and services in cash. In addition, included in the cash payments of 30 June 2020 is a payment of Kshs.394,000 reported to have been incurred on a bursary meeting paid through voucher

number 95 but was also not supported with attendance list of participants and details of the venue of the meeting. Further, three suppliers were paid cash totalling Kshs.424,700. The payments were made vide payment vouchers numbers 072-Kshs.100,000, 073-Kshs. 224,000 and 101-Kshs. 100,000 which were not supported with procurement records, including tender notices or request for quotation, tender opening, evaluation minutes and award letters. It was therefore not clear how the suppliers were identified and awarded to supply goods to the Fund. In view of the missing information, the occurrence and completeness of the cash withdrawals totalling Kshs.2,076,000 could not be confirmed.

Management Response

107. Kshs.394,000 was an imprest incurred during the bursary vetting exercise. This was paid as allowances to facilitate the officers and committee members in the exercise. The payment vouchers and supporting schedules have been availed for review. The payments to the various suppliers was done through the standing imprest which was issued to facilitate the office operations. The payment vouchers and particulars of the payees have been availed for review.

Committee Observation

108. **The Committee observed that the management availed evidence of the reversals and the list of beneficiaries to the Office of the Auditor General for verification and the query was addressed.**

Other Matter

4. Prior year unresolved issues

109. In the report of the previous year, several issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, although the Management has indicated that all the issues have been resolved, the matters remained unresolved as the National Assembly has yet to deliberate on the audit report for 2018/2019.

Management Response

110. The constituency had not been invited by the parliamentary committee to deliberate on the issues raised by the Office of Auditor General for the previous financial year.

Committee Observation

111. **The Committee observed that the issues raised had been addressed in the subsequent financial year and the query was adequately addressed.**

5. Poor Workmanship on Primary Schools Classrooms Projects

112. Disclosed in Note 6 to the financial statements under transfers to other government entities is an expenditure of Kshs.41,996,000 in respect to transfers to primary schools. Included in the expenditure are payments totalling Kshs.11,500,000 which comprise of Kshs.2,900,000, Kshs.3,000,000 and Kshs.2,900,000 disbursed to Magina, Kago, Kamae and Karatina Primary Schools respectively for construction of classrooms. However, physical inspection carried out revealed visible cracks in the floor and uneven finishing, an indication of poor workmanship. As a result, the value for money of the expenditure of Kshs.11,500,000 incurred during the year ended 30 June 2020 could not be confirmed.

Management Response

113. The projects were done and complete, but the cracks and uneven finishing were observed before the defect's liability period. The contractor was requested to make good defects before he was paid his retention monies. The contractor did not undertake the works, and the schools used the retention to repair the areas that had issues.

Committee Observation

114. **The Committee observed that the management had not provided any evidence that the repairs were undertaken or that the retention was used for that purpose. The audit query was not addressed.**

Committee Recommendation

115. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit evidence of the repairs and payment of the retention monies to the National Assembly.**

6. Unsupported Bursary Payments - Secondary Schools

116. Disclosed in Note 7 to the financial statements under other grants and transfers are bursary payments to secondary schools of Kshs.18,140,877. Included in the expenditure is bursary totalling Kshs.640,000 to various beneficiaries, which was not supported with bursary applications and evidence indicating that a bursary subcommittee carried out vetting of the applicants as required for the administration of bursary scheme. Management has not provided an explanation for the anomaly. In the circumstances, the propriety of the bursary funds totalling Kshs.640,000 could not be confirmed.

Management Response

117. The payments of Kshs.640,000 to the various beneficiaries were done through the stale cheques during the year that were reversed and replaced as per the committee's approval.

Committee Observations

118. **The Committee observed that the stale cheques were reversed, and the extract of the cashbook provided and verified by the Office of the Auditor General and the query adequately addressed.**

7. Unsupported Sports Expenditure

119. Included in the other grants and other transfers of Kshs.57,368,072 as disclosed in Note 7 to the financial statements is an amount of Kshs.2,747,354 in respect of sports during the financial year under review and whose procurement documents were not presented for audit verification. In the absence of relevant records, the validity and value for money of the sum of Kshs.2,747,354 spent on the sports equipment could not be confirmed.

Management Response

120. Kshs.2,747,354 was incurred on sports for the purchase of uniforms and another sports equipment's to facilitate the sports project.

Committee Observation

121. **The Committee observed that the documents relating to the query were taken by the EACC as the matter was under investigation. The audit query remains unresolved.**

Committee Recommendation

122. **The Committee recommends that, in order to expedite the resolution of the outstanding audit query, the Accounting Officer to follow up on the status of the investigations and submit a comprehensive status report to the National Assembly within three months upon adoption of this Report.**

8. Unsupported Expenditure on Security Projects

123. Included under other grants and other payments as disclosed in Note 7 of the financial statements is expenditure totalling Kshs.20,898,600 in respect of security projects, out of which an amount of Kshs.1,898,600 was paid to a contractor for the construction of Kirenga Chiefs' Office Block. Procurement records examined revealed that although the tender documents required the bidders to attach valid registration from the National Construction Authority (NCA), it was not attached. Further, the letter of offer, contract acceptance letter, and engineer's estimates were not provided for audit review. Consequently, the regularity of expenditure of Kshs.1,898,600 during the year under review could not be confirmed.

Management Response

124. The constituency transferred the funds to the project management committee to undertake the projects. However, the project management committees did not undertake the right procedure in procuring for the services. The constituency has undertaken continuous Capacity building to train the PMCs to follow the required guidelines and regulations. The project was undertaken to completion, and the photos and completion certificate had been availed for review.

Committee Observations

125. **The Committee observed that:**
- (i) The constituency allocated the funds to the PMC for the execution of the projects.**
 - (ii) The Project Management Committee did not maintain proper records.**
 - (iii) The NGCDF Board was in the process of developing a procurement manual to guide Project Management Committees.**

Committee Recommendations

126. **The Committee recommends that the Accounting Officer:**
- i) Should within three months upon the adoption of this report finalize on the development of a project implementation manual providing guidelines on procurement, and a checklist for the requirements on procurement, to guide and improve the procurement processes at the PMC level.**
 - ii) Should conduct continuous capacity building on financial reporting standards to the PMC to improve the quality of reporting and enhance compliance.**

9. Unsupported Expenditure Emergency Projects

127. Included also under Note 7 to the financial statements under other grants and other payments, is expenditure of Kshs.7,198,241 in respect of emergency projects. The expenditure was incurred on construction of eleven (11) toilets in the Constituency during the year under review.

Records examined revealed that the NG-CDF Lari Constituency floated quotations to suppliers to supply building materials and delivery of these materials to various building sites for emergency projects. However, project specifications including engineer's estimates, bills of quantities and labour cost were not provided for audit review. Consequently, the occurrence and value for money on the emergency expenditure of Kshs.7,198,241 during the year ended 30 June 2020 could not be confirmed.

Management Response

128. The constituency used labour-based contracts for implementation of the projects. The schools could purchase materials from the local hardware and pay the workers on a daily basis, hence didn't undertake the various procurement methods.

Committee Observations

129. **The Committee observed that:**

- (i) The constituency used labour-based contracts for implementation of the projects.**
- (ii) The completion certificates for the eight toilets were not availed to the Office of the Auditor General for audit review.**
- (iii) The audit query was not addressed.**

Committee Recommendation

130. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the completion certificates to the National Assembly.**

3.1.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021

1. Inaccuracies in Presentation and Disclosure in the Financial Statements

131. Review of the report and financial statements for the year ended 30 June 2021 revealed the following inaccuracies: -
- i. Note 5 to the financial statements reflects comparative figure of Kshs,20,000 in respect of the use of goods and services instead of Kshs.5,000 in the prior year audited financial statements.
 - ii. Note 7 to the financial statements reflects Nil comparative figure instead of Kshs.7,198,241 in the prior year audited financial statements.
 - iii. The summary of the fixed assets register was not included as an annexure in the financial statements.
132. As a result, the financial statements as presented are inconsistent with the template by the Public Sector Accounting Standards Board on partial implementation of the standards.

Management Response

133. The inaccuracies in the comparative balances were errors in typing of the balances. This has been corrected to reflect the correct statement. The summary statement of fixed asset register was not included but the asset register was attached in that section. The summary statement of the fixed asset register had been prepared and availed for review.

Committee Observation

134. **The Committee observed that the corrections to the financial statements were done in the subsequent financial year. The query was adequately addressed.**

2. Inaccuracies in Cash and Cash Equivalents

135. The statement of assets and liabilities reflects a bank balance of Kshs.67, 913,616 as disclosed in Note 10A to the Financial Statements. This was at variance with the bank reconciliation statement for the month of June 2021 which reflected a bank balance of Kshs.62,478,286 resulting in an unexplained and unreconciled variance of Kshs.5, 435,330. Further, review of the bank reconciliation statements for the year ended 30 June 2021 revealed stale cheques amounting to Kshs.855,566 which relate to unbanked bursary cheques and statutory deductions that accruing interests and penalties on the entity. In addition, the review of bank reconciliations provided for audit revealed that the Accounting Officer ensured bank reconciliations basis were prepared on a monthly. However, the copies of the bank reconciliations prepared were not submitted to the Auditor-General in compliance with the requirements of Regulation 90 of the Public Finance Management (National Government) Regulations,2015. As a result, the accuracy and completeness of cash and cash equivalents balance Kshs.67,913,616 could not be confirmed.

Management Response

136. Kshs.62,478,286 was the correct cashbook closing balance as at 30th June 2021 as per the cashbook and bank reconciliation statement, the financial statements were amended to reflect the correct balance. The stale cheques amounting to Kshs.855,566 had not been reversed as the subcounty treasury had not received the authorization by the NGCDFC on the new beneficiaries, however the cheques were reversed and replaced. The cashbook extract had been availed for review.

Committee Observation

137. **The Committee observed that supporting documents for the expenditure were availed for audit review and the query was satisfactorily addressed.**

3. Unsupported Procurement of Desktop Computers and Computer Accessories

138. The statement of receipts and payments reflects an amount of Kshs.2,320,000 in respect of other payments incurred in the procurement of forty (40) desktop computers and the accessories for the ICT Hubs. However, Management did not provide the prequalified list of suppliers, tender opening, and evaluation minutes for audit. It was, therefore, not possible to confirm whether procurement procedures were followed. As result, the accuracy, completeness, and validity of Kshs.2,320,000 in respect of other payments incurred in the procurement of forty (40) desktop computers and the accessories for the ICT Hubs could not be confirmed.

Management Response

139. The procurement for supply of desktop computers was done through the request for quotations and the bidders identified from the pre-qualified list of suppliers and the evaluation and award undertaken as per the requirements of the law. The payment voucher and the support documents have been availed for review.

Committee Observation

140. **The Committee observed that the management subsequently submitted the payment vouchers and the support documents which were verified by the Office of the Auditor General and the query was adequately addressed.**

4. Irregular Payment of Gratuity to Contractual Staff

141. The statement of receipts and payments reflects Kshs.2,805,117 in respect of compensation of employees. Included in this amount and as disclosed in Note 4 to the financial statements is Kshs.1,222,197 as gratuity to contracted staff. However, Staff contracts for the period were not provided for audit verification. As a result, the accuracy and validity of the payment of Kshs.1,22,197 as gratuity to contracted staff could not be confirmed.

Management Response

142. The staff were engaged through a contract terms as specified in their contracts, and they were to be paid gratuity at the end of their contract periods. Gratuity was calculated at a rate of 31% as specified in the staff contracts. Some of the staff contracts were taken by the EACC and the other contracts had been availed to the auditors for review.

Committee Observation

143. **The Committee observed that some of the staff contracts were taken by the EACC, and the other contracts had been availed to the Office of the Auditor General for review. The query remains unresolved.**

Committee Recommendation

144. **The Committee recommends that, in order to expedite the resolution of the outstanding audit query, the Accounting Officer to follow up on the status of the investigations and submit a comprehensive status report to the National Assembly within three months upon adoption of this Report.**

Basis for Conclusion

5. Under-allocation of Bursary Funds

145. The statement of receipts and payments reflects other grants and transfers amounting to Kshs.42,915,208 as disclosed in Note 7 to the financial statements. Included in this amount are bursary disbursements to secondary and tertiary institutions of Kshs.18,956,500 and Kshs.18,464,000, respectively. However, review of the total receipts from NGCDF Board revealed transfers of Kshs.161,367,724 against an allocation of Kshs.37,420,500 towards bursaries which was 23.19% of the total receipts. This was contrary to Regulation 21(5) of the NGCDF Regulations, 2016 a Constituency Committee shall allocate not less than twenty five percent of the funds allocated to a constituency for bursaries. As result, Management was in breach of the law.

Management Response

146. During the year the constituency actual allocation was Kshs.137,088,879 and Kshs.38,775,118 represents 28% of the total allocation for the year. Kshs.161,367,724 included transfers from the prior year. The payments for the year are what was less than the 25%, however the balance was paid in the subsequent financial year. The code list to show the allocation of bursary for the year has been availed for review.

Committee Observation

147. **The Committee observed that management availed the code list showing the allocation of bursary for the year to the Office of the Auditor General for audit review and the query was adequately addressed.**

6. Irregular Recruitment of Staff

148. The fund placed advertisement for recruitment during the year under review. The advertisement on the recruitment file was unstamped and gave the applicants only 5 days to submit their applications. The advertisement of the file indicated the vacant position and the responsibilities, but it did not show qualifications requirements. The advertisement was not officially made either on the Funds websites, noticeboard or in any other open place. Further, discussion with the Management revealed that the advertisement was for internal staff only. However, the applications were received from both internal and external applicants and among the staff appointed, one was from an external source. This is contrary to Section B 4(1) of the Public Service Commission Human Resource Policies 2016 which stipulates that Ministries/State Departments will advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert. Review of the interview process revealed lack of individual ranking or rating scale and individual score sheets by the panelists. In addition, review of the payroll records indicated that in September 2020, there was a new staff Captured in the payroll who was missing in the December's Payroll. Management did not provide explanations on how the staff was recruited and how the staff exited a month later. The personal file for the staff was not provided for verification. In the circumstances, the legality and validity of the recruitment is in doubt.

Management Response

149. The constituency undertook recruitment of staff during the year and placed the advertisement internally for the recruitment of staff. The applicants received from the external applicant was for casual position who was hired for three months.

Committee Observation

150. **The Committee observed that the management had provided sufficient evidence to support the expenditure, and the query was thereby addressed.**

7. Lack of Updated Fixed Assets Register

151. The Fund did not maintain an updated fixed asset register. Physical verification showed that some assets which were bought back in 2007 were fully depreciated. Also, the verification revealed that a number of fixed assets including printers, desktops, UPS and Furniture were in poor condition. Further, some assets were not disclosed in the fixed assets register. This was contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse; movement and conditions of assets can be tracked; and stock levels are at an optimum and economical level. In the circumstances, Management was in breach of law.

Management Response

152. The constituency reports on cash basis and therefore does not do a depreciation of assets but all assets are expensed at the point of purchase. The asset register has been updated to reflect all assets and the status of each asset. The updated fixed asset register had been availed for review.

Committee Observation

153. **The Committee observed that the management availed the updated fixed asset register for audit review and the query was adequately addressed.**

3.1.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022

1. Unsupported Transfers to Other Government Units

154. The statement of receipts and payments reflects payments amounting to Kshs.112, 710,240 in respect of transfers to other Government units. However, the Note 6 to the financial statements indicates an amount of Kshs.79,260,240 resulting to an unexplained variance of Kshs.33,450,000. Further, ledgers to support transfers to secondary schools amounting to Kshs.3,600,000 were not provided for audit. In the circumstances, the accuracy and completeness of transfers to Other Government units amount of Kshs.112,710,240 could not be confirmed.

Management Response

155. The Kshs.33,450,000 for other grants and transfers for training on short courses to the constituents which was classified as transfers to other government entities instead of other grants and transfers. The financial statements were amended to reflect the correct balances. Kshs.3,600,000 was used in the construction of Assistant County Commissioners Office at Kinale. The completion certificate and photo had been availed for review.

Committee Observation

156. **The Committee observed that the management availed the completion certificate and photo to the Office of the Auditor General for audit review and the query was adequately addressed.**

2. Inaccuracies in Other Grants

157. The statement of receipts and payments reflect payments totalling to Kshs.80,000,597 in respect of other grants and transfers. However, the Note 7 to the financial statements indicates an amount of Kshs.113,450,597 resulting to an unexplained variance of Kshs.33,450,000. Further, included in these payments is Kshs.3,700,000 in respect of payments on emergency projects whose supporting schedules/ledgers were not provided for audit. In the circumstances, the accuracy and completeness of other grants amount of Kshs.80,000,597 could not be confirmed.

Management Response

158. The Kshs.33,450,000 for other grants and transfers for training on short courses to the constituents which was classified as transfers to other government entities instead of other grants and transfers. The financial statements were amended to reflect the correct balances. Kshs.3,700,000 was spent to construct various emergency projects within the constituency.

Committee Observation

159. **The Committee observed that the management availed the corrected financial statements for audit review, and the query was adequately addressed.**

3. Inaccuracies in Cash and Cash Equivalents

160. The statement of assets and liabilities and Note 10 to the financial statements reflects a balance of Kshs.8,104,114 in respect of cash and cash equivalents. However, the corresponding cash book bank balance was Kshs.7,950,141, resulting in an unexplained variance of Kshs.153,973. Further, the certificate of bank balance provided reflected a balance of Kshs.11,516,846, resulting in a variance of Kshs.3,412,732. In addition, bank reconciliation statements, bank statements and board of survey reports were not provided for audit. In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.8,104,114 could not be confirmed.

Management Response

161. Kshs.8,104,114 was the cashbook closing balance for the year under review. The bank reconciliation, the financial statements and the cashbook extract, and the Board of survey reports were availed for review.

Committee Observation

162. **The Committee observed that the management availed the bank reconciliation, the financial statements and the cash book extract, the board of survey reports to the Office of the Auditor General for audit review and the query was addressed.**

Basis of Conclusion

4. Irregular Implementation of Emergency Projects

163. The statement of receipts and payments and Note 7 to the financial statements reflects payments amounting to Kshs.80, 000,597 in respect of other grants and other transfers which included an amount of Kshs.3,700,000 in respect of emergency projects. However, no documentary evidence was provided to confirm that Management had reported any of the emergency expenditure to the Board using the prescribed format and within the stipulated period of 30 days. This was contrary to Regulation 20 of the National Government Constituencies Development Fund Regulations, 2016 which provides that a Constituency Committee shall ensure that the emergency reserve is utilized in accordance with the provisions of sections 24, 25 and 48 of the Act and that the utilization of the emergency reserve shall be reported to the Board within thirty days of the occurrence of the emergency, in the format prescribed by the Board.
164. Further, minutes on the implementations and justification that the projects were urgent, unforeseen and that the expenditure could not be delayed were not provided as per the requirements of Section 8(3) of the National Government Constituencies Development Fund Act, 2015. In the circumstances, Management was in breach of the law.

Management Response

165. Kshs. 3,700,000 was spent to construct various emergency projects within the constituency. The list of the emergency projects has been availed for review. The constituency reported on the emergency projects that were undertaken during the year as required by the law.

Committee Observation

166. **The Committee observed that the management had not provided the list of projects and the completion certificates to the Office of the Auditor General for audit review. The query was not addressed.**

Committee Recommendation

167. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the list of projects and the completion certificates to the National Assembly.**

5. Late Remittance of Statutory Deductions

168. The statement of receipts and payments and Note 4 to the financial statements reflect payments amounting to Kshs.1,521,360 in respect of compensation of employees. Included in these payments are statutory deductions of the National Social Security Fund (NSSF), Pay as You Earn (PAYE) and National Hospital Insurance Fund (NHIF). However, remittances in respect of these statutory deductions were made late, resulting to penalties amounting to Kshs.45,359 in respect of NSSF. The late remittance of funds to statutory bodies was not explained.

Management Response

169. The late remittance of statutory deductions is due to the late release of funds as the salaries for staff are processed and paid upon receipt of funds. During the processing of the salary is the time of payment of the statutory deductions. The constituency engaged with NSSF and paid the pending principal amounts as they consulted on the penalties.

Committee Observation

170. **The Committee observed that management failed to remit statutory deductions due to late disbursement of funds. The query was not addressed.**

Committee Recommendation

171. **The Committee recommends that the Accounting Officer should at all times provide proper guidance to the management on payment of salaries and statutory deductions remittance.**

6. Unsupported Budget Balances for Implementation Status

172. The summary statement of appropriation under the adjustment's column reflects Kshs. 45,088,879 which relates to undisbursed funds received from the Board. However, the amount was not disclosed as amounts pending approval were neither the supporting schedules provided for audit. Therefore, it was not possible to confirm the total number of projects and corresponding amounts approved in the final budget figure. In addition, the accuracy of previous years outstanding disbursements could not be ascertained.

Management Response

173. Kshs. 45,088,879 were balances that had not been received by the end of 2020/2021 but the projects were approved. The projects could not be undertaken until the receipt of funds from the exchequer.

Committee Observation

174. **The Committee observed that the delay in project implementation was due to a delay in disbursement of funds from the exchequer. However, the projects were implemented in the subsequent financial year, and the query was adequately addressed.**

7. Incomplete Assets Register

175. Review of the fixed asset register revealed that the register maintained listed buildings, desktop and laptop computers, printers, tables, seats, filing cabinets, televisions and generators only. The details of the land which was donated to the Fund by the County Commissioner were not included in the fixed asset register for tracking and control purposes.

Management Response

176. Lari NGCDF office is built within the Lari Subcounty land which was allocated to it by the deputy county commissioner. The Deputy County Commissioner has written to the constituency confirming the office was built on the public land and will issue a letter of allotment to office.

Committee Observation

177. **The Committee observed that the management provided documentation confirming that the office was constructed on public land, and the query was adequately addressed.**

3.2 LURAMBI CONSTITUENCY

178. The Fund Account Manager for **Lurambi Constituency** appeared before the Committee on Thursday, 13th June 2024, tabled the NG-CDF management responses and supporting documents on the audited accounts, and submitted as follows:

3.2.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/ 2017

1. Other Grants and Transfers

179. Included in the other grants and transfers figure of Kshs. 60,919,585 are water projects costing Kshs. 5,934,889, which includes Kshs. 2,414,889 in respect of Munzeywe Water Project that was paid to a local contractor for borehole drilling at Kshs. 1,614,689 and supply and installation of 10,000 litre water tank on a 6-metre steel tower at Kshs.800,200. The project was completed as per the completion certificate dated 8 November 2016. However, on physical verification, it was noted that the project was incomplete since the water pump was not installed due to inadequate allocation. In addition, the project is situated on a private land since the processing of the title deed had not been done.
180. Further, the management intention to hand over the project to the County Government has not yet been approved. Subsequently, the citizens of Lurambi did not receive value for money since the project is not operational as it is not complete.

Management Response

181. The Lurambi NGCDF funded Munzeywe Community Water Project Kshs.2,414,889 for drilling boreholes and laying overhead water tanks. The contracted work was done to completion and paid for. The project was not fully completed by Lurambi NGCDF. However, it was later handed over to the Kakamega County Water Service Company.
182. The project is on a piece of land that was donated by Hon. Atanas Manyala Keya to the Munzeywe Community Water Project. We have instructed the Project Management Committee of the project to process title deed for the land.

Committee Observations

183. **The Committee observed that:**
- (i) The land for the project was generously donated to the community by the former Member of Parliament, Hon. Manyala.**
 - (ii) The title deed for the land had not been acquired to date by the management.**
 - (iii) The audit query remains unresolved.**

Committee Recommendations

184. **The Committee recommends that:**
- i) Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap. 412B, the Fund Account Managers should submit to the Accounting Officer, a progress status report on the transfer, documentation relating to the transfer and all pending land matters in the constituency concerning delayed title deeds processing, succession, transfer and ownership.**
 - ii) The Accounting Officer should upon receipt of the progress reports relating to land ownership, follow up with the relevant Ministry and State Departments, and ensure**

that the constituency acquires ownership documents for land on which NG-CDF projects have been undertaken.

2. Budget Performance Analysis

2.1 Original Budget not fully Approved by the Board

185. The proposed budget was prepared much later in November 2016 where Kshs. 81,896,552 was proposed as the total expenditure for the financial year 2016/2017. The proposal was approved by the Board up to Kshs. 66,769,464 and the balance of Kshs.15,127,088 is not yet approved leading to delay in the implementation of projects.

Management Response

186. It is not true that the NGCDF Board approved a budget of Kshs. 66,769,464.13 against the approved allocation of Kshs.81,896,551.72 for 2016/2017 FY. The budget approvals for 2016/2017 proposals were as follows.

- i. Kshs. 55,069,464.13
- ii. Kshs. 8,500,000.00
- iii. Kshs. 3,200,000
- iv. Kshs. 4,094,827.59

187. Furthermore, the following projects were resubmitted to the NGCDF Board for approval of Kshs. 11,032,260.

- i. Lurambi NGCDF Storey Office Kshs.7,132,260
- ii. Emusala AP line Kshs.500,000
- iii. Ebung'aya Primary School Kshs.2,086,745
- iv. Maraba Primary School Kshs.1,313,255

The above projects were later approved and implemented, and they are in use.

Committee Observation

188. The Committee observed that all the projects were approved and implemented. The query was adequately addressed.

2.2 Statement of Appropriation: Recurrent and Development

189. Comparison of the budget against actual expenditure for the year 2016/2017 revealed that the transfer from CDF Board was under disbursed by Kshs, 30,948,275 (21.67%), transfer to other government units was less by Kshs. 15,298,774 (30.91%) and other grants and transfers by Kshs. 11,073,349 (15.38%) as indicated in the table below.

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization	% of Utilization
Receipts						
Transfers from CDF Board	81,896,552	60,928,114	142,824,666	11,876,391	30,948,275	21.67
Payments						
Compensation of Employees	2,687,633	1,111,680	3,799,313	3,772,959	26,354	7

Use of goods and services	4,683,633	4,036,843	8,719,900	8,642,198	77,702	8.9
Transfers to Other Government Units	18,098,774	31,400,000	49,498,774	34,200,000	15,298,774	30.91
Other grants and transfers	49,294,828	22,698,104	71,992,932	60,919,585	11,073,347	15
Acquisition of Assets	7,132,260	1,681,487	8,813,747	0	8,813,747	0
Totals	81,897,128	60,928,114	142,824,666	107,534,742	35,289,924	

190. The under-expenditure was attributed to a shortfall of revenue as the Board only disbursed Kshs.51,448,277 out of Kshs.81,896,552.

Management Response

191. The original budget for 2016/2017 financial year was Kshs.81,896,552. During the year Lurambi NGCDF received Kshs.51,448,276.60 and the expenditure for the same 2016/2017 financial year totaled to Kshs.107,534,742. The difference was as a result of balance brought forward of Kshs.60,428,115 from 2015/2016 financial year which was unspent as at 30th June 2016.

192. The underfunding was due to delayed disbursement from the Board, although the shortfall was later disbursed in 2017/2018 financial year.

Committee Observation

193. **The Committee observed that there was late disbursement of funds from the exchequer. However, the funds were disbursed in the subsequent year, and the query was adequately addressed.**

3. Project Implementation Status Report – Ongoing Projects

194. Analysis of the Project Implementation Status report from the financial year 2013/14 to the year under review revealed that the Fund initiated several projects which have not been completed as detailed below:

195. From the above, projects estimated Kshs.832,965,956 were initiated from the financial year 2013/14 to 2016/17. Out of this amount, Lurambi CDFC had allocated Kshs.110,849,946 and disbursed Kshs. 97,765,541. Further, thirty (15) projects costing Kshs 24,400,000 verified on April 2018 status was as indicated below:

FY	Estimated Cost Kshs.	Approved allocation Kshs.	Total Disbursements Kshs.
2013/14	159,606,365	12,950,000	2,400,000
2014/15	176,958,564	22,118,912	33,615,541
2015/16	250,795,290	37,050,000	34,200,000
2016/17	245,605,737	38,731,034	27,550,000
Total	832,965,956	110,849,946	97,765,541

Projects Verified					
No.	Project Name	Project Description	Amount Kshs.	Status	Current Status
1.	Lwesero Health Centre	Construction of Twin staff houses	2,800,000	Completed but not occupied	Occupied
2.	Ekapwonje Primary School	Construction of two classrooms	1,000,000	Ongoing	Complete and in use
3.	Isumba Dispensary	Drilling of water & completion of dispensary	1,000,000	Dispensary completed & in use water drilled but pump not installed hence not in use	Complete and in use
4.	Eshikhuyu Dispensary	Construction of Twin staff houses	1,600,000	Completed but not occupied	Occupied
5.	Emukangu Primary School	Construction of two new classrooms and land purchase	2,200,000	Classrooms ongoing one acre purchase at Kshs. 800,000.00	0.366 HA purchased and issued title deed, the classrooms are complete and in use
6.	Chief Mutsembi Primary School	Land purchase	2,000,000	¼ acre of land purchase	0.11 HA purchased and issued with title deed
7.	Kakamega Primary School	Desks Roofing of storey building Terrazzo flooring (1 st floor)	3,600,000	Ongoing	Completed and in use
8.	Shitaho Primary School	Construction of three classrooms	1,000,000	Ongoing	Completed & in use
9.	Rosterman Secondary School	Construction of twin science lab	1,500,000	Ongoing finished slab	Completed& in use
10.	Eshisiru Secondary School	Top-up to PTA funds to purchase of land	1,500,000	1.4 HA of land purchase at the cost of Kshs. 2.5M	0.62HA purchased and issued with title deed
11.	St.Lawrence Ichina Primary School	Construction of storey building (classrooms and offices)	2,000,000	Ongoing (on Rental level)	Completed& in use
12.	Lyanungu Primary School	Construction of two classrooms	1,200,000	Ongoing	Completed& in use
13.	Ebwambwa Secondary School	Land purchase	1,000,000	¾ acre purchased	Land succession in progress

	24,400,000		
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Management Response

196. During the time of audit there were some ongoing projects due to late disbursement of funds from NGCDF Board. After receipt of funds from the NGCDFB the projects were fully implemented.
197. Kshs.13,084,405.00 which was the difference between Kshs.110,849,946 and Kshs.97,765,541 was part of the ongoing projects of Kshs. 24,400,000 as listed below.

Committee Observation

198. **The Committee observed that the completion certificates, photos, certificate of occupation and project implementation status were submitted to the Office of the Auditor General for audit review. The query was adequately addressed.**

3.2.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018

1. Cash and Cash Equivalents

199. The cash and cash equivalents balance reflect Kshs.8,704,334 as at 30 June 2018. However, a verification of the bank reconciliation statement for the month of June 2018 revealed unrepresented cheques totaling Kshs.876,278 were dated March 2016 and October 2017 and were therefore stale and should have been reversed to the cashbook. The bank reconciliation further reflects bank charges totaling Kshs.93,045 relating to the period March 2017 to June 2018 and which ought to have been recorded in cashbook. Further it was noted that the cash and cash equivalents at end of year of Kshs.7,522,847 reflected in the statement of cash flows excludes the retention monies totaling Kshs.1,181,487 owed to local construction company and was forming part of closing cash and cash equivalents. Consequently, it has not been possible to confirm that the cash and cash equivalents balance of Kshs.8,704,334 as at 30 June 2018 is fairly stated.

Management Response

200. There were unrepresented cheques amounting to Kshs.876,278 and unbooked bank charges of Kshs.93,045. The unrepresented cheques were later cancelled and reversed in the cash book while the unrecorded bank charges were booked in the subsequent financial year. The financial statement was finally reviewed, and retention was clearly disclosed.

Committee Observation

201. **The Committee observed that the unrepresented cheques were reversed. The query was adequately addressed.**

2. Summary Statement of Appropriation: Recurrent and Development Combined

202. The summary statement of appropriation recurrent and development combined reflect final budget of Kshs.133,479,579 arrived as follows:

Item	Amount
Original budget	86,810,345
Budget adjustment 2017/2018	11,379,310

Undisbursed amount for 2016/2017	30,948,275
Cash balance brought forward from 2016/2017	4,341,649
Cash balance brought forward from 2015/2016	500,000
Total	133,979,577

Management Response

203. Kshs.500,000 was allocated for OAG audit fees, which was erroneously omitted in the final budget. The resultant difference of Kshs.500,002 has not been explained or reconciled. Consequently, the accuracy of the summary statement of appropriation, recurrent and development combined for the year ended 30 June 2018 could not be confirmed. We resubmitted the amount to fund no. classroom at Eshibembe Primary School and financial statements were amended to incorporate the amount in the final budget.

Committee Observation

204. **The Committee observed that the financial statements were amended to incorporate the amount in the final budget. The query was adequately addressed.**

3. Accounts Payable

205. Note 15.3 to the financial statements discloses unutilized funds payable to projects totalling Kshs.82,521,075 which is equivalent to budget under-utilization as reflected in the summary statement of appropriation: recurrent and development combined for the year ended 30 June 2018. However, the payables do not include the cash balance of Kshs.8,704,334 as at 30 June 2018 as reflected in the statement of assets and liabilities. In addition, the financial statements do not disclose the amount of Kshs.82,521,075 as receivable from the NGCDF Board as at 30 June 2018. Consequently, the accuracy of the financial statements for the year ended 30 June 2018 could not be confirmed.

Management Response

206. We noted the Auditor's observation where Kshs.82,521,075 was unutilized out of which Kshs.73,816,741 was undisbursed from the NGCDF Board. While Kshs.8,704,334 was still held at the NGCDFC bank account at KCB Kakamega Branch.

Committee Observation

207. **The Committee observed that the unutilized funds payable to projects totaling Kshs.8,704,334 were still Kshs.8,704,334 were still held at the NGCDFC bank account at the KCB Kakamega Branch. The query was adequately addressed.**

4. Budgetary Control and Performance

4.1 Budget Performance

208. The Fund had an approved budget of Kshs.133,479,577 for the financial year 2017/2018. During the same period, the fund recorded expenditure of Kshs. 50,958,502 or 38% of the budget resulting in an under expenditure of Kshs.82,521,075, or 62% of the budget as detailed below:

Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Under Absorption (Kshs)	Under Absorption %
Compensation of Employees	2,652,060	2,561,543	90,517	3%
Use of goods and services	6,489,065	6,421,371	67,694	1%
Transfers to Other Government Units	60,884,336	13,750,000	47,134,336	77%
Other grants and transfers	39,463,345	28,225,588	11,237,757	28%
Acquisition of Assets	16,813,744	0	16,813,744	100%
Other Payments	7,177,027	0	7,177,027	100%
Totals	133,479,577	50,958,502	82,521,075	62%

209. Failure to utilize funds is an indication that services and approved programs were not delivered, and intended objectives of improving delivery of goods and services to the residents of Lurambi Constituency were not met

Management Response

210. The underfunding was due to delayed disbursement from the Board, although the shortfall was later disbursed in 2017/2018 financial year . The funds were not utilized within the financial year 2017/2018 due to delay in disbursement of funds from the NGCDF Board.

Committee Observation

211. **The Committee observed that this was a recurring matter and the query was adequately addressed.**

5. Project Implementation Status

212. According to the project implementation status report availed for audit review, the Fund had planned to implement three hundred and fifty-six (356) projects between 2013/2014 and 2017/2018. As at 30 June 2018, one hundred and thirty-five (135) funded for Kshs.131,452,144 were complete, one hundred forty-eight (148) projects funded for Kshs.244,751,708 were ongoing, fourteen (14) projects out of which six (6) projects had been funded for Kshs.2,000,000 had not started. In addition, fifty-nine (59) projects out of which twenty-five (25) projects had been funded for Kshs 4,048,774 did not indicate their current status. The implementation status is as detailed below:

Financial Year	Implementation Status	No. of Projects	Amount Disbursed (Kshs)
2013/14	Complete	26	26,233,945
2014/15	Complete	51	46,348,544
2015/16	Complete	40	42,348,655
2016/17	Complete	16	14,071,000
2017/18	Complete	2	2,450,000
		135	131,452,144
2013/14	Ongoing	29	44,334,141

2014/15	Ongoing	37	54,284,643
2015/16	Ongoing	45	62,585,723
2016/17	Ongoing	19	47,720,689.65
2017/18	Ongoing	18	35,826,511.03
		148	244,751,707.68
2013/14	Not Started	1	1,000,000
2014/15	Not Started	5	0
2015/16	Not Started	5	1,000,000
2016/17	Not Started	1	0
2017/18	Not Started	2	0
		14	2,000,000
2013/14	No Status	1	500,000
2015/16	No Status	2	2,000,000
2016/17	No Status	22	1,548,774
2017/18	No Status	34	0
		59	4,048,774
		356	382,252,626

213. It was noted that all the fourteen (14) projects that had not started related to the period 2014/2015, 2015/2016 and 2016/2017. Consequently, the residents of Lurambi Constituency may not have obtained value for money due to these incomplete projects.

Management Response

214. The projects for 2014/2015, 2015/2016 and 2016/2017 as approved in the codelist, were all funded. The projects are complete except the four projects namely, Lurambi NGCDF Office, Munzeywe Water Project, Kakamega Muslim Secondary School and Matende Girls Secondary School disbursement from the Board, although the shortfall was later disbursed in 2017/2018 financial year.

Committee Observations

215. **The Committee sought clarification on the total funds expended to date, the projected timelines for the completion of the said projects, and the initial budgetary allocations for the projects**
216. **The query is partially addressed with the Committee resolving to delegate the completion of the project to the NG-CDFC.**

Committee Recommendation

217. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the completion certificates, clarification on the total funds expended to date, the projected timelines for the completion of the said projects, and the initial budgetary allocations for the projects to the National Assembly.**

6. Transfers to Other Government Units

6.1 Project Records

218. The Statement of receipts and payments reflects transfers to other government units amount of Kshs.13,750,000 for the year ended 30 June 2018. Audit review of the expenditure on transfers to other government units amounting to Kshs. 3,500,000 revealed that project management Committees (PMCs) which received funding from the Fund did not keep proper books of account and documents as required by the National Government Constituencies Development Fund Act, 2015 and the Public Finance Management (National Government) Regulations, 2015 as tabulated below. In the absence of proper records and up to date project implementation status reports, it was not possible to confirm the authenticity of Kshs.3,500,000 disbursed to the PMCs.

Project	PV No.	Amount (Kshs)	Remarks
Daisy Special School	71	300,000	Construction of six door pit latrines
Shiyunzu Primary School	56	300,000	Construction of 10 door pit latrines
Ebwambwa Primary School	72	300,000	Construction of 10 door pit latrines
Eshibeye Primary School	56	300,000	6 door pit latrines Labour based contract
Eshikhuyu Primary School	33	300,000	Renovation of classroom Labour based contract
Musaa Primary School	75	700,000	Contract price is Kshs. 3,050,128 Lowest bidder was Finn works ltd at 2,543,363 but contract awarded to Mastashal Ltd at Kshs. 3,050,128 It's not clear why the lowest bidder was not awarded the contract.
Indangalasia Primary School	52	700,000	Building is at roofing level Contract awarded to Mashtashal Ltd
Shitungu AP Camp	47	600,000	Total project cost Kshs. 1,500,000 The floor has cracks as a result of poor workmanship The building is partially complete.
Total		3,500,000	

Management Response

219. The books of accounts have been availed for verification. Furthermore, the projects were done to completion.

Committee Observation

220. **The Committee observed that the query is partially addressed as the procurement documents, completion certificates, payment vouchers were not provided for audit review.**

Committee Recommendation

221. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the procurement documents, completion certificates and payment vouchers to the National Assembly.**

6.2 Construction of St. Lawrence Ichina Primary School

222. Included in transfers to other government units' figure of Kshs.13,750,000 is Kshs. 1,000,000 disbursed to St. Lawrence Ichina Primary School towards the contract for laying of pillars, casting of slabs on first floor of administration block and construction of 2 classrooms. This brought the total cumulative disbursements to the project to Kshs.7,500,000. The contract for implementation of the project was awarded to a construction firm on 19 August 2014 at a contract sum of Kshs.8,561,652. As at the time of this audit in March 2019, a total of which Kshs.4,000,000 had been paid to the contractor resulting to a balance of Kshs.3,500,000 remaining in the project bank account. However, the contractor was not on site, and the building had stalled at ground floor. In addition, there were no completion certificates of work done to support the payment of Kshs. 4,000,000 already paid. Consequently, the residents of Lurambi Constituency may not have obtained value for Kshs.7,500,000 so far disbursed to the project.

Management Response

223. The project is fully implemented and complete. Currently it is occupied.

Committee Observation

224. **The Committee observed that the project is implemented, completed and occupied. This was corroborated by the Office of the Auditor General thereby addressing the query.**

3.2.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019

1. Inaccuracies in the Statement of Cash Flows

225. The statement of cash flows reflects cash and cash equivalents at the beginning of the year of Kshs.7,522,847 while cash and cash equivalents balance as at 30 June 2018 amounted to Kshs.8,704,334 resulting to an unexplained and unreconciled variance of Kshs.1,181,487.

Management Response

226. The financial statement was amended and presented to the Office of the Auditor General for verification.

Committee Observation

227. **The Committee observed that the amended financial statements were presented to the Office of the Auditor General for verification and the query was adequately addressed.**

2. Unreconciled Unutilized Funds Balance

228. Note 10.3 reflects a comparative figure on unutilized funds of Kshs.82,521,075, while the recalculated amount was Kshs.86,241,075 resulting to unreconciled difference of Kshs.3,720,000. Further, the comparative figure of Kshs.82,521,075 differs by Kshs. 500,000 with the supporting Annex 3, which has a total of Kshs 82,021,075. The resultant variance has not been explained.

Management Response

229. The financial statement was amended and presented to the Office of the Auditor General for verification.

Committee Observation

230. **The Committee observed that the amended financial statements were availed for verification to the Office of the Auditor General. The query was addressed.**

3. Unreconciled Project Management

3.1 Committee Account Balances

231. Note 10.4 to the financial statements reflect an outstanding PMC accounts balance of Kshs.10,265,915 from fifty-seven (57) PMC accounts as per Annex 5 to the financial statements. However, the cash books, bank reconciliation statements and certificates of bank balances were not availed for audit review. In the circumstances, the accuracy and completeness of the PMC account balances could not be ascertained.

Management Response

232. The expenditure returns of the Project Management Committees for the mentioned projects have been availed for verification.

Committee Observation

233. **The Committee observed that although the expenditure returns of the Project Management Committees were submitted for audit review, the cashbook extracts and bank statements were not provided. Consequently, the query was partially addressed.**

Committee Recommendations

234. **The Committee recommends that the Accounting Officer should:**

- i) Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B, submit the cashbook extract and bank statements to the National Assembly.**
- ii) Conduct continuous capacity building on financial reporting standards for Constituency Committees and the PMC to improve the quality of reporting and enhance compliance.**

4. Unconfirmed Cash and Cash Equivalents

235. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.3,738,260 in respect of cash held at bank as at 30 June 2019. However, the bank reconciliation statements were not availed for audit review contrary to Regulation 90(1) of the

Public Finance Management (National Government) Regulations, 2015. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,738,260 as at 30 June 2019 could not be confirmed.

Management Response

236. Bank reconciliation as at 30 June 2019 was availed for verification.

Committee Observation

237. **The Committee observed that the bank reconciliation was availed for audit verification. The query was adequately addressed.**

5. Unsupported Use of Goods and Services

238. Included in use of goods and services figure of Kshs.8,509,372 is committee expenses of Kshs.4,373,300 as disclosed in Note 3 to the financial statements. The committee expenses figure of Kshs.4,373,300 includes payments amounting to Kshs.2,145,400 whose payment vouchers and other supporting documents were not provided for audit review. Consequently, the accuracy and propriety of the committee expenses amount of Kshs.2,145,400 for the year ended 30 June 2019 could not be confirmed.

Management Response

239. Kshs.2,145,400 PVs and support documents were availed for verification.

Committee Observations

240. **The Committee observed that:**

- (i) **The management submitted receipts and minutes approving the payments.**
- (ii) **The Office of the Auditor General requested for a comprehensive and clear summary of the payments.**
- (iii) **The query is partially addressed.**

Committee Recommendation

241. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit a comprehensive and clear summary of the payments to the National Assembly.**

Other Matter

6. Budgetary Control and Performance

242. The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.191,561,950 and Kshs.109,488,817 respectively, resulting to an under-funding of Kshs.82,073,133 or 43% of the budget. Similarly, the Fund spent Kshs.105,750,557 against an approved budget of Kshs.191,561,950 resulting to an under-expenditure of Kshs.85,811,393 or 45% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Lurambi Constituency.

Management Response

243. The underfunding was due to delayed disbursement from the Board, although the shortfall was later disbursed in 2018/2019 financial year.

Committee Observation

244. **The Committee observed that this was a recurring matter. The query was adequately addressed.**

Basis for Conclusion

7. Slow Works at Mahiakalo Primary School

245. The statement of receipts and payments reflects an expenditure of Kshs.68,067,611 in respect to transfers to other government units. The expenditure includes transfers to primary schools' amount of Kshs.61,007,611 as disclosed in Note 4 to the financial statements which in turn includes an amount of Kshs.6,000,000 that was disbursed to Mahiakalo Primary School for construction of a new eight (8) class room storey building. Information available indicate that, the contract for the construction of the building was awarded at a contract sum of Kshs.13,975,912. However, the contract documents including tender advertisement, BQs, tender opening minutes, tender evaluation and award minutes were not availed for audit review. Further, there was no information to show how much had been paid at the time of audit in February 2020 and the balance if any.
246. Audit verification carried out in the month of February 2020 revealed that although the construction was on-going, it is not known when the same shall be completed and put touse. In addition, there was no evidence of project supervision by the State Department of Works. Consequently, the propriety of the transfer of Kshs.6,000,000 for the year ended 30 June 2019 could not be confirmed.

Management Response

247. The project financial documents have been availed to the Office of the Auditor General for verification. Furthermore, the project is complete and in use.

Committee Observations

248. **The Committee observed that the BQ's and completion certificates were provided for audit verification. The query was adequately addressed.**

8. Stalled Dining Hall at Daisy Special School

249. Included in the transfers to primary schools' figure of Kshs.61,007,611 as disclosed in Note 4 to the financial statements is an amount of Kshs.1,000,000 disbursed to Daisy Special School in respect to completion of roofing and plastering of the dining hall. The Project which started in the year 2009 has stalled at the lintel level, despite the allocation and disbursement of Kshs.1,000,000 during the financial year under review. In addition, the bank reconciliation statement and certificate of bank balance were not availed to confirm that the funds disbursed were still being held in the bank, although the same didnot appear among the PMC account balances as per Annex 4 to the financial statements. Consequently, the probity of Kshs.1,000,000 disbursed towards the project during the year under review could not be ascertained.

Management Response

250. The project financial documents have been availed to the Office of the Auditor General for verification. Furthermore, the project is complete and in use.

Committee Observation

251. **The Committee noted that the bank statements and completion certificates were provided. The query was adequately addressed.**

9. Unsupported Works at Emusala Primary School

252. Included in the transfers to primary schools figure of Kshs.61,007,611 as disclosed in Note 4 to the financial statements is an amount of Kshs.6,300,000 transferred to Emusala Primary School in respect to construction of new eight (8) class room storey building for sub-structures and walling of 1st floor. Information availed indicated that the works were contracted at Kshs.13,979,492 for the construction of the two store 8 classrooms structure. However, the bill of quantities, project designs, tender advertisement, minutes of tender opening, tender evaluation and award were not availed for audit review. No information was also availed to show how much had been paid to the contractor.
253. Further, the cash book, bank reconciliation and certificate of bank balance were not availed as a proof of how much was outstanding on the PMC account as at 30 June 2019. Consequently, the propriety of the disbursement of Kshs.6,300,000 for the year ended 30 June 2019 could not be ascertained.

Management Response

254. The project financial documents have been availed to the auditor for verification. Furthermore, the project is complete and in use.

Committee Observation

255. **The Committee observed that the tender documents, BQ's and completion certificates provided were satisfactory and therefore the query was adequately addressed.**

10. Delayed Works at St. Lawrence Ichina Primary School

256. The transfers to primary schools' figure of Kshs.61,007,611 as disclosed under Note 4 to the financial statements also includes a transfer of Kshs.1,000,000 to St. Lawrence Ichina Primary School towards casting of slab of 1st floor of administration block and two (2) classrooms. The project started on 30th August 2014 at a contract price of Kshs.8,561,652. However, the engineers' site inspection reports and project status reports were not availed for audit review. Further, the project account was still holding Kshs.3,450,760 for the project as per the PMC account balance disclosure at Annex 4 to the financial statements. Audit verification of the project in February 2020 showed that the project was still on going and at slab level although it was not known when the same shall be completed and put to use. Consequently, the public may not get value for expenditure of Kshs.3,450,760 held in the bank.

Management Response

257. The project is fully implemented and complete. Currently it is occupied.

Committee Observation

258. **The Committee noted that significant progress has been made on the school's construction. The query was partially addressed.**

Committee Recommendation

259. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the certificate of making good effects to the National Assembly.**

11. Idle Project Funds for Ikonyero Primary School

260. The transfers to primary schools' figure of Kshs.61,007,611 as disclosed in Note 4 to the financial statements includes Kshs.2,712,630 transferred to Ikonyero Primary School for the construction of 3 classrooms which was equivalent to full project allocation for the year 2018/2019. However, as at the time of audit in February 2020, the project had not commenced and no reason was provided. In addition, the cash book, bank reconciliations and certificate of bank balance were not availed for audit review to ascertain the availability of the funds. Further, the PMC was not listed among the PMCs balance as at 30 June 2019 as per Annex 4 to the financial statements. Consequently, the community of Ikonyero Primary School may not get value for Kshs.2,712,630 disbursed to the school during the year ended 30 June 2019.

Management Response

261. The project financial documents have been availed to the auditor for verification. Furthermore, the project is complete and in use.

Committee Observation

262. **The Committee expressed satisfaction with the response and supporting evidence presented, and the query was adequately addressed.**

12. Incomplete Works at Ebuchinga Primary School

263. The transfers to primary schools' figure of Kshs.61,007,611 includes Kshs.9,500,000 transferred to Ebuchinga Primary School for the construction of new eight (8) classroom storey building for casting of 1st floor and roofing. Information availed indicated that a local contractor was awarded the works at a contract sum of Kshs.14,051,161 through local advert instead of competitive open tender contrary to the Public Procurement and Assets Disposal Act, 2015. In addition, the bill of quantities and designs were not availed for audit review. Although, the ground floor had been put to use, there was no completion and handing over certificates.
264. Further, there was no evidence that the construction was supervised by the State Department of Public Works. Audit verification of the project in February 2020 showed that the floors had cracks and indication of poor workmanship or poor-quality materials. Consequently, residents of Lurambi Constituency did not obtain value for Kshs.9,500,000 disbursed to the project during the year ended 30 June 2019.

Management Response

265. The project financial documents have been availed to the auditor for verification. Furthermore, the project is complete and in use. We admit the use of local advert, but it was circulated and attracted national contractors in that the person awarded was from Nairobi. The current practice is that the advertisements are done through local dailies.

Committee Observation

266. **The Committee noted that the NGCDF Board had approved the project. However, the constituency advertised the project prior to the disbursement of funds. Despite this, no funds were lost, and the project was successfully completed and is currently in use. The query was adequately addressed.**

13. Unsupported Works at Eshandukusi Primary School

267. The transfers to primary schools' figure of Kshs.61,007,611 includes Kshs.5,700,000 disbursed to Eshandukusi Primary School for the construction of new eight (8) classroom storey building for structure and walling of 1st floor. Information availed indicated that the contract was awarded to a local firm for a contract price of Kshs.14,181,208.80. However, the bill of quantities, structural designs and tender documents were not availed for audit verification. Further, there was no record of payments and the balance if any as at 30 June 2019. Consequently, the Management breached the law and the propriety of Kshs.5,700,000 could not be confirmed.

Management Response

268. The project financial documents which include bills of quantities and design, certificate of completion, certificate of occupation have been availed to the auditor for verification.

Committee Observation

269. **The Committee expressed satisfaction with the response and supporting evidence presented. The query was partially addressed as the management did not submit the design structure for the project.**

Committee Recommendation

270. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the design structure for the project to the National Assembly.**

14. Substandard Works at Emurumba Primary

271. An amount of Kshs.2,000,000 was disbursed to the school for construction of a three (3) classroom building which was the full budget for the year under review. The contract was awarded to a local firm at a contract sum of Kshs.3,288,645. As at the time of the audit in February 2020, the building had been put to use. However, the floor had many cracks an indication of poor workmanship. Further, the building had no ceiling and a back pavement although they had been provided for in the bill of quantities. Consequently, the public did not get value for Kshs.2,000,000 disbursed to the school.

Management Response

272. We noted the Auditor's observations on the project and the defects were corrected. Furthermore, the project is complete and in use.

Committee Observations

273. **The Committee acknowledged that the defects in the project had been rectified. The project is now completed and fully operational.**
274. **The Committee expressed satisfaction with the response and supporting evidence presented, and the query was adequately addressed**

15. Incomplete Work at Ikonyero Secondary School

275. The transfers to secondary schools' figure of Kshs.7,060,000 as disclosed in Note 4 to the financial statements includes an amount of Kshs.800,000 disbursed to Ikonyero Secondary School for completion of a four (4) classroom storey building for plastering and painting of 2nd floor. However, as at the time of audit in February 2020, the project was still incomplete. No information was availed to show when the same shall be completed and put to use. Consequently, the public may not get value for the Kshs.800,000 disbursed to the school during the year ended 30 June 2019.

Management Response

276. We noted the auditor's observation as at 30 June 2019. Currently, the project is complete and in use.

Committee Observation

277. **The Committee acknowledged that the project is completed and in use. However, the query remains partially addressed, as the management did not submit the completion certificates.**

Committee Recommendation

278. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53(1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the completion certificates to the National Assembly.**

3.2.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020

1. Project Management Committee (PMC) Bank Balances

279. Note 10.3 to the financial statements reflects Project Management Committee (PMC) accounts balance of Kshs.6,767,270 as at 30 June 2020 while annex 3 to the financial statement reflects a balance of Kshs.6,730,241 for the same item resulting to an un-reconciled balance of Kshs.37,029. Further, cashbooks, bank reconciliation statements and certificates of bank balance in support of the PMC balances were not availed for audit review. In the circumstance, it was not possible to ascertain the accuracy and completeness of the Project Management Committee bank balance of Kshs.6,767,270 as at 30 June 2020.

Management Response

280. The financial statement was amended and availed for verification.

Committee Observation

281. **The Committee observed that the financial statement was amended and availed for verification to the Office of the Auditor General. However, the query remains partially addressed because bank statements, cash books and bank reconciliations were not presented.**

Committee Recommendations

282. **The Committee recommends that the Accounting Officer should:**
- a) **Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B, submit the PMC bank statements, cash books and bank reconciliations to the National Assembly.**
 - b) **Conduct continuous capacity building on financial reporting standards for Constituency Committees and the PMC to improve the quality of reporting.**

Other Matter

2. Budgetary Control and Performance

283. The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totalling to Kshs.223,179,117 and Kshs.130,540,876, respectively, resulting to an underfunding amounting to Kshs.92,638,241 or 42% of the approved budget. Similarly, the Fund expended Kshs.130,889,074 resulting to an under expenditure of Kshs.92,290,069 or 41% of the budgeted amount. The underfunding and under expenditure affected the planned activities and may have impacted negatively on the service delivery to the residence of Lurambi Constituency.

Management Response

284. The underfunding was due to delayed disbursement from the Board, although the shortfall was later disbursed in 2019/2020 financial year.

Committee Observation

285. **The Committee observed that this was a recurring matter. The query was adequately addressed.**

3. Projects Implementation Status

286. According to the Project Implementation Status (PIS) report availed for audit review for the year ended 30 June 2020, the Fund had planned to implement sixty-eight (68) projects at a budget of Kshs.127,846,692. According to the report, fourth-eight (48) projects were completed at a cost of Kshs.69,796,692, while twenty (20) projects costing Kshs.58,050,000 were still on-going at various levels of completion. Failure to complete projects as planned denies the residents of Lurambi Constituency the benefits that would have accrued from the completed projects.

Management Response

287. The auditor's observation was noted. Previous projects for the years 2016/17, 2017/18, 2018/19 were addressed in their respective years. The projects relating to the financial year 2019/20 were completed and are in use.

Committee Observation

288. **The Committee observed that the projects from the financial years 2016/17, 2017/18, and 2018/19 were addressed in their respective periods. Meanwhile, the projects for the financial year 2019/20 have been completed and are currently in use thereby addressing the query.**

Basis of Conclusion

4. Construction of Storey Staff Houses at Matende Secondary School

289. Note 4 to the financial statements reflects transfer to secondary schools amounting to Kshs.16,609,000 which includes an amount of Kshs.1,000,000 transferred to Project Implementation Committee bank account the vide payment voucher number 130 dated 26 June 2020. The funds were for the construction of storey staff houses at Matende Secondary School. The construction contract was awarded to a local construction company at a contract sum of Ksh.6,800,029 through an agreement signed on 20 July 2014 and works were to commence immediately. However, as at the time of audit in January 2021, the project was still incomplete and no explanation was provided for non-completion of the project which has been ongoing for over six and a half years. Audit verification carried out in January 2021 revealed that the structure, plastering, plumbing, windows and doors on the ground floor had been done while the first-floor houses had not been partitioned. In addition, the building appeared dilapidated and the contractor was not on site implying that the project may have stalled or abandoned. Also, there were no records to indicate how much had been incurred on the building.
290. In addition, the signed contract did not include the contract period and as a result, the expected completion and handed over dates were not known. Consequently, the delayed completion of the project denies the residents of Lurambi Constituency the benefit from use of the completed project.

Management Response

291. The delay was a result of inadequate funding. However, we have resubmitted to the Board a request for approval of completion worth Kshs.4,973,667.

Committee Observation

292. **The Committee noted there was a delay in the disbursement of funds. However, the query has since been adequately addressed.**

5. Construction of Storey Classrooms at Kakamega Muslim Secondary School

293. Note 4 to the financial statements reflects transfer to secondary schools of Kshs.16,609,000 which includes Kshs.1,000,000 transferred to Kakamega Muslim Secondary on 16 October 2019 vide payment voucher No.5 towards the construction of storey building for classrooms on labour-based basis. The project records indicate that the works started on 18 September 2012 with an estimated project cost Kshs.31,000,000. As at the time of audit in January 2021, the building was still not complete and it appeared stalled. The ground floor, first floor, and second floor slabs had been done but without walling on the first and second floors and the structure looked dilapidated. The first-floor slab was found to be waterlogged which posed danger to the learners. In the circumstances, the residents of Lurambi Constituency may not have obtained value for money in respect of funds spent on the building.

Management Response

294. The auditor's observation was noted. However, the project is complete awaiting handover.

Committee Observation

295. **The Committee observed that the project has been completed and is now awaiting formal handover. The query was adequately addressed.**

6. Environmental Project at Eshisiru Primary School

296. The other grants and transfers amount of Kshs.38,180,298 includes environment expenditure of Kshs.2,254,494 as disclosed in Note 5 to the financial statements. This figure in turn includes an amount of Kshs.1,073,677 paid to Eshisiru Primary School videpayment voucher No. 99 on 17 April 2020 for the construction of a 10-door pit latrine, purchase of one number 2,500 litre water tank, 10 number (30litre) hand wash cylinders and hand washstands.

297. However, audit verification carried out in January 2021 indicated that although the toilet had been constructed and put to use, there were no records to confirm that the 2,500-litre water tank, the ten number 30-litre hand wash cylinders were supplied, received and put to the intended use. Consequently, the residents of Lurambi may not have obtained value for money from the amount of Kshs.1,073,677 disbursed to the school.

Management Response

298. The auditor's observation was noted and the financial documents for the purchase of water tank and hand wash cylinders were availed for verification.

Committee Observation

299. **The Committee observed that the financial documents for the purchase of water tanks and handwash cylinders were availed for audit verification and the query adequately addressed.**

7. Security Project at Emusala Administration Police

300. Note 5 to the financial statements reflects other grants and transfers figure of Kshs.38,180,298 which includes an amount of Kshs.8,300,000 for security. Out of the security transfer is an amount of Kshs.500,000 was transferred to Emusala Administration Police on 31 July 2019 towards the roofing, electrical works, plumbing works, and flooring of 4 units staff houses. However, although the project was found to be complete and occupied by the police, the plumbing works had not been done. Consequently, the residents of Lurambi Constituency may not have obtained value for the Kshs.500,000 incurred on the project for the year ended 30 June 2020.

Management Response

301. The project as at 30 June 2020 was complete except for the plumbing work which had not been done. However, the plumbing works were completed and in use.

Committee Observation

302. **The Committee observed that the plumbing works have been completed, and the project is currently in use. The query was adequately addressed.**

3.2.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021

1. Unsupported Project Management Committee (PMC) Bank Account Balances

303. Note 13 to the financial statements reflects a balance of Kshs.5,646,558 relating to Project Management Committee account balances which, as shown under Annex 5, represents bank account balances for forty-five (45) Project Management Committees. However, cash books, bank reconciliation statements and bank confirmation certificates for the individual bank accounts were not provided for audit review. In the circumstances, the accuracy and completeness of the PMC balances of Kshs.5,646,558 could not be confirmed.

Management Response

304. The books of accounts of the Project Management Committees for the mentioned projects have been availed for verification.

Committee Observation

305. **The Committee observed that the PMCs book of accounts were provided for verification. However, the query remains partially addressed because the cash books, bank reconciliation statements and bank confirmation certificates for the individual bank accounts were not provided for audit review.**

Committee Recommendation

306. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the cash books, bank reconciliation statements and bank confirmation certificates to the National Assembly.**

Other Matter

2. Budgetary Control and Performance

307. The summary statement of appropriation indicates that the Fund had a final receipts budget of Kshs.230,543,202 for the year but realized actual receipts of Kshs.173,222,322 or about 75% of the budget. No explanation was provided for the underfunding of Kshs.57,320,880. In addition, out of the actual receipts of Kshs.173,222,322, the Fund utilized only Kshs.149,946,691 (or about 87%). No explanation was also provided for the under-utilization of Kshs.23,275,631. In the circumstances, the residents of Lurambi Constituency did not receive services for projects that had been planned during the year.

Management Response

308. The underfunding was due to delayed disbursement from the Board, although the shortfall was later disbursed in 2020/2021 financial year.

Committee Observation

309. **The Committee observed that this was a recurring matter. The query was adequately addressed.**

Basis of Conclusion

3. Construction of Administration Block - Shikoti Girls Secondary School

310. The statement of receipts and payments reflects an amount of Kshs.75,023,728 under transfers to other Government units which, as disclosed in Note 4 to the financial statements includes an amount of Kshs.12,000,000 disbursed to Secondary Schools. The amount of Kshs.12,000,000 includes an amount of Kshs.4,500,000 disbursed to Shikoti Girls Secondary School for construction of an administration block. The contract was awarded to a local construction Company on 20 April 2020, at a contract sum of Kshs.5,496,890 with a contract period of twenty-six (26) weeks scheduled for completion on 15 November 2020. However, inspection carried out in April 2022, revealed that the project had stalled with the Contactor having been paid a total of Kshs.5,072,132 and no explanation was provided on why the project had stalled. In the circumstances, the public did not obtain value for money on the amount expended on this project.

Management Response

311. The auditor's observation was noted. However, the project is complete and in use.

Committee Observation

312. **The Committee acknowledged that the project is completed and in use. The query was adequately addressed.**

4. Non-Compliance with the Public Sector Accounting Standards Board Reporting Template

313. The financial statements in Annex 4 reflects the opening fixed assets balance (building and structures) of Kshs.9,528,272 which is at variance with closing balance of Kshs.2,667,950 in the audited financial statements for the year ended 30 June 2020. In the circumstances, the summary fixed asset register did not comply with the Public Sector Accounting Standards Board Reporting template.

Management Response

314. The financial statement was amended to reflect the correct status.

Committee Observation

315. **The Committee observed that the financial statement has been amended to reflect the correct status. The query was adequately addressed.**

3.2.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022

1. Inaccuracy of comparative balances

1.1 Unutilized Funds

316. Note 17.3 to the financial statements reflects a comparative balance in respect of unutilized funds of Kshs.75,467,204. However, Annex 3 reflects a corresponding balance of Kshs.56,556,603 on the same item resulting to variance of Kshs.18,910,601 between the two records that has not been explained or reconciled. Further, recast of the balances in Annex 3 reflects a balance of Kshs.67,843,051 and not the recorded amount of Kshs.56,556,603 resulting to unreconciled and unexplained variance of Kshs.11,286,448. In addition, the balance of Kshs.56,556,603 reflected in Annex 3 to the financial statements excludes balances totalling Kshs.16,576,405 relating to fifteen (15) primary schools, two (2) chiefs' offices, one

(1) social hall, a market and a social security entity which were reflected in the audited financial statements for the year ended 30 June, 2021.

Management Response

317. The financial statement was amended to reflect the correct status.

Committee Observations

318. **The Committee observed that the financial statement has been amended to reflect the correct status. The query was adequately addressed.**

1.2 Project Management Committee (PMC) Account Balances

319. Note 17.4 to the financial statements reflects a comparative Project Management Committee balance of Kshs.5,705,427 while Note 13 to the audited financial statements for 2020/2021 reflects a corresponding balance of Kshs.5,646,558. The variance of Kshs.58,869 has not been explained or reconciled. Further, Annex 5 to the financial statements reflects a comparative Project Management Committee balance of Kshs.5,705,427. However, the balance excludes Kshs.838 relating to a Secondary school that was reflected in the audited financial statements for the year ended 30 June 2021. In the circumstances, the accuracy and completeness of the unutilized funds of Kshs.75,467,204 and Project Management Committee comparative balance of Kshs.5,705,427 could not be confirmed.

Management Response

320. The financial statement was amended to reflect the correct status .

Committee Observation

321. **The Committee observed that the financial statement has been amended to reflect the correct status. The query was adequately addressed.**

2. Inaccuracy of Use of Goods and Services Expenditure

322. The statement of receipts and payments reflects a balance of Kshs.6,924,848 in respect of use of goods and services which, as disclosed in Note 5 to the financial statements, includes Kshs.1,495,252 relating to other committee expenses. However, the supporting schedules/ledger reflects a balance of Kshs.1,245,200 on the same expenditure item resulting to unexplained and unreconciled variance Kshs.250,252. In the circumstances, the accuracy and completeness of the other committee expenses of Kshs.1,495,252 could not be confirmed.

Management Response

323. We note the auditor's observation and schedules were availed for verification .

Committee Observation

324. **The Committee observed that schedules were provided for verification. The query was adequately addressed.**

3. Unsupported Project Management Committee (PMC) Bank Account Balances

325. Note 17.4 to the financial statements reflects a balance of Kshs.2,238,619 relating to Project Management Committee balances which, as disclosed in Annex 5, represents bank account

balances for forty-two (42) Project Management Committees. However, bank statements and certificates of bank balance for the forty-two (42) bank accounts were not provided for audit review. In the circumstances, the accuracy and completeness of the PMC bank account balances of Kshs.2,238,619 could not be confirmed.

Management Response

326. The financial documents of the Project Management Committees for the mentioned projects have been availed for verification.

Committee Observation

327. **The Committee observed that the bank statements and cash books were not availed for verification. The query was partially addressed.**

Committee Recommendation

328. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the bank statements and cash books to the National Assembly.**

4. Unsupported Retention Money

329. The statement of assets and liabilities reflects the retention money balance of Kshs.2,406,065 as disclosed in Note 12A to the financial statements. However, no documents detailing the specific contractors and related projects were provided to support the reported balance. In the circumstances the accuracy and completeness of retention money balance of Kshs.2,406,065 could not be confirmed.

Management Response

330. The auditor's observation was acknowledged relating to unavailability of retention documents at the time of audit. However, they were availed for verification.

Committee Observation

331. **The Committee observed that a schedule detailing retentions deducted from contractors was not provided for audit review. The query was not addressed.**

Committee Recommendation

332. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the schedule detailing retentions deducted from contractors to the National Assembly.**

5. Inaccuracy of Cash and Cash Equivalents

333. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.13,560,240 as disclosed in Note 10A to the financial statements. However, the bank reconciliation statement for the month of June 2022 reflects stale cheques amounting to Kshs.416,373 that had not been reversed in the cash book. The bank reconciliation statement also revealed outstanding bank charges dated 30 November 2021 amounting to Kshs.11,760

which had not been entered in the cash book as at 30 June 2022. No satisfactory explanation was provided on the failure to update the cashbook with the bank charges. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.13,560,240 could not be confirmed.

Management Response

334. We note the auditor's observation on the stale cheques and unposted bank charges. The cheques were reversed, and bank charges booked in the subsequent financial year 2022/23.

Committee Observation

335. The Committee observed that the stale cheques were reversed. The query was adequately addressed.

6. Unsupported Receipts

336. The statement of receipts and payments reflects an amount of Kshs.649,155 in respect of other receipts which, as disclosed in Note 3 to the financial statements, includes Kshs.12,000 relating to sale of tender documents. However, no documentation to show the respective tenders, bidders and dates was provided to support the amount of Kshs.12,000. In the circumstances, the accuracy and completeness of other receipts amount of Kshs.12,000 could not be confirmed.

Management Response

337. The auditor's observation was acknowledged relating to unsupported receipts at the time of audit. However, they were availed for verification.

Committee Observation

338. The Committee observed that the unsupported receipts were submitted for verification. The query was adequately addressed.

Other Matter

7. Budgetary Control and Performance

339. The summary statement of appropriation reflects income budget and actual on comparable basis of Kshs.217,570,268 and Kshs.200,281,389 respectively, resulting to under-funding of Kshs.17,288,879 or 8% of the budget. Similarly, the statement reflects actual expenditure of Kshs.189,127,214 against approved expenditure of Kshs.217,570,268 resulting to under-performance of Kshs.28,443,054 or 13% of the budget. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

340. The underfunding was due to delayed disbursement from the Board, although the shortfall was later disbursed in 2020/2021 financial year.

Committee Observation

341. **The Committee observed that delayed disbursement of funds was a recurring matter. The query was adequately addressed.**

8. Unresolved Prior Year Matters

342. In the report for the previous year, several paragraphs were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, although Management has indicated in the progress on follow up of the Auditor's recommendation section of the financial statements that the issues have been resolved, it has not been explained how the issues were resolved as required by the Public Sector Accounting Standards Board reporting template.

Management Response

343. The management responded to all unresolved prior year and availed responses to the Office of the Auditor General for verification.

Committee Observation

344. **The Committee observed that the management addressed all unresolved matters from prior years and submitted their responses to the Office of the Auditor General for verification. The query was adequately addressed.**

Basis of Conclusion

9. Delayed Construction of NG-CDF Office Building

345. The statement of receipts and payments reflects acquisition of assets amount of Kshs.14,540,673 which, as disclosed in Note 8 to the financial statements, relates to construction of buildings. The expenditure was incurred during the year in relation to the ongoing construction of Lurambi Constituency offices. The contract for this project was awarded to a local construction company in 2008/2009 financial year for construction of a six (6) storey office building at a contract sum of Kshs.155,953,860 for an unspecified contract period. However, the project stalled between 2012 and 2017. As at the time of stalling, the project had reached the second floor, and the contractor had been paid a sum of Kshs.52,464,576.
346. Between 2017 and 2020, there were negotiations between the NG-CDF Board and the County Government of Kakamega with a view to requesting the County Government to take over the project and, in exchange, finance development projects worth Kshs.52,464,576. However, the negotiations did not succeed. The NG-CDF Board decided to terminate the contract and scale down the project by completing the building structure with roofing and completing the second floor first, and then first floor for occupation.
347. The works were tendered afresh and a new contractor awarded the contract at a contract sum of Kshs.28,937,726. As at 30 June 2022, only ground floor had been completed for occupation. At the time of audit, a total of Kshs.81,402,302 had been injected into the project. From the foregoing, the Fund did not obtain value for money from the project.

Management Response

348. We noted the auditor's observation on this project. Furthermore, the management confirms the completion of the ground floor which has been occupied. The project is ongoing where 1st and

2nd floor walling is complete. This is after the recommendations of the Decentralized Funds Accounts Committee (DFAC) were made. We also have resubmitted to the Board a request for approval of same Kshs.5,800,000.

Committee Observation

349. The Committee noted that the project is still ongoing, with the contractor still present on site. The query has been addressed.

3.3 EMBAKASI CENTRAL CONSTITUENCY

350. The Fund Account Manager for **Embakasi Central Constituency** appeared before the Committee on Wednesday, 21st August 2024, tabled the NG-CDF management responses and supporting documents on the audited accounts, and submitted as follows.

3.3.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017

1. Cash and Cash Equivalents

351. The statement of financial assets reflects a bank balance of Kshs.5,590,863.34 as at 30 June 2017. A review of bank reconciliation statement for June 2017 revealed that un-presented cheques amounted to Kshs.2,484,442, out of which cheques amounting to Kshs.698,526.84 were stale but had not been reversed in the cashbook as at 30 June 2017. Further, a bank confirmation certificate was not provided for audit verification. The fund also maintained eight Project Management Committee (PMC) bank accounts as disclosed at Annex 5 with a total of Kshs.10,054,971 whose certificates of bank balances were not produced for audit review. In the circumstances, the accuracy of the bank balance of Kshs.5,590,863.34 as at 30 June 2017 cannot be confirmed.

Management Response

352. The stale cheques amounting to Kshs.698,526.84 were mainly for bursaries that were reversed and replaced in the cash book in the subsequent year. The cash book extract has been availed to the auditor for review. The certificate of confirmation of bank balances of the PMCs have been availed to the auditor for review.

Committee Observation

353. **The Committee observed that the cashbook extract and the certificate of confirmation of bank balances were availed for audit verification and query was satisfactorily addressed.**

2. Acquisition of Assets

354. The statement of receipts and payments as at 30 June 2017 reflects acquisition of assets expenditure of Kshs.68,000,000 as disclosed in Note 8 to the financial statements. The expenditure includes payment of Kshs.58,000,000 made during the year under review for acquisition of land. Though the payment was made in through RTGS: RTO065635037 of 29 September 2016 - Kshs.28,500,000, RTGS: RTO065700100 of 7 December 2016 - Kshs.15,500,000 and RTGS: RTO065764767 of 10 February 2017 - Kshs.14,000,000. The payment of Kshs.15,500,000 was not supported by a payment voucher to confirm if all payment processes were followed and documented. In addition, valuation by the Ministry of Lands indicated the value of the same land L.R. No.209/9642 to be Kshs.54,000,000 although the Fund paid Kshs.58,000,000, resulting in an extra payment of Kshs.4,000,000 above the Ministry's valuation amount. Further, although the title document had been transferred to the Fund, receipts to confirm payment of Government rates and ground rents by the seller were not produced for audit review. The land has also not been fenced off to avoid possible encroachment.

Management Response

355. The payment voucher for the payment of acquisition of land for Kshs.15,500,000 with supporting documents have been availed to the Auditor for review. The extra payment of

Kshs.4,000,000 was for the legal fees as per the sale agreement of the acquisition of land. It was a requirement for the rates and any other arrears to be cleared before execution of the sale.

Committee Observation

356. **The Committee observed that the Management did not provide the receipts to confirm payment of Government rates and ground rents by the seller for audit verification.**

Committee Recommendation

357. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the payments vouchers, certified documents from National Lands Commission indicating both searches of the previous owner and the current owner, acknowledgement by the seller, procurement document from the lawyer and National Land Commission, certificate of indemnity and copy of caveats to the National Assembly.**

3. Transfer to Other Government Entities

358. Transfer to other government entities expenditure of Kshs.35,468,448 reflected in the statement of receipts and payments includes an amount of Kshs.10,030,000 spent on roofing repairs at Kayole 1 Primary School in Kayole North Ward. However, a visit to the site revealed that the ceiling works appeared substandard. Tender documents, bills of quantities and works officer certificates were also not produced for audit review. In the circumstances, the validity of expenditure of Kshs.10,030,000 incurred in respect of Kayole 1 Primary School cannot be confirmed.

Management Response

359. The defects were corrected by the contractor, and a certificate of practical completion was issued by the works.

Committee Observation

360. **The Committee observed that Management did not avail the tender documents, bill of quantities and works officer certificates for audit verification. The query was not addressed.**

Committee Recommendation

361. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the tender documents, bill of quantities and works officer certificates to the National Assembly.**

4. Other Grants and Other Payments

362. Other grants and other payments expenditure of Kshs.23,667,212 reflected in the statement of receipts and payments includes an amount of Kshs.16,040,000 on bursaries to secondary and tertiary institutions. However, by the end of the year, cheques amounting to Kshs.1,687,000 had not been presented for payment by the recipients. The unrepresented bursary cheques totaling Kshs.398,000 were stale but had not been reversed in the cashbook as at 30 June 2017.

363. The management did not explain satisfactorily why the cheques had not been presented for payment or why the stale cheques had not been reversed in the cash book and re-issued. The un-presented bursary and stale cheques may be an indicator that the evaluation process and final disbursement was not done appropriately and fairly. In the circumstance, the validity of expenditure incurred on other grants and transfers cannot be confirmed.

Management Response

364. Once the Bursary committee issues the cheques to the needy students, it's up to the beneficiaries' parents and guardians to pick the cheque to present to the school or bank for processing. Some parents and guardians do not follow up and do not leave information to be contacted directly thus resulting in stale cheques. The amount of Kshs.398,000 of stale cheques has been reversed and replaced in the cash book and an extract availed to the auditor for review.

Committee Observation

365. **The Committee observed that Management did not submit the evidence of reversal for the stale cheques. The query was not addressed.**

Committee Recommendation

366. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the evidence of reversal for the stale cheques to the National Assembly.**

5. Fixed Assets

367. The summary of fixed asset register at annex 4 to the financial statements reflects total assets balance of Kshs.71,345,148 as at 30 June 2017 which differs with the assets register balance of Kshs.1,103,000 as at the same date, resulting in an un-explained difference of Kshs.70,242,148. Consequently, the accuracy of the fixed assets balance as at 30 June 2017 cannot be confirmed.

Management Response

368. The Asset register had an arithmetic error and has been corrected and availed to the Auditor for review.

Committee Observation

369. **The Committee observed that the arithmetic error were corrected and availed for audit review. The query was addressed.**

6. Net Financial Position

370. The statement of assets as at 30 June 2017 reflects net liabilities instead of net financial position of Kshs.5,590,803.34, being the difference between the brought forward fund balance of Kshs.14,723,446.64 and the deficit for the year of Kshs.9,132,638.30. No explanation has been provided for this anomaly.

Management Response

371. The IPSAS Report was prepared in accordance with the template issued during the financial year which was since revised in the subsequent years.

Committee Observation

372. **The Committee observed that the IPSAS Report was prepared in accordance with the template provided during the relevant financial period, which has since been updated in subsequent years thereby addressing the query.**

7. Budget and Budgetary Controls

373. During the year under review, the fund budgeted to spend Kshs.143,193,103.34. However, overall actual expenditure for the year amounted to Kshs.137,602,295 resulting in an under expenditure of Kshs.5,590,295.34, which is equivalent to about 4% of the total budget. The under investment was mainly on transfers to other government units - Kshs.799,102 and other grants and transfers - Kshs.4,178,650. Further, analysis of the budget against actual expenditure indicate that out of the development budget of Kshs.132,113,412, an amount of Kshs.127,135,660 was spent resulting in under expenditure of Kshs.4,977,752 or a 4% shortfall. The under expenditure is an indication that approved programs were not fully implemented and this impacted negatively on service delivery to the constituents.

Management Response

374. The delay in expenditure was occasioned by delay in formation of PMCs and opening of project bank accounts. The funds were eventually disbursed, and projects completed.

Committee Observation

375. **The Committee observed that the expenditure was delayed due to late formation of PMCs and project bank accounts, but funds were later disbursed, and projects completed. The query was addressed.**

3.3.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018

1. Budget Performance - Under Absorption of the Expenditure Budget

376. During the financial year ended 30 June 2018, Embakasi Central CDF had a final budget for receipts and expenditure totalling Kshs.92,554,208, respectively according to the summary statement of appropriation. The actual overall expenditure during the year was Kshs.45,675,030 or 49%, resulting in an overall under-expenditure of Kshs.46,879,178 or 51 %.
377. The under-expenditure occurred mainly in respect of transfer to other government entities – Kshs.21,515,240 or 71%, other grants and transfers – Kshs.13,844,559 or 31%, acquisition of assets – Kshs.2,200,387 or 100% and other payments – Kshs.8,177,027 or 100% of the budgeted amounts, respectively. No explanations were provided for these material variances between the budgeted and actual amounts contrary to the requirements under Section 81 (2) (a) (iv) of the Public Finance Management Act, 2012.

Management Response

378. The under-absorption was occasioned by late gazettment of the NG-CDF committees and late disbursement of funds by the exchequer. During the year under review, the management engaged various suppliers for works and services. However, withholding tax amounting to Kshs 612,751 in respect of VAT had not been remitted to Kenya Revenue Authority as of 30 June 2018 contrary to Section 19 of the Tax Procedure Act, 2015.

Committee Observation

379. **The Committee observed that the copies of the AIEs were availed for audit review. The query was addressed.**

2. Unremitted Withholding Tax

380. During the year under review, the management engaged various suppliers for works and service. However, withholding tax amounting to Kshs 612,751 in respect of VAT had not been remitted to Kenya Revenue Authority as of 30 June 2018 contrary to Section 19 of the Tax Procedure Act, 2015.

Management Response

381. We were appointed as withholding VAT and rent agents in 2018/2019 financial year, and retrogressive check is done to ensure all taxes are remitted.

Committee Observation

382. **The Committee observed that while Management submitted the appointment letter for audit review, it did not provide documentation confirming remittance of withholding tax during the audit process. The query was partially addressed.**

Committee Recommendation

383. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the documentation confirming remittance of withholding tax to the National Assembly.**

3.3.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019

1. Inaccuracies in Cash and Cash Equivalents

384. As disclosed in Note 10A to the financial statements, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.5,702,908. However, the supporting bank reconciliation statement showed payments in cash book not recorded in bank statement amounting to Kshs.4,680,511 which included stale cheques totaling to Kshs.1,169,015 dated from 09 March 2018 to 26 November 2018 which have not been reversed in the cash book. In addition, the statement included long outstanding payments in bank statement amounting to Kshs.193,953 dated from 17 April 2018 to 15 May 2018 which have not been updated in the cash book. Consequently, the accuracy, completeness and validity of the cash and cash equivalents balance of Kshs.5,702,908 reflected in the statement of assets and liabilities as at 30 June 2019 could not be confirmed.

Management Response

385. Stale cheques of Kshs.1,169,015 have since been reversed and replaced in the cash book and cashbook extract has been availed to the Auditor for review. Payments amounting to Kshs.193,953 were not updated in the cashbook at the time of audit because they were bursary cheques that cleared in the bank with the names of the beneficiaries instead of clearing with the cheque number hence there was difficulty to determine the exact cheques numbers that cleared during reconciliation.

Committee Observation

386. **The Committee observed that Management did not provide the supporting documents for the reversed stale cheques for audit review. The query was not addressed.**

Committee Recommendation

387. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the supporting documents for the reversed stale cheques to the National Assembly.**

Other Matter

2. Budgetary Control and Performance

388. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.167,282,164 and Kshs.108,784,483 respectively resulting to an under-funding of Kshs.58,497,681 or 35% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.167,282,164 and Kshs.106,538,380 respectively, resulting to an under expenditure of Kshs.60,743,784 or 36% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

389. The under-expenditure and under-funding were occasioned by the late disbursement of funds by the Exchequer

Committee Observation

390. **The Committee observed that the AIEs showing late disbursement were provided for audit review. The query was addressed.**

3. Unresolved Prior Year Matters

391. In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June 2019.

Management Response

392. Management was awaiting to be invited to appear before the Devolved Funds Accounts Committee (DFAC) to resolve the issues and find a way forward.

Committee Observation

393. **The Committee expressed satisfaction with the Management response, and the query was adequately addressed.**

3.3.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020

1. Unsupported Use of Goods and Services

394. As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects use of goods and services totaling to Kshs.8,369,795. However, payment vouchers amounting to Kshs.800,000 were not provided. Further, the balances in Note 5 to the financial statements had variances with the supporting schedules as shown below;

Item	Amount in Financial Statements (Kshs)	Supporting Schedules Balance (Kshs.)	Variance (Kshs)
Committee Expenses	1,350,000	1,244,000	106,000
Training Expenses	2,183,500	723,500	1,460,000
Office and General Supplies	847,289	Nil	847,289
Other Committee Expenses	1,153,301	1,599,301	446,000
Total	5,534,090	3,556,801	2,859,289

395. The variances amounting to Kshs.2,859,289 were not reconciled. In the circumstances, the accuracy, completeness and validity of the unsupported payments totaling to Kshs.800,000 and balances totaling to Kshs.5,534,090 reflected in the financial statements for the year ended 30 June 2020 could not be confirmed

Management Response

396. The payment voucher amounting to Ksh. 847,289 has been provided for review. The positive balances are as a result of vote book balances brought forward from the prior year, which were spent in the current financial year.

Committee Observation

397. **The Committee observed that Management submitted a carbon copy of the payment voucher which is not admissible for audit verification. The query was not addressed.**

Committee Recommendation

398. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the signed payment voucher amounting to Kshs.847,789 to the National Assembly.**

2. Unsupported Bank Balances

399. As disclosed in Note 10A to the financial statements, the statement of assets and liabilities reflects bank balances amounting to Kshs.14,885,857. However, the Board of Survey Certificate

reflected an amount of Kshs.15,419,857, resulting to an unexplained variance amounting to Kshs.534,000. In addition, Note10A reflects previous year (2018/2019) total bank balances totaling to Kshs.5,702,908 which included a bank balance amount of Kshs.847,289 held at a commercial bank which is reflected in the current period as nil. However, records to confirm the movement to nil balance were not provided.

400. In the circumstances, the accuracy, completeness and validity of the bank balances totaling to Kshs.14,885,857 reflected in the statement of assets and liabilities as at 30 June 2020 could not be confirmed.

Management Response

401. The difference of Kshs.534,000 was an error in the Board of Survey Balance. This has since been corrected and the correct Board of Survey balance availed to the auditor for review. The amount of Kshs.847,288.68 was a pending bill that could not have been paid in time and for the account to be closed due to the garnishee orders that had been issued over an ongoing litigation. The payment was, however, done later in the year after the garnishee order was lifted.

Committee Observation

402. **The Committee observed that the Board of Survey and the payment voucher reflecting the bank balance settled subsequent to litigation were submitted for audit review. However, while the supporting journals were later availed, they remained unverified.**

Committee Recommendation

403. **The Committee recommends that the matter stands resolved and directed the Office of the Auditor General to verify the journals and provide a report.**

3. Unsupported Summary of Fixed Assets Register

404. Annex 4 to the financial statements on summary of fixed assets register reflects a historical amount of Kshs.84,597,160 which included an amount of Kshs.58,000,000 paid for acquisition of land in the year 2016/2017. However, the title deed and evidence of land rates paid was not provided. Further, Annex 4 reflects comparative historical balance in 2019/2020 totaling to Kshs.84,597,160 instead of the 2018/2019 closing balance totaling to Kshs.70,196,229. The historical cost is reflected as 2019/2019 instead of 2019/2020. Consequently, the accuracy, completeness and validity of the summary of fixed assets register reflected in Annex 4 to the financial statements totaling to Kshs.84,597,160 as at 30 June 2020 could not be confirmed.

Management Response

405. A copy of the title been availed to the auditors for review. The historical cost reflected as 2019/2019 has been corrected to read 2019/2020.

Committee Observation

406. **The Committee observed that the requisite supporting documents were not provided for audit verification. The query was not addressed.**

Committee Recommendation

407. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting**

Officer should submit a copy of the title deed and corrected financial statements to the National Assembly.

4. Unsupported Contract

408. Management awarded a tender for the renovation of a classroom, an administration block and a toilet at Bondeni Primary School to a contractor at a contract sum of Kshs.15,932,426. However, signed tender opening documents, copies of advertisement, appointment letters for the tender opening committee, contract, evidence of engagement of relevant Government Ministries, minutes of Evaluation Committee, signed professional opinion, evidence that the contractor was in the register of contractors maintained by the National Construction Authority were not provided. In the circumstances, the accuracy, completeness and validity of the contract sum of Kshs.15,932,426 could not be confirmed.

Management Response

409. Project file for renovation of a classroom, an administration block and a toilet Bondeni Primary school was with the PMC during the time of audit. The file with supporting documents has been retrieved and availed to the auditor for review.

Committee Observation

410. **The Committee observed that the requisite supporting documents were not provided for audit verification. The query was not addressed.**

Committee Recommendation

411. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit a copy of the tender documents and clear photos of the project to the National Assembly.**

Other Matter

5. Budgetary Control and Performance

412. The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totaling to Kshs.198,111,508 and Kshs.128,743,784 respectively, resulting to an under-funding amounting to Kshs.69,365,724 or 35% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs.198,111,508 and Kshs.113,857,926 respectively, resulting to an under expenditure amounting to Kshs.84,253,581 or 43% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

413. The under-funding and under-performance were brought about by COVID-19 pandemic that affected the world adversely.

Committee Observation

414. **The Committee expressed satisfaction with the response and supporting evidence presented, and the query was adequately addressed.**

6. Unresolved Prior Year Matters

415. In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.

Management Response

416. Management was awaiting to be invited to appear before the Devolved Funds Accounts Committee (DFAC) to resolve the issues and find a way forward

Committee Observation

417. **The Committee observed that the Management addressed all unresolved matters from prior years and submitted their responses to the Office of the Auditor General for verification. Consequently, the query was addressed.**

3.3.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021

1. Omission in Presentation and Disclosure in the Financial statements

418. Review of financial statements of the Fund for the year ended 30 June 2021 revealed presentation and disclosure errors as follows:

- i. The Constituency Fund bankers under key Constituency Information and Section in page 4 excludes an account of the Fund held at Equity Bank.
- ii. Annex 5 containing a list of Project Management Committee (PMC) account balances as at 30 June 2021 does not reflect all the PMC account balances for projects undertaken during the year under review.

419. As a result, the financial statements as presented do not comply fully with the prescribed reporting format prescribed by the Public Accounting Standards Board of Kenya.

Management Response

420. Equity bank account details has been included as per the attached adjusted financial statements and availed to the auditors for review. Certificate of bank balance for all the PMC account balances have been availed to the auditor for review.

Committee Observation

421. **The Committee expressed satisfaction with the response and supporting evidence presented, and the query was adequately addressed.**

Committee Recommendation

422. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit a copy of the amended account details and financial statements of the PMCs to the National Assembly.**

2. Inaccuracies in the Financial Statements

423. Review of the financial statements for the year under review revealed several inaccuracies and errors as detailed below;

- i. The statement of assets and liabilities reflects total financial liabilities amounting to Kshs.15,523,249 and Kshs.14,885,857 for 2020/2021 and 2019/2020 financial years respectively. However, the makeup of the liabilities in the financial statements comprising retention and gratuity reflects Nil balances for both financial years hence Nil total financial liabilities.
- ii. The statement of assets and liabilities reflects Nil balances in respect of net financial assets for both financial years. However, recast of net financial assets for 2020/2021 and 2019/2020 financial years reflects Kshs.15,523,249 and Kshs.14,885,857 respectively.
- iii. The statement of receipts and payments reflects comparative transfers from National Government Constituencies Development Fund (NGCDF) amount of Kshs.123,040,876 as disclosed in Note 1 to the financial statements. However, recast of the amounts reflected in the note totals to Kshs.104,040,876 resulting to unreconciled variance of Kshs.19,000,000.

424. As a result, the accuracy of the financial statements could not be confirmed.

Management Response

425. Financial statements were adjusted to reflect Nil total financial liabilities and availed to auditor for review. Net financial assets for 2020/2021 and 2019/2020 financial years reflects Kshs.15,523,249 and Kshs.14,885,857 as adjusted in the financial statements. Note 1 to the financial statements reflects total of Kshs.123,040,876 as per the attached list of AIE received.

Committee Observation

426. **The Committee observed that the adjustments were made to the financial statements and verified by the Office of the Auditor General. The query was satisfactorily addressed.**

3. Misclassification of Expenditure

427. The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.8,581,654 as disclosed in Note 5 to the financial statements. However, review of the supporting schedules provided for audit revealed an amount of Kshs.280,000 in respect to salaries paid to staff on internship which was wrongly charged to use of goods and services instead of compensation of employees.

428. As a result, the accuracy of the financial statements could not be confirmed.

Management Response

429. Salaries paid to staff on internship was charged to use of goods and services since proposal had already been done and the amount for compensation of employees was allocated to the contractual employees only. Budgeting was done to cater for those on internship and casual employment in the subsequent years.

Committee Observation

430. **The Committee was satisfied with the response provided by the Management and the query was adequately addressed.**

4. Variances between the Statement of Receipts and Payments and Supporting Schedules

431. The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.8,581,654 as disclosed in Note 5 to the financial statements. However, supporting schedules provided for audit reflected expenditure of Kshs.9,444,384 resulting to unreconciled and unexplained variance of Kshs.862,730.
432. The statement of receipts and payments reflects transfers to other government units amount of Kshs.73,817,133 as disclosed in Note 7 to the financial statements which includes emergency projects expenditure of Kshs.10,629,205. However, the supporting schedule reflects Kshs.9,766,475 resulting to unexplained variance of Kshs.862,730.
433. Consequently, the accuracy and completeness of the statements of receipts and payments could not be confirmed.

Management Response

434. The unexplained variance of Kshs.862,730 was an error whereby an item was charged to transfers to other government units instead of use of goods and services hence the variance in both items. However, the error has been corrected by charging the item correctly in use of goods and services and has been availed to the auditor.

Committee Observation

435. **The Committee observed that the requisite supporting documents were not provided for audit verification. The query was not addressed.**

Committee Recommendation

436. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the journal entries to the National Assembly.**

5. Unreconciled and Unsupported Cash and Cash Equivalents

437. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.15,523,249 as disclosed in Note 10 A to the financial statements. However, the balance was not supported by Board of Survey reports on cash and bank balances. The Management did not provide explanation for the omission. Further, review of the bank reconciliation statements, cashbook and bank statements provided for audit revealed the following anomalies;
- i. Payments in cash book not recorded in the bank statement (unpresented cheques) includes statutory deductions amounting to Kshs.719,986 some of which date back to the year 2019 that had not been submitted to the Kenya Revenue Authority.
 - ii. the bank reconciliation statement for June 2021 includes a cheque of Kshs.10,800 recorded as payment in bank statement not yet recorded in cashbook. However, the bank statement reflected an amount of Kshs.15,800 resulting to a variance of Kshs.5,000.
 - iii. The bank reconciliation statement for June 2021 includes an amount of Kshs.16,000 recorded as a receipt in cashbook not yet recorded in bank statement. However, the receipt was not dated and could not be traced to the cashbook.
 - iv. Cheques amounting to Kshs.2,932,000 which had been issued in the month of March 2021 were reversed under unclear circumstances in the month of May 2021. The reversal took place only two (2) months from the date of issue. Further, no documentation approving the reversals was not provided for verification.

- v. Several payments in the cashbook were not dated, and the cheque numbers did not follow a chronological order.
 - vi. The cashbook reflected cash at hand amounting to Kshs.1,801,300 as at 31 December 2020. However, the balance was not reflected as an opening balance in the month of January 2021 and in the subsequent months. Further, no cash transactions were recorded during that period.
 - vii. The financial statements in Note 10A reflects that the Fund had an account at Equity bank with Nil balance as at 30 June 2021. However, no cashbook, bank statements, bank reconciliations, board of survey report and certificate of bank balance was provided for audit. In the absence of the above documents, it was not possible to confirm whether any transactions took place in the account.
438. In view of the above, the accuracy, validity and completeness of cash and cash equivalents as at 30 June 2021 could not be confirmed

Management Response

439. Board of Survey has been availed to the auditor for review. Chq no.10273 of Kshs.5,000 cleared in the bank as Kshs.15,800 resulting to a variance of Kshs.10,800 hence a payment in the bank statement not yet recorded in the cashbook. The amount of Kshs.16,000 recorded as a receipt in cashbook not yet recorded in bank statement was bursary cheques reversed and was dated 15th May 2023 as per the attached cashbook extract. The cheques were dated March 2020 not 2021 hence the reversal done in May 2021. The anomaly was noted, and cash book corrected.

Committee Observation

440. **The Committee observed that the requisite supporting documents were not provided for audit verification. The query was not addressed.**

Committee Recommendation

441. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the corrected cashbook extract to the National Assembly.**

6. Unutilized Project Management Committee Funds

442. The financial statements reflect unutilized Project Management Committee account balances amounting to Kshs.251,107 as reflected in Note 17.4. Review of the balances, also disclosed in Annex 5 to the financial statements, revealed the following anomalies:
- i. No bank statements for the PMC as listed in Annex 5 to the financial statements were provided. Further, two PMC accounts for Komarock South Primary PMC and Embakasi Central hall and office PMC where Kshs.60,500,000 and Kshs.1,142,500 respectively, were transferred to during the year under review were not disclosed in the financial statements.
 - ii. Annex 5 reflects unutilized Project Management Committee account balances amounting to Kshs.251,107 which were not returned to the Constituency Fund account contrary to Section 12(8) of the National Government Constituencies Development Fund Act, 2015.
443. In the circumstances, the accuracy of PMC account balance of Kshs.251,107 could not be confirmed.

Management Response

444. PMC bank statements have been availed to auditor review.

Committee Observation

445. **The Committee observed that the requisite supporting documents were not provided for audit verification. The query was not addressed.**

Committee Recommendation

446. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the corrected cashbook extract to the National Assembly.**

7. Unsupported Use of Goods and Services Expenditure

447. The statement of receipts and payments reflects use of goods and services amounting to Kshs.8,581,654 as disclosed in Note 5 to the financial statements. However, the amount includes Kshs.1,846,655 whose supporting documents such as payment vouchers, invoices among other records were not provided for audit. As a result, the accuracy of the financial statements cannot be confirmed.

Management Response

448. Payment voucher availed.

Committee Observation

449. **The Committee observed that the payment vouchers were not provided for audit verification. The query was not addressed.**

Committee Recommendation

450. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the payment vouchers to the National Assembly.**

8. Unsupported Bursary Disbursements

451. The statement of receipts and payments reflects other grants and transfers amounting to Kshs.57,731,000 and as disclosed in Note 7 to the financial statements. The amount includes bursaries to tertiary institutions amounting to Kshs.42,791,000. However, bursary disbursements totaling Kshs.23,656,000 were not supported by payment vouchers and other relevant documents. In addition, review of the supporting schedules provided for audit revealed a disbursement of Kshs.35,085,000 which was wrongly charged to tertiary institutions' bursaries instead of secondary schools' bursaries leading to misclassification of the expenditure.

452. In addition, Kshs.14,940,000 was disbursed to special schools including three (3) private institutions towards training of youths on various vocational courses. However, disbursements amounting to Kshs.8,982,413 were not supported by payment vouchers and acknowledgment letters. Further, confirmation of the beneficiaries' attendance of the training were also not provided for audit.

453. Consequently, the accuracy and validity of bursaries disbursement amounting to Kshs.42,791,000 could not be confirmed.

Management Response

454. Payment vouchers to be availed to the auditors for review. The misclassification of the vote-heads has been rectified and availed to the auditor for review. The acknowledgement and follow-up of receipts has been a challenge due to issuance of cheques to individual beneficiaries who at times fail to furnish the office with receipts from respective institutions. However, we have gradually ensured a decent rate of cheques presented.

Committee Observation

455. **The Committee observed that the payment vouchers were submitted for audit verification. The query was adequately addressed.**

9. Unsupported Transfers

456. The statement of receipts and payments reflects acquisition of assets amounting to Kshs.6,573,277 and as disclosed in Note 8 to the financial statements. The amount includes Kshs.1,142,500 which was transferred to Embakasi Central halls and offices PMC account for works executed at the Embakasi Central Constituency office. However, project returns, appointment letters for the PMC members, request for the transfer of funds to the PMC, bank statements for the PMC account, bill of quantities for the works, site instructions, works progress reports, completion certificates and minutes of site meetings were not provided for audit.

Management Response

457. The project had not started at time of audit due to a litigation that was ongoing.

Committee Observation

458. **The Committee observed that litigation documents were not provided for audit review thereby the query was not addressed.**

Committee Recommendation

459. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the bank statements of the PMCs , bill of quantities, completion certificates and minutes of the PMC to the National Assembly.**

Other Matter

10. Budgetary Control and Performance

460. The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs.221,484,645 and Kshs.186,153,267 respectively, resulting to an underfunding amounting to Kshs.35,331,379 or 16% of the budget. Similarly, the Fund spent Kshs.170,630,018 against an approved budget of Kshs.221,484,645 resulting to an under expenditure of Kshs.50,854,628 or 23% of the budget.
461. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

462. The under-performance and under-funding were occasioned by late disbursement of funds by the exchequer. A copy of AIE has been availed to the auditor for review

Committee Observation

463. **The Committee observed that the copies of the AIEs showing late release of funds were availed for audit verification thereby addressing the query.**

Basis for Conclusion

11. Unsupported receipts

464. The statement of receipts and payments reflects other receipts amounting to Kshs.142,185 as disclosed in Note 2 to the financial statements. The other receipts relate to unutilized funds from Project Management Committees which were transferred to the Constituency Fund bank account. However, details of the closed PMC accounts and the individual bank statements for the accounts were not provided for audit. It was not possible to confirm whether all the unspent funds were surrendered to the Constituency Fund account as required by Regulation 15(2) of the National Government Constituencies Development Fund Regulations, 2016 which states that the PMC shall prepare and submit hand over reports to a Constituency Committee.

465. Management was therefore in breach of the law.

Management Response

466. PMC bank account details and bank statement have been availed to the auditor for review.

Committee Observation

467. **The Committee observed that the bank account details, and bank statements were availed for review. The query was adequately addressed.**

12. Irregularities in implementation of Emergency Projects

468. During the year under review, the Projects Fund disbursed Kshs.10,629,205 to various PMC accounts for implementation of emergency projects. Among the projects allocated funds was proposed boundary wall at Chief's office and Embakasi Central office grounds at a cost Kshs.5,573,863. However, there was no evidence of appointment of the Project Management Committees for the project as required by Regulation 15 of the National Government Constituency Development Funds Regulation 2016.

469. In addition, no separate bank account was opened for the project and instead, payments were made directly from the Constituency Fund account to the contractor. Also, documents relating to procurement of the contractor for the works including tender advertisement, tender opening and evaluation minutes, professional opinion and evidence of approval of award by the Accounting Officer were not provided for audit hence it was not possible to confirm whether the contractor was competitively procured.

470. Further, review of records in respect of emergency activities revealed that there was no National Government Constituencies Development Fund committee approval for the emergency projects. Although the amount was spent under emergency vote, procurement documents provided revealed that the process of awarding the contract and issuance of the local service order for the construction of the boundary wall was done in the financial year 2019/2020 implying that the

project was not urgent or unforeseen as stipulated by Section 8(5) of the Act and could have been identified and prioritized for implementation in the year under review.

471. Management was therefore in breach of the law.

Management Response

472. The NG-CDFC members acted as the PMC due to the urgency of the project and the project being within the NG-CDF Office.

Committee Observation

473. **The Committee observed that the completion certificates and photos of the project were not availed for audit review. The query was not addressed.**

Committee Recommendation

474. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the completion certificates and photos of the project to the National Assembly.**

13. Non-compliance with Reporting Requirements for Emergency Expenditure

475. The statement of receipts and payments reflects other grants and transfers amounting to Kshs.16,086,133 which includes emergency expenditure amounting to Kshs.10,629,205 as disclosed in Note 7 to the financial statements. However, no documentary evidence was provided to indicate the Fund had reported any of the emergency expenditure to the National Board using the prescribed format as required in Regulation 20 of the National Government Constituency Development Fund Regulations, 2016.

476. Management was therefore in breach of the law.

Management Response

477. Project Implementation Status Report.

Committee Observation

478. **The Committee observed that the projects were completed, and the Project Implementation Status Report was availed for audit verification. The query was addressed.**

14. Non-Compliance with Bursaries Disbursement Guidelines

479. The statement of receipts and payments reflects other grants and transfers amounting to Kshs.73,817,133 as disclosed in Note 7 to the financial statements. The amount includes bursary disbursements of Kshs.42,791,000 and Kshs.14,940,000 to tertiary institutions and special schools respectively, all totalling to Kshs.57,731,000. Review of records of bursaries disbursement revealed the following anomalies;

- i. There was no evidence of formation of the education bursary committee to vet bursary applicants contrary to guidelines of the circular number NG-CDFB/CEO/BOARDCIRCULARS Vol II (021) issued on 18 June 2020.

- ii. Review of sample of the application forms revealed that the forms lacked evidence of vetting by an education bursary committee in the application forms since they were not signed by the chairman, secretary or any member of the committee as prove of approval or rejection of the application. In addition, it was not ascertained whether the amounts were awarded to successful applicants in the absence of documentary evidence. Further, the minutes of the vetting committee and the details of the successful applicants were not provided for audit.
480. In the circumstances, Management was in breach of bursaries disbursement guidelines.

Management Response

481. The NG-CDFC acted as the bursary vetting sub-committee due to COVID-19 crowding restrictions and regulations

Committee Observation

482. **The Committee expressed satisfaction with the response given by Management. The query was addressed.**

15. Irregularities in Implementation of Primary and Secondary Schools Projects

483. The statement of receipts and payments reflects transfer to other government entities amounting to Kshs.77,586,608 as disclosed in Note 6 to the financial statements. Review of documents provided for audit revealed irregularities in implementation of primary and secondary schools' projects as shown below: -

15.1 Komarock South Primary School

484. An amount of Kshs.60,500,000 was disbursed to the PMC of Komarock South Primary construction of 32 classrooms, 72 toilet cubicles, 4 offices, a staff room and a school hall at a contract sum of Kshs.108,351,405. However, appointment letters for the project management committee members, bank account for the project, registration certificate for the school and ownership documents of the land where the school was constructed were not provided for audit.
485. Similarly, procurement documents including tender opening and tender evaluation committees' minutes, appointment letters for the tender opening and tender evaluation committees and inspection and acceptance committee reports, letter of notification, professional opinion and performance security were also not provided for audit. In addition, program of works, site instructions, works progress reports, completion certificates and site meeting minutes were also not provided for audit.
486. A payment of Kshs.10,000,000 to the contractor was not approved by the Accounting Officer while another payment of Kshs.10,000,000 was not supported by a payment voucher. Further, site inspection done on 21 April 2022 revealed that the project was incomplete and was not ready for occupation as earlier planned. There were indications of poor workmanship as evidenced by visible cracks on walls while asian type toilets were fixed without determination of tile level and were therefore submerged.
487. Several works were incomplete including electrical works, plumbing works, wall tiles were not fitted, cabro blocks in the parking area were not done, inspection chambers (manholes) did not have covers and drainage works for the whole building had not been done. Additionally, a slab had been done instead of a roof as per the bill of quantities without evidence of contract variation contrary to Section 139(1) of the public Procurement and asset Disposal Act (2015) which states

an amendment or a variation to a contract resulting from a procurement is effective only if the variants or amendment has been approved in writing.

Management Response

488. The necessary documents availed. Tender documents and payment voucher provided. Availed photos of the complete project.

Committee Observation

489. **The Committee observed that the tender documents, payment voucher and photos of the completed project were submitted for audit review. The query was adequately addressed.**

15.2 Komarock Primary School

490. The Fund Management disbursed Kshs.5,184,485 to Komarock Primary School for construction and completion of three (3) classrooms at the School at a contract sum of Kshs.7,184,485. However, there was no evidence of appointment of the committee, or a separate bank account opened and maintained for the project.

491. In addition, procurement documents including tender opening committee and tender evaluation committee minutes, appointment letters for the tender opening, tender evaluation committee and inspection and acceptance committees, letter of notification to successful and unsuccessful bidders, professional opinion and performance security were not provided for audit. Also, program of works, site instructions, works progress reports, completion certificates and site meeting minutes were also not provided for audit.

492. Further, physical inspection carried out on 21 April 2022 revealed that the project had been implemented in the 2019/2020 financial year as per the project label. It was also revealed during the inspection that the staircase had not been done as provided for in the bill of quantities.

Management Response

493. Tender documents provided. Payment voucher provided. Availed photos of the complete project.

Committee Observation

494. **The Committee observed that the tender documents, payment voucher and photos of the completed project were submitted for audit review. The query was adequately addressed.**

15.3 Mwangaza Secondary School

495. An amount of Kshs.800,000 was disbursed to the PMC of Mwangaza Secondary School for additional works of construction of an 832-metre perimeter wall at the school for a contract sum of Kshs.12,903,360. Review of documents provided for audit revealed that the funds for the additional works were transferred to the PMC despite the total contract sum of Kshs.12,903,360 having been paid in the financial year 2019/2020 to the contractor in three (3) instalments on 30 September 2019, 16 January 2020 and 24 June 2020 respectively.

496. It was not clear why the Management of the Constituency for transferred additional funds as there were no documents provided as evidence request and approval of contract variation or

extra works and approval for the contract variation. Further, an inspection carried out on 21 April 2022 revealed that the works for the wall had been fully executed. However, test results on reinforced concrete foundation base and columns were not provided for audit, and therefore, it was not possible to ascertain the strength of the wall.

Management Response

497. Provided documents for the additional funds (Codelist). Aailed photos of the complete project.

Committee Observation

498. **The Committee observed that the completion certificates and photos of the project were not availed for audit review. The query was not addressed.**

Committee Recommendation

499. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the completion certificates and photos of the project to the National Assembly.**

15.4 Kayole North Primary School

500. The Fund Management disbursed Kshs.449,378 to the PMC for Kayole North Primary School for additional works for construction of a 558 meter perimeter wall at a contract sum of Kshs.10,604,978. Review of documents provided for audit revealed that the amount was in addition to Kshs.11,135,227 which had been earlier disbursed to PMC and paid to the contractor in three (3) installments on 6 July 2020, 7 August 2020, and 24 June 2020.

501. However, the purpose for the additional funds was not explained and the documents such as contract variation or extra works were provided for audit. In addition, physical inspection at the site on 21 April 2022 revealed that the wall had been fully executed. However, test results on reinforced concrete foundation base and columns were not provided for audit, and therefore, it was not possible to ascertain the strength of the wall. Further, the project signage indicated that the project was implemented in the financial year 2018/2019.

Management Response

502. Provided documents for the additional funds (codelist). Aailed photos of the complete project.

Committee Observation

503. **The Committee observed that the completion certificate was not availed for audit review. The query was not addressed.**

Committee Recommendation

504. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the completion certificate to the National Assembly.**

16. Failure to Identify and Prioritize Projects

505. The statement of receipts and payments reflects transfer to government entities and other grants and transfers amounting to Kshs.77,586,608 which includes transfers to security, sports, environmental and emergency projects totaling to Kshs.16,086,133 as disclosed in Note 7 to the financial statements. Review of the documents provided for audit revealed that thirteen (13) projects were implemented during the year under review. Although the implemented projects were included in the approved list of the National Government Constituencies Fund Board for 2019/2020 and 2020/2021.
506. There was no evidence that public participation was conducted in the wards to ensure the residents came up with the projects to be implemented and equal distribution of projects among the wards as no advertisements for public forums, venue for the public forums supported by photos, minutes of public participation, ward reports, project proposals and Committee minutes showing the criteria for prioritizing the projects were provided for audit.
507. Consequently, the Fund Management was therefore in breach of the law.

Management Response

508. Photos during the public participation availed. Ward report availed.

Committee Observation

509. **The Committee observed that the photos taken during the public participation and ward report were submitted by Management. The query was adequately addressed.**

3.3.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022

1. Inaccuracies in the Financial Statements

510. The financial statements presented for audit had various inaccuracies relating to comparative balances for various items as reflected in Notes 17.2 and 17.3 to the financial statements. Further, the statement of receipts and payments reflects acquisition of assets amount of Kshs.249,794 which as disclosed under Note 8 to the financial statements relates to construction of buildings but omitted from Annex 4 – summary of fixed asset register. In addition, an amount of Kshs.360,000 in respect of allowances to staff on internship was wrongly charged to use of goods and services. In the circumstances, the accuracy of the financial statements could not be confirmed.

Management Response

511. Annex 4 Summary of fixed assets has been amended and availed to the auditor for review. Salaries paid to staff on internship was charged to use of goods and services since proposal had already been done and the amount for compensation of employees was allocated to the contractual employees. Budgeting was done to cater for those on internship and casual employment in the subsequent years.

Committee Observation

512. **The Committee observed that the copy of corrected financial statement was availed for audit review. However, the journal entries were not provided thereby the query was partially addressed.**

Committee Recommendation

513. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the journal entries to the National Assembly.**

2. Unsupported Expenditure

514. The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.10,948,956 as disclosed in Note 5 to the financial statements, out of which an amount of Kshs.469,500 was not supported by payment vouchers and any other documentation. In addition, the statement of receipts and payments reflects compensation of employees amounting to Kshs.4,032,645, however, the employment contracts and recruitment process details of the staff were not provided for audit.
515. In the circumstances, the accuracy and completeness of the Kshs.469,500 and Kshs.4,032,645 in respect of use of goods and services and compensation of employees respectively could not be confirmed.

Management Response

516. Payment voucher and supporting documents amounting to Ksh. 469,500 has been availed to the auditor for review. The recruitment documents have been availed to the auditor for review.

Committee Observation

517. **The Committee observed that the payment vouchers, advertisement for the recruitment and PMC minutes were not provided for audit verification. The query was not addressed.**

Committee Recommendation

518. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the payment vouchers, advertisement for the recruitment and PMC minutes to the National Assembly.**

3. Cash and Cash Equivalents

519. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.5,737,830 as disclosed in Note 10A to the financial statements. The bank reconciliation statements reflected unpresented cheques totaling to Kshs.7,966,308 out of which cheques amounting Kshs.4,402,047 dated between June 2019 and December 2021 were stale. Out of this amount, cheques totaling to Kshs.2,755,000 were in respect of bursary payments. The Management did not provide details on when the cheques were cleared and the status of the stale cheques, an indication that bursary might not have been issued to needy students and the vetting process may be flawed.
520. In addition, the bank reconciliation statement as at 30 June 2022 includes an amount of Kshs.16,000 recorded as receipts in cash book not yet recorded in bank statements. However, the transaction was not dated and could not be traced to the cash book.
521. In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.5,737,830 could not be confirmed.

Management Response

522. The stale cheques amounting to Kshs.2,755,000 were reversed in the subsequent financial year and the cash book extract has been availed to the auditor. The amount of Kshs.16,000 recorded as a receipt in cashbook not yet recorded in bank statement was bursary cheques reversed and was dated 15th May 2023 as per cashbook extract and has been availed to the auditor for review.

Committee Observation

523. **The Committee observed that the cashbook extract and reversal list of the stale cheques were not provided for audit verification. The query was not addressed.**

Committee Recommendation

524. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the cashbook extract and reversal list of the stale cheques to the National Assembly.**

4. Irregularities in Emergency Projects Implementation

525. The statement of receipts and payments reflects other grants and transfers amounting to Kshs.100,313,375 which includes emergency expenditure amounting to Kshs.9,600,790 as disclosed in Note 7 to the financial statements. However, review of the approved project code list for 2021/2022 indicated that the emergency projects had an allocation of Kshs.7,192,207 resulting to over expenditure amount of Kshs.2,408,583 which was not explained or supported. Further, the formal request for the emergency activities was not provided for audit.
526. In the circumstances, the accuracy of expenditure of Kshs.9,600,790 incurred on emergency projects could not be confirmed.

Management Response

527. The over-expenditure of Ksh. 2,408,583 was because of emergency balance brought forward from previous year that was spent in the current year. The activities were necessitated by the Ministry of Education in order for the institution to be registered and operational.

Committee Observation

528. **The Committee observed that neither the signed Ministry of Education inspection report nor evidence confirming that Kshs.2,408,583 was a balance carried forward from the previous year were made available for audit verification. Consequently, the query remained unaddressed.**

Committee Recommendation

529. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the signed Ministry of Education inspection report and evidence confirming that Kshs.2,408,583 was a balance carried forward from the previous year to the National Assembly.**

5. Lack of Ownership Documents

530. Annex 4 to the financial statements reflects the summary of fixed asset register with a historical cost of Kshs.91,152,437 which includes land and buildings and structures valued at Kshs.58,000,000 and Kshs.32,153,237 respectively. However, the ownership documents pertaining to the land have not been provided for audit. In the circumstances, the accuracy and ownership of the land valued at Kshs.58,000,000 could not be confirmed.

Management Response

531. The Ownership Documents have been availed to the Auditor for review

Committee Observations

532. The Committee observed that:

- (i) The land ownership documents of the CDF offices including the inspection report were provided for audit review.
- (ii) The inspection report was not signed therefore inadmissible.

533. The query was partially addressed.

Committee Recommendation

534. The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the signed inspection report to the National Assembly.

Other Matter

6. Budgetary Control and Performance

535. The summary statement of appropriation for the year ended 30 June 2022 reflects final expenditure budget and actual on comparable basis totalling to Kshs.187,943,507 and Kshs.180,280,006 respectively, resulting to an under expenditure of Kshs.7,663,501 or 10% of the budget. The under-performance affected the planned activities and may have impacted negatively on service delivery to the residents of Embakasi Central Constituency.

Management Response

536. The under-performance was occasioned by the late disbursement of funds by the Ex-chequer. Some funds came in as late as the 4th quarter. Thereby rendering procurement process and timely implementation of projects impossible.

Committee Observation

537. The Committee observed that the copies of the AIEs showing late release of funds were availed for audit verification thereby addressing the query.

7. Unresolved Prior Year Matters

538. In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Management Response

539. Management was awaiting to be invited to appear before the Devolved Funds Accounts Committee (DFAC) to resolve the issues and find a way forward.

Committee Observation

540. **The Committee observed that the management addressed all unresolved matters from prior years and submitted their responses to the Office of the Auditor General for verification. The query was adequately addressed**

Basis for Conclusion

8. Inaccuracies in Presentation and Disclosure of the Financial Statements

541. The financial statements presented for audit did not comply with the guidelines on preparation of the financial statements as per the reporting format prescribed by the Public Sector Accounting Standards Board and contained various inconsistencies in presentation and disclosure. In the circumstances, the financial presentation and disclosure did not comply with the prescribed format.

Management Response

542. Financial statements prepared as per the prescribed format.

Committee Observation

543. **The Committee observed that the copy of corrected financial statement was availed for audit review. However, the journal entries were not provided thereby the query was partially addressed.**

Committee Recommendation

544. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act Cap.412B, the Accounting Officer should submit the journal entries to the National Assembly.**

9. Failure to Constitute a Bursary Committee

545. The statement of receipts and payments reflects other grants and transfers amounting to Kshs.100,313,375 as disclosed in Note 7 to the financial statements which includes bursary expenditure amounting to Kshs.55,288,800. However, examination of records provided revealed that the the Management did not establish a subcommittee of Education bursary, Mock examinations and Continuous assessment tests whose core mandate is vetting of applicants contrary the provisions of circular No.NG-CDFB/CEO/BOARD CIRCULARS VOL II (021) of 18 June 2020. Further, in the absence of a Vetting Committee minutes, it could not be ascertained as to how much the successful applicants were awarded and whether it was fair and equitable.

546. In the circumstances, Management was in breach of procedures in the issuance of bursaries.

Management Response

547. During bursary disbursement, a Bursary committee is formed to vet and issue bursary to the needy students as prescribed. Bursary committee minutes has been attached to show the

committee members and vetting of beneficiaries was carried out. The minutes have been availed to the auditors for review.

Committee Observation

548. **The Committee observed that the Bursary Committee appointment letter was submitted for audit verification. The query was addressed.**

10. Failure to Submit Monthly Bank Reconciliation Statements for Audit

549. During the financial year 2021/2022 the Fund Management did not submit monthly bank reconciliation statements for audit contrary to Section 90(1) of the Public Finance Management Act, 2012. Management was in breach of the law.

Management Response

550. The Bank Reconciliation statement file was misplaced during audit. The file has been retrieved and availed to the auditor for review.

Committee Observation

551. **The Committee observed that the bank reconciliation statement was provided for audit review. The query was addressed.**

3.4 KILIFI NORTH CONSTITUENCY

552. The Fund Account Manager for **Kilifi North Constituency** appeared before the Committee on Thursday, 3rd April 2025, tabled the NG-CDF management responses and supporting documents on the audited accounts, and submitted as follows:

3.4.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/ 2017

1. Bank Balances

553. The statement of financial assets reflects a bank balance of Kshs.10,525,909. However, bank reconciliation statement presented for audit review reflected unrepresented cheques amounting to Kshs.6,794,341, out of which Kshs.263,000 were stale and not reversed in cash book as at 30 June 2017. Further, bank charges of Kshs.1,319.95 were included in the bank reconciliation statement instead of being expensed in these financial statements.

Management Response

554. The stale cheques were reversed, and bank charges expensed in the subsequent years. The cash book extract had been provided for review.

Committee Observation

555. **The Committee observed that the extract of cashbook had been provided for audit review to the Office of the Auditor General and the query adequately addressed.**

Other Matter

2. Budgetary Controls and Performance

556. During the year under review, the Fund had budgeted to spend Kshs.171,546,260 on its various activities but actually spent Kshs.154,020,351, resulting in an under absorption of Kshs.17,525,909 or approximately 10% as summarized below:

Vote Item	Final Budget (Kshs)	Actual on Comparable Basis (Kshs)	Budget Under Utilization (Kshs)	Budget Over Utilization (Kshs)	Under Absorption %
Compensation of Employees	4,010,570	2,965,539.50	1,045,030.50		26%
Use of goods and services	14,611,007.15	10,621,361.45	3,989,645.70		27%
Transfers to Other Government Units	94,462,585.48	83,280,035.48	11,182,550		12%
Other grants and transfers	58,462,097.61	57,153,414.36	1,308,683.25		2%
Totals	171,546,260	154,020,350.79	17,525,909.45		10%

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

Management Response

558. The underutilization was due to the delay in receipt of funds from the Board. The AIEs have been provided

Committee Observation

559. **The Committee observed that the AIEs have been provided, and the query adequately addressed.**

3. Project implementation

560. The project status report availed for audit review indicated that a total of Kshs.81,896,552 was allocated for forty-eight (48) projects. Further, out of the forty- eight (48) projects, eight (8) projects with a total allocation of Kshs.7,371,690 were ongoing while two (2) projects with an allocation of Kshs.8,000,000 had not started as detailed below:

	Project name	Project description/Activities	Allocation	Current status
1.	Employee salary	Payment of staff salaries and gratuity	2,200,000.00	Ongoing
2.	Goods & services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	1,202,793.10	Ongoing
3.	Purchase of furniture/equipment	Purchase of office furniture and equipment (8 No. file cabinets @ 43,750 & Kyocera Task Alfa 2200 photocopier @ 150,000)	500,000.00	Ongoing
4.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	1,000,000.00	Ongoing
5.	NSSF	Payment of NSSF deductions	12,000.00	Ongoing
6.	Goods & services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	1,000,000.00	Ongoing
7.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	756,896.55	Ongoing
8.	CDFC/PMC Capacity building	Training CDFCs /PMCs on CDF related issues	700,000.00	Ongoing
	SUB-TOTAL	On-going projects	7,371,690.00	

9.	Gede primary school	Purchase of a 32-seater school Bus	6,500,000.00	Not started
10	Kilifi North Mitihani centre	Complete construction of an examination Centre (Doors, windows, painting and decoration)	1,500,000.00	Not started
	SUB-TOTAL	Not started projects	8,000,000.00	
	GRAND TOTAL		15,371,690	

561. From the above analysis, the budget was not fully implemented as envisaged. The slow and lack of completion of projects may impact negatively on delivery of goods and services to the residents of Kilifi North Constituency.

Management Response

562. All the administrative and monitoring and evaluation votes were fully utilized by the end of the subsequent year as shown in the table below:

	Project name	Project description/Activities	Allocation	Current status
1.	Employee salary	Payment of staff salaries and gratuity	2,200,000.00	Fully utilized
2.	Goods & services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	1,202,793.10	Fully utilized
3.	Purchase of furniture/equipment	Purchase of office furniture and equipment (8 No. file cabinets @ 43,750 & Kyocera Task Alfa 2200 photocopier @ 150,000)	500,000.00	Fully utilized
4.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	1,000,000.00	Fully utilized
5.	NSSF	Payment of NSSF deductions	12,000.00	Fully utilized
6.	Goods & services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	1,000,000.00	Fully utilized
7.	Committee expenses	Payment of committee sitting allowances,	756,896.55	Fully utilized

		transport and conference costs		
8.	CDFC/PMC Capacity building	Training CDFCs /PMCs on CDF related issues	700,000.00	Fully utilized
	SUB-TOTAL	On-going projects	7,371,690.00	
9.	Gede Primary School	Purchase of a 32-seater School Bus	6,500,000.00	Reallocated to -Mitangoni pry4 class renovation 2,000,000 -Mitangoni pry 2 classrooms 2,400,000 -Old ferry pry classroom 1,200,000 -Old ferry pry toilet 900,000
10.	Kilifi North Mitihani centre	Complete construction of an examination Centre (Doors, windows, painting and decoration)	1,500,000.00	Reallocated
	SUB-TOTAL	Not started projects	8,000,000.00	
	GRAND TOTAL		15,371,690	

563. The reallocation approval for Gede primary school bus has since been provided for review

Committee Observation

564. The Committee observed that the approval for reallocation of the funds had been provided for audit review to the Office of the Auditor General and the query adequately addressed.

4. Project Inspections

565. During the year under review, four (4) projects with a total allocation of Kshs.10,857,509 were visited for verification on 9th May 2018 and the following state of affairs of the specific projects were observed.

	Name	Cost Kshs.	Project	Observations
1	Watamu Primary School PMC	1,000,000	Renovation of classrooms	Verification confirmed that 4 classrooms were renovated. It was, however, observed that there were cracks in the verandah and floors of the classrooms, some door hinges had been removed, and some window grills were losing an indication of poor workmanship.

2	Gede Dispensary PMC	3,000,000	Renovation of mortuary	Physical verification of the project revealed that the PMC reallocated the funds to fencing of staff quarters, re-roofing/ceiling and painting of the administration/outpatient block, fitting of solar water heater system for the maternity block and purchase of water tank. There was no approval from the NGCDF Board to reallocate the funds to other activities.
3	Ngala Memorial Girls Secondary	2,787,509	Renovation of a burnt dormitory	Physical verification of the project revealed that the PMC reallocated the funds to renovation of five classrooms without approval from the Board, which included Kshs 787,509.00 disbursed for extra works. The project was completed and was being used.
4	Deputy County Commissioner's office, Malindi Sub County PMC	3,800,000	Complete the construction of a social hall in Watamu - plastering, paint work, doors & windows (1,800,000.00). Purchase of Furniture & fittings for the social hall (1,000,000.00) & Fencing of social hall 38m x 28m (1,000,000.00)	The project is complete and is in use though fencing not completed. The management should not have paid the whole amount since fencing work costing Kshs.1,000,000 had not been completed.
	Total	10,587,509		

566. Lack of proper supervision by the CDF Committee has led to poor workmanship to the detriment of the welfare of the Kilifi North constituents. There is a need, therefore, to ensure that all projects are properly supervised to ensure satisfactory completion of the projects.

Management Response

Watamu Primary School

567. Kshs 1,000,000 was disbursed for renovation of 4 classrooms in Watamu Primary during the 2015/2016 financial year. The project met the required specifications, complete and in use. Copies of completion certificate and photo have been provided for review

Gede Dispensary

568. The Dispensary was allocated Ksh.3,000,000.00 in 2015/2016 for renovation of mortuary. Copy of the approved code list and bank statement have been provided for review.

569. However, through a minuted-resolution of the meeting held by the NG-CDFC resolved to change the project activity from renovation of mortuary to fencing of staff quarters, re-roofing/ceiling and painting of the administration/outpatient block, fitting of solar water heater

system for the maternity block and purchase of water tank. During a site visit by the NG-CDFC it was observed that the activity had already been effected by the PMC without NG-CDFC approval. A letter was drafted by the FAM to PMC requesting for an explanation on why they did the activity without approval by NG-CDFC. Copy of letter addressed to PMC Chairman.

570. Request for change of activity was initiated by NG-CDFC and Board resolved that NG-CDFC to explain why they allowed PMC to change projects and to give detailed account of how Kshs.3,000,000.00 was spent. Copy of NG-CDF Board resolution Ref: NG-CDF BOARD/KILIFI NORTH /VOL 1/47 have been provided for review. NG-CDFC respondents to NG-CDFB on the raised questions through a letter dated 14th June 2017.

Ngala Memorial Girls Secondary School

571. The PMC reallocated the project to a project that was actually their urgent need at that time as there was need to accommodate students for their exams. The new project was completed and is in use and meeting the purpose thus the value of the money was obtained. Copies of completion certificate have been provided for review.

Deputy County Commissioner's Office, Malindi Sub County PMC (Watamu Social Hall)

572. The project was well supervised by the Project Management Committee. It was completed and now is in use. Copy of completion certificate and photo provided for review.

Committee Observations

573. **The Committee observed that the management submitted:**
- (i) **The completion certificates for Watamu Primary School, Gede Dispensary, Ngala Memorial Girls Secondary School and Deputy County Commissioner's Office were availed for audit review.**
 - (ii) **A letter to the PMC Chairman requesting an explanation for conducting the activity without NG-CDFC approval.**
 - (iii) **The NG-CDF Board resolution requesting the NG-CDFC to provide an explanation for allowing the PMC to change projects and to give detailed account of how Kshs. 3,000,000.00 was spent.**
 - (iv) **The approved code list for the projects and bank statement.**
 - (v) **That the Project Management Committee (PMC) during FY2016/17 lacked Capacity and made an error by reallocating resources without seeking approval; and**
 - (vi) **The query was adequately addressed.**

3.4.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/ 2018

1. Bank Reconciliation statement

574. The statement of financial assets as at 30 June 2018 reflect bank of Kshs.35,202,776. However, the following anomalies were noted:

1.1 Stale Cheques

575. Excluded from the cash and bank balances of Kshs.35,202,776 as at 30 June are stales cheques amounting to Kshs.38,000 as detailed below:

Date	Payee	Chq No.	Amount (Kshs)
16/01/2018	St. Ma 's Mumias School	3732	5,000
16/01/2018	Tawheed Girls	3733	5,000
16/01/2018	Lutsangani Secondary School	3745	5,000
16/01/2018	Ngomeni Secondary School	3770	5,000
26/02/2018	Moi Girls Secondary School	3914	13,000
08/03/2018	Asumbi Girls Secondary School	4027	5,000
	Total		38,000

576. These stale cheques had not been reversed into the cash book as at the time of this audit. The management has not provided an explanation why the same had not been reversed in the cash book.

577. As a result, the validity, accuracy and completeness of bank balance of Kshs.35,202,776 at 30 June 2018 could not be confirmed.

Management Response

578. As at 31st December 2018, the following bursary cheques amounting to Kshs 38,000.00 were still reconciling items and were already stale. However they were reversed in the subsequent year. A copy of the cash book extract has been provided for review.

Committee Observation

579. **The Committee observed that the stale cheques were reversed in the subsequent year and the cash book extract provided for audit review to the Office of the Auditor General. The query was adequately addressed.**

1.2 Bank Charges

580. Note 10A to the financial statements for the year ended 30 June 2018 reflects bank balances of Kshs.35,202,776. However, reconciliation statements availed for audit revealed bank charges of Kshs.40,090.35 that were indicated as reconciling item (payments in bank statement not credited to cashbook) resulting to understatement of the cashbook balance as at 30 June 2018.

581. Consequently, the validity, accuracy and completeness of the bank balances of Kshs.35,202,776 as at 30 June 2018 could not be ascertained.

Management Response

582. Bank charges of Kshs.40,090.35 had not been charged as at 30 June 2018. A voucher of Kshs. 58,910.35 in which Kshs.40,009.35 was included and was cleared. The difference was for the subsequent year. Copies of the voucher for bank charges and cash book extract have been provided for review.

Committee Observation

583. **The Committee observed that the voucher for bank charges and cash book extract was provided for audit verification to the Office of the Auditor General and the query was adequately addressed.**

Other Matter

2. Budgetary Controls and Performance

2.1 Revenue Budget

584. During the year under review, the National Government Constituencies Development Fund — Kilifi North Constituency had a final budget of Kshs.115,715,565 against actual receipts of Kshs.97,455,254 (Comprised of opening cash balances - Kshs,10,525,909; transfers from Board - Kshs.86,810,344; other receipts-Kshs.119,000) resulting to a shortfall of Kshs.18,260,311 representing 16% of total budgeted amounts as detailed below:

Vote item	Final budget (Kshs)	Actual budget (Kshs)	Over absorption (Kshs)	Under absorption (Kshs)	% over/under absorption
Transfer from NG-CDF Board	115,715,565	97,336,254		18,379,311	(16%)
Other receipts		119,000	119,000		100%
Total	115,715,565	97,455,254	119,000	18,379,311	16%

585. Scrutiny of the budget also revealed that the entity did not budget on receipts from sale of tender. No explanation or justification was obtained for failure to budget for these receipts

Management Response

586. The shortfall was due to the delay in disbursement of funds. The appropriation in aid is budgeted once its earned. Copies of AIEs had been provided for review .

Committee Observation

587. **The Committee observed that there was a shortfall of Kshs.18,260,311 due to delay in disbursement of funds. Copies of AIEs were provided for audit verification to the Office of the Auditor General. The query was adequately addressed.**

2.2 Expenditure Budget

588. During the year under review, the National Government Constituencies Development Fund – Kilifi North Constituency had a final budget of Kshs.115,715,565 against actual expenditure of Kshs.62,252,477, resulting to an under absorption of Kshs.53,463,088 or 46 % as summarized below:

Receipt/ Expense Item	Final Budget Kshs	Actual on Comparable Basis Kshs.	Under Absorption in Kshs	% of Utilization	Under Absorption - %
Compensation of Employees	4,241,820.69	2,804,927.00	1,436,893.69	66	34
Use of goods and services	7,885,417.83	7,274,209.35	611 ,208.48	92	8
Transfers to Other Government Units	55,062,207.56	36,345,000.00	18,717,207.56	66	34
Other grants and transfers	38,986,794.07	15,828,341.00	23,158,453.07	41	59

Acquisition of Assets	362,297.45	-	362,297.45	0	100
Other Payments	9,177,027.20	-	9,177,027.20	0	100
Total	115,715,564.80	62,252,477.35	53,463,087.45	54	46

589. The management attributed the under absorption to delay in fund disbursements from the Board. There is need therefore for the fund management and the Board to ensure quick disbursement of the funds so that all planned and budgeted for projects and activities can be implemented in time for the benefit of the residents of Kilifi North Constituency.

Management Response

590. The delay of funds results to delay of disbursement. Copies of the AIEs have been provided for review

Committee Observation

591. **The Committee observed that the under absorption of Kshs.53,463,088 was occasioned by the late disbursement of funds by the National Treasury and the Fund Account Manager had availed the AIE's showing the late release of funds to the Office of the Auditor General for audit verification. The query was addressed.**

3. Project Implementation Status

592. The project status report availed for audit review indicated that a total of Kshs. 61,512,070 was allocated for forty-six (46) projects. Further, out of forty-six (46) projects, ten (10) projects with total allocation of Kshs.5,782,989 were on-going while one (1) project with allocation of Kshs.1,500,000 had not started as detailed below:

Item No.	Project Name	Project Description/Activities	Allocation Kshs	Current Status
1.	Goods and services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	896,482.70	Ongoing
2.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	854,000.00	Ongoing
3.	CDFC / PMC Capacity building	Training CDFCs / PMCs on CDF related issues	853,827.64	Ongoing
4.	Environmental Projects	Construction of a greenhouse (885,575.01) and drilling of borehole (300,000.00) for Mkwajuni primary school	1,185,575.00	Ongoing
5.	Goods and services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	300,000.00	Ongoing
6.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	382,758.62	Ongoing

7.	Goods and services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	100,000.00	Ongoing
8.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	241 ,379.32	Ongoing
9.	Emergency	Prepare for any unforeseen occurrence in the constituency during the financial ear	568,965.51	Ongoing
10.	Watamu primary	Su I of 100 desks	400,000.00	Ongoing
	Sub Total On-going Projects		5,782,989	
11.	Dongo Kundu Primary	Construction of a foot bridge	1,500,000	Not started
	Sub Total Not Started		1,500,000	
	Grand Total		7,282,989.00	

593. From the above analysis, the budget was not fully implemented as envisaged. The slow and lack of completion of projects may impact negatively on delivery of goods and services to the residents of Kilifi North Constituency.

Management Response

594. All the projects have been completed as below:

Item No.	Project Name	Project Description/Activities	Allocation Kshs.	Current Status
1.	Goods and services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	896,482.70	Fully utilized
2.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	854,000.00	Fully utilized
3.	CDFC / PMC Capacity building	Training CDFCs / PMCs on CDF related issues	853,827.64	Fully utilized
4.	Environmental Projects	Construction of a greenhouse (885,575.01) and drilling of borehole (300,000.00) for Mkwajuni Primary School	1,185,575.00	Complete and in use
5.	Goods and services	Purchase of fuel, repair and maintenance, printing, stationery, office	300,000.00	Fully utilized

		refreshments, telephone, travel and subsistence		
6.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	382,758.62	Fully utilized
7.	Goods and services	Purchase of fuel, repair and maintenance, printing, stationery, office refreshments, telephone, travel and subsistence	100,000.00	Fully utilized
8.	Committee expenses	Payment of committee sitting allowances, transport and conference costs	241,379.32	Fully utilized
9.	Emergency	Prepare for any unforeseen occurrence in the constituency during the financial ear	568,965.51	Complete and in use
10.	Watamu Primary	Set I of 100 desks	400,000.00	Complete and in use
	Sub Total On-going Projects		5,782,989	
11.	Dongo Kundu Primary	Construction of a foot bridge	1,500,000	Reallocated to construction of a classroom and its complete and in use
	Sub Total Not Started		1,500,000	
	Grand Total		7,282,989.00	

Committee Observation

595. The Committee observed that copies of receipts, schedules, completion certificate and a photo of the completed project were provided to the Office of the Auditor General for audit verification, and the query was adequately addressed.

4. Project Inspection

596. During the year under review, six (6) projects with a total allocation of Kshs.6,985,575 were visited for verification in the month of February 2019 and the following status of affairs of the specific project were observed: -

Item No	Project	Allocation Kshs.	Status as per Project Status Report	Auditors Observations
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1.	Sita Primary School — Construction of 2 Classrooms	2,400,000	Complete	Project was observed to have been completed. Red oxide left out when finishing floor. Project undertaken and completed on land whose ownership is yet to be transferred and whose payments are yet to be made to the seller of the land. School yet to be occupied by students. No teachers at the school.
2.	Sita Primary School Construction of four (4) door Toilet Block	800,000	Complete	Project was observed to be complete. However, gutters amounting to Kshs.84,000 provided for in the Bill of Quantity were not fitted. Windows provided for in the bill of quantity worth Kshs.60, 000 not fitted. Project undertaken on land whose ownership is yet to be transferred to Sita Primary School and whose payment is yet to be made to the seller of the land.
3.	Uyombo Maweni Primary School — Construction of Toilet Block	500,000	Complete	UPVC Pipe and windows worth Kshs.125, 000 not fixed although provided for in the Bill of Quantity. Red oxide left out when finishing floor
4.	Mkwajuni Primary School — Construction of Greenhouse and drilling of borehole	1,185,575	Ongoing	Project observed to be substantially complete though it has delayed in completion.
5.	Kiwandani Secondary School- Administration block	2,100,000	Complete	Completed and in use - however 5 ceiling fans and wiring not done
	Total	6,985,575		

Management Response

Item No	Project	Allocation Kshs.	Status as per Project Status Report	Response
1.	Sita Primary School — Construction of 2 Classrooms	2,400,000	Complete	Project is complete and all anomalies addressed. The school so far has an enrolment of 173 pupils.

				Copy of certificate of making good defects, land ownership document and photo of floor have been provided for review.
2.	Sita Primary School Construction of four (4) door Toilet Block	800,000	Complete	Project is complete and in use
3.	Uyombo Maweni Primary School - Construction of Toilet Block	500,000	Complete	Project is complete and all anomalies addressed. Copy of certificate of making good defects and photo of floor have been provided for review.
4.	Mkwajuni Primary School - Construction of Greenhouse and drilling of borehole	1,185,575	Ongoing	The Project is complete and in use
5.	Kiwandani Secondary School- Administration block	2,100,000	Complete	Completed and in use
	Total	6,985,575		

597. Completion certificates and photos have been provided for review.

Committee Observation

598. **The Committee observed that the completion certificates, land ownership documents and photos were provided to the Office of the Auditor General for verification. The query was adequately addressed.**

Basis for Conclusion

5. Transfer to Other Government Entities

5.1 Acquisition of Land

599. Note 6 to the financial statements for the year ended 30 June 2018 reflects transfers to primary schools of Kshs. 24,905,000. Included in this amount is Kshs. 4,000,000 transferred to Project Management Committee (PMC) for Sita Primary School for purchase of 3 acres of land. However, review of the PMC meeting minutes file revealed that the seller of land acquired and for which a sale agreement had been signed by all parties, was not identified and selected through a competitive procurement process contrary to regulation 115(1) of the Public Finance Management (National Government) Regulations, 2015, that requires all purchases be procured in accordance with the Public Procurement and Asset Disposal Act, 2015. In the circumstances, the Project Management Committee was in breach of the law.

Management Response

600. Sita Primary School is a feeder school of Dabaso Primary School. It was built to decongest Dabaso Primary School hence it had to be built in a strategic place for ease of access by the students.

The NGCDF Committee has continuously been Capacity building the PMCs to ensure adherence to the Public Procurement and Disposal Act among other laws.

As at the time of project implementation, Sita primary was not registered and got into a memorandum of understanding with ACK Canon Mweri secondary school to have the title in the name of ACK Canon Mweri Secondary school.

However, Sita Primary school was later successfully registered and already made a request to requesting for title deed transfer from ACK Canon Mweri to Sita Primary School.

Copies of the sale agreement, registration certificate for Sita Primary school, Memorandum of Understanding between ACK Canon Mweri Secondary School Sita Primary, title deed and a management letter from Sita Primary School confirming the current status have been availed for review.

Committee Observation

601. **The Committee observed that the matter was adequately addressed.**

5.2 Re-allocation Not Approved.

602. Note 6 to the financial statements for the year ended 30 June 2018 reflects transfers to primary schools of Kshs.24,905,000. Included in this amount, is transfer to Uyombo Maweni Primary school of Kshs.500,000 for roofing of 2 classrooms. However, the Project Management Committee (PMC) changed/re-allocated the project activity to construction of a toilet block. The change (re-allocation) of project activity was not approved by the National Government Constituencies Development Fund Act, 2015 which requires re-allocations be approved by the Board. Consequently, the Project Management Committee was in breach of the law.

Management Response

603. The change of activity of the project was approved by the NGCDF Board on 13th February 2019, vide letter reference number NG-CDF BOARD / KILIFI NORTH/VOL 1/124. Reallocation letter has been provided for review.

Committee Observations

604. **The Committee observed that the matter was adequately addressed.**

3.4.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/ 2019

1. Unsupported Bursaries

605. As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects other grants and transfers totaling to Kshs.34,694,804. However, this balance includes an amount of Kshs.2,320,500 in respect to bursary payments to two hundred and seventy-five (275) students without registration or admission numbers.

606. Consequently, the accuracy, completeness and validity of bursaries totaling Kshs.2,320,500 for the year ended 30 June 2019 could not be confirmed.

Management Response

607. The students without admission numbers were new admissions into secondary schools or tertiary institutions. Admission into the institutions was subject to payment of fees. The fund Management requested the students to ensure the respective institutions forwarded acknowledgement letters and payment receipts to the NGCDF office.
Sample acknowledgment letters and receipts have been provided for review.

Committee Observation

608. **The Committee observed that the acknowledgment letters and receipts were provided for verification to the Office of the Auditor General and the query adequately addressed.**

Other Matter

2. Budgetary Control and Performance

609. The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.162,622,963 and Kshs.104,276,086 respectively resulting to an under funding of Kshs.58,346,877 or 36% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.162,622,963 and Kshs.97,270,371 respectively resulting to an under expenditure of Kshs.58, 540,877 or 40% of the budget. Management attributed the under absorption to delay in fund disbursements from the Board.
610. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

611. The underfunding and underperformance Copies of AIEs have been provided for review.

Committee Observation

612. **The Committee observed that the issue arose due to delay in disbursement of funds from the exchequer. The AIEs were provided and verified by the Office of the Auditor General. The query was adequately addressed.**

3. Unresolved Prior Year Matters

613. In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and the National Treasury's Circular Ref: PSASB/1/12 Vol. 1 (44) of 25 June 2019.

Management Response

614. All the audit issues of the previous financial years have been responded to.

Committee Observation

615. **The Committee observed that the management addressed all unresolved matters from prior years and submitted their responses to the Office of the Auditor General for verification. The query was adequately addressed.**

Basis for Conclusion

4. Unsatisfactory Implementation of projects

616. During the year under review, six (6) projects with a total budget allocation of Kshs.21,327,398 were physically verified in the month of November 2019. However, various unsatisfactory observations were made as shown below:

Name of Project	Project Activity	Contract price Kshs	Audit Observations
Ngala Memorial Girls Secondary School	Construction of storey building-administration block, staffroom and staff toilets and four (4) classrooms	13,527,398	The building was complete, with two water closets. However, there was no provision for and connection to a septic tank.
Ngala Memorial Girls Secondary School	Purchase of twenty (20) desktops computers reallocation from constituency innovation hub	900,000	The computers were delivered and put into use. However, two (2) computers out of the seven (7) computers sampled were not working. Further, there was no warranty provided for the computers.
Ngerenya Secondary School	Purchase of 20 desktops computers - reallocation from constituency innovation hub	900,000	The computers were delivered but not in use and were still packed in boxes. There was no warranty provided for the computers.
Kararacha Primary School	Construction of two (2) classrooms	2,400,000	The project was complete and in use. However, the floors were not properly constructed with cracks and chippings clearly noticeable.
Watamu Primary School	Construction of one classroom	1,200,000	The project was completed and in use but the construction did not include safety standards for the intended users considering the foundation slab height. Therefore, students run the risk of injuries sustained as a result of accidental fall.
Chumani Secondary School	Renovation of burnt Dormitory	2,400,000	The project was complete and in use. However, wooden logs supporting iron sheets appeared to be of poor quality since they are already loose and not holding the roof firmly.
Total		21,327,398	

617. In the circumstances, I am unable to confirm whether the public obtained value for money for the projects implemented totaling to Kshs.21,327,398

Management Response

618. The Fund Management have ensured that all projects are properly supervised to ensure that quality projects are implemented as outlined in the Bills of Quantities. And all the anomalies identified have been addressed as below:

Name of Project	Project Activity	Contract price Kshs	Current status
Ngala Memorial Girls Secondary School	Construction of storey building-administration block, staffroom and staff toilets and four (4) classrooms	13,527,398	Though there was no provision for the connection to a septic tank at the time of audit, the anomaly was rectified and is in use. Copies of approved code list, completion certificate and photos have been attached for review.
Ngala Memorial Girls Secondary School	Purchase of twenty (20) desktops computers reallocation from constituency innovation hub	900,000	20 Computers were delivered on 24/7/19. The 2 unfunctional computers were repaired and put into good use. Approved code list, photos, Inspection and acceptance certificate, the warranty certificate as well as the management letter from Ngala Memorial Girls Secondary school have been provided for review.
Ngerenya Secondary School	Purchase of 20 desktops computers - reallocation from constituency innovation hub	900,000	Computers were still packed in boxes as at the time of audit but were later opened and put into use. Approved code lists, photos, Inspection and acceptance certificate and warranty have been provided for review.
Kararacha Primary School	Construction of two (2) classrooms	2,400,000	The anomalies were promptly corrected, and the project was put into good use. Copies of approved lists, completion certificates, photos and a management letter from Kararacha Primary School have been provided for review.
Watamu Primary School	Construction of one classroom	1,200,000	In an effort to adhere to safety standards in project implementation, the NGCDFC conducted a thorough assessment of the situation and facilitated the corrective measures through the PMCs.

			Copies of approved lists, completion certificates, photos and a management letter.
Chumani Secondary School	Renovation of burnt Dormitory	2,400,000	A thorough assessment of the situation was conducted, and the corrective measures were implemented. The poor-quality wooden logs were replaced with quality material, and the project was completed and put into good use. Copies of approved code lists, completion certificates, photos and the management letter from Chumani Secondary School have been provided for review.
Total		21,327,398	

Committee Observations

619. **The Committee observed that the management submitted the approved code list, completion certificates, photos, inspection and acceptance certificates, the warranty certificate as well as the management letters for the six projects to the Office of the Auditor General for verification. The query was adequately addressed.**

5. Unimplemented Project

620. Annex 5 to the financial statements reflects Project Management Committee bank balance of Kshs. This balance includes an amount of Kshs.499,367.50 for Dzunguni Ezamoyo Water Project which was approved and budgeted for in 2013/2014 when the function was under National Government but has since been devolved to the County Government. However, the project did not take off despite disbursement of funds which remain idle in the project account. Further, the funds have not been re-allocated to another project.
621. Consequently, Management has not efficiently management public resources.

Management Response

622. The Project Management Committee indicated that the amount was not enough to carry out the project hence the project was not implemented. Considering the new NGCDF Act 2016, the NGCDFC could not allocate more resources to the project as water is a devolved function, and the new Act prohibited allocation of funds to devolved functions.
623. However, the funds have since been reverted back to the NGCDFC account and reallocated to Ezamoyo and Jeza Zhomu Primary Schools water harvesting projects.

Committee Observation

624. **The Committee observed that the reallocation approval by the NGCDF Board had been provided and verified by the Office of the Auditor General and the query adequately addressed.**

3.4.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/ 2020

1. Unsupported Bursaries

625. As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and transfers totalling to Kshs.42,328,797. The balance includes bursary payments amounting to Kshs.1,512,500 issued to one hundred and ninety-nine (199) students. However, as previously reported, the students' registration or admission numbers were missing. Consequently, the accuracy, completeness and validity of bursaries totalling Kshs.1,512,500 for the year ended 30 June 2020 could not be confirmed.

Management Response

626. The students without admission numbers were new admissions into secondary schools or tertiary institutions. Admission into the institutions was subject to payment of fees. The fund Management requested the students to ensure the respective institutions forwarded acknowledgement letters and payment receipts to the NGCDF office. Sample acknowledgment letters and receipts have been provided for review.

Committee Observation

627. **The Committee observed that the acknowledgment letters and receipts were provided and verified by the Office of the Auditor General and the query was adequately addressed.**

2. Unsupported Training Expenses

628. As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects use of goods and services totalling to Kshs.6,754,096. The balance includes training expenses amount of Kshs.1,126,852. However, the training plan and training needs assessment were not provided. Consequently, the accuracy, completeness and validity of training expenses totalling to Kshs.1,126,852 for the year ended 30 June 2020 could not be confirmed.

Management Response

629. In every financial year there are new projects which require Projects Management Committees. Before implementation of the projects these PMCs must be trained on procurement. The committee applies the needs assessment carried out by the Board. The NGCDF Committee is responsible for training of staff and Projects Management Committees as per Regulations 8(2e) of the National Government Constituencies Development Fund Regulations 2016. The training plan and needs assessment document have been provided as attached.

Committee Observation

630. **The Committee observed that the training plan and needs assessment document were provided by the management and verified by the Office of the Auditor General and the query adequately addressed.**

Other Matter

3. Budgetary Control and Performance

631. The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totalling to Kshs.209,706,519 and Kshs.139,338,795 respectively, resulting to an under-funding amounting to Kshs.

Kshs.70,367,724 or 34% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.209,706,519 and Kshs.135,434,702 respectively, resulting to an under expenditure amounting to Kshs.74,271,817 or 35% of the budget. The Management attributed the under absorption to delay in disbursements from the Board. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

632. The underfunding was due to a delay in receipt of funds. Copies of Copies of AIEs have been provided for review.

Committee Observation

633. **The Committee observed that the underfunding was occasioned by the late disbursement of funds by the National Treasury and the management availed the AIE's showing the late release of funds to the Office of the Auditor General for audit verification. The query was adequately addressed.**

4. Unresolved Prior Year Matters

634. In the audit report of the previous year, several issues were raised. However, the Management has not resolved all the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June 2019.

Committee Observation

635. **The Committee observed that the management addressed all unresolved matters from prior years and submitted their responses to the Office of the Auditor General for verification. The query was adequately addressed.**

Basis for Conclusion

5. Delay in Project Implementation

636. According to Projects Implementation Status Report as at 30 June 2020, the Fund had seventy (51) approved projects with a budget allocation totalling to Kshs.83,142,497. Thirty-four (34) projects with an allocation totalling to Kshs.42,850,000 were completed and in use, sixteen (16) projects with a budget amount of Kshs.39,092,497 were ongoing and one project with a total budget of Kshs.1,200,000 had not started during the audit in the month of February 2021. In the circumstances, I am unable to confirm whether the public obtained value for money for the delayed projects for the year ended 30 June 2020.

Management Response

No.	Project name	Activity	Amount	status
1	Watamu secondary school	Construction of storeyed 4 classrooms, administration block, staffroom, toilet and	5,500,000	Complete and in use

		Store		
2	Environment projects	Planting of 20,000 trees at the Roka Chiefs office (90,909), Matsangoni Chiefs office (90,909), Takaungu Chief's office (90,909) Gede Chiefs office (90,909), Watamu Chiefs office (90,909) Tezo Chiefs office (90,909), Kilifi Township Chiefs office (90,909), Hospital Chiefs office (90,909), Sokoni Chiefs office (90,909), Mtondia Chief's office (90,909), Ngerenya Chiefs office (90,909).	1,000,000	Reallocated to supply of 10,000 litres water tanks for rain water harvesting (Mtsanganyiko ,Madevu, Jacaranda and Arabuko primary schools)
3	Sidzeni primary school	Purchase of 2 ha of land	1,200,000	Complete and in use
4	Uyombo sec.school	Construction of a dormitory	2,000,000	Complete and in use
5	Sita primary school	Construction of 2 classrooms o completion	2,200,000	Complete and in use
6	Dabaso primary school	Renovation of 6 classrooms and 2 staffrooms (Raising of walls, Reroofing extension of the veranda, electrical works, external and internal plaster, floor works ,fitting of conduit pipes on windows steels, painting and decoration	1,500,000	Complete and in use
7	Watamu secondary school	Complete construction of a storeyed 4 classrooms and administration block (plaster works, floor works ,electrical works, plumbing and drainage works, painting and decoration	4,100,000	Complete and in use

8	Uyombo Girls' secondary school	Complete construction of a dormitory (Roofing doors, windows, plaster works, floor works, electrical works, plumbing and drainage works, painting and decoration	3,498,100	Complete and in use
9	Uyombo Girls' secondary school	Construction of an administration block	1,500,000	Complete and in use
10	Mnarani secondary school	Construction of administration block	1,500,000	Complete and in use
11	Kilifi North T.T.V.C	Construction of TTVC	10,000,000	Awaiting funds from the Ministry of Education
12	Mabirikani chiefs office	Construction of a chiefs office	1,000,000	Complete and in use
13	Mabirikani chief's office	Construction of chief's toilet	500,000	Complete and in use
14	Dabaso chief's office	Chief's office	1,000,000	Complete and in use
15	Dabaso chief's office	Chief's office toilet	500,000	Complete and in use
16	Kilifi North sub-county DCC's office	Construction of an administration block	2,094,397	Complete and in use

637. Copies of codelist for Watamu Secondary School toilet, completion certificates and photos for the projects and follow up on Sidzeni Primary School land have been provided for review.

Committee Observation

638. **The Committee observed that the management provided copies of the codelist for Watamu Secondary School toilet, completion certificates and photos for the projects, and follow up on Sidzeni Primary School land for verification to the Office of the Auditor General. The query was adequately addressed.**

6. Irregular Funding of Sports Project

639. The Management paid an amount of Kshs.238,000 as cash prizes to winners of the annual Kilifi Dhow Race held on 31 December 2019. This is contrary to Section 25(1) of the National Government Constituencies Development Fund Act, 2015 which states that 'A project or any part thereof which involves personal awards to any person in cash or in kind, shall be excluded from the list of projects submitted in accordance with Section 12 of the Act'. Consequently, the Management is in breach of the law.

Management Response

640. The management didn't pay any cash price to the winners, instead payment was done to Kilifi Boat Operators Association and Coast Sea Survival Organization as organizers of the tournament. The management (NGCDFC) was in breach of the law. However, through continuous training there has been improvement in projects implementation and law adherence. A list of cash award beneficiaries and the project photos have been availed for review

Committee Observation

641. **The Committee observed that the management provided the list of cash award beneficiaries and the project photos for verification to the Office of the Auditor General. The query was adequately addressed.**

7. Irregular use of Emergency Funds

642. The Management paid an amount of Kshs.1,101,540, under emergency projects, for lockers and chairs in secondary schools. This is contrary to Section 8(3) of the National Government Constituencies Development Fund Act, 2015 which states that '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'. The payment for the purchase of lockers and chairs was not unforeseen and therefore did not qualify to be treated as an emergency. Consequently, the Management is in breach of the law.

Management Response

643. The NGCDFC allocated emergency funds for purchase of desks as detailed below. This was necessary since it was examination period, and the named schools were not equipped as required. Since it was towards the end of a financial year and the expense could not wait for the year to lapse, the NGCDFC had to approve the expenditure.

Project Name	F/Year	Activity	Contract sum	Amount
Gede Secondary	2016/17	Supply of 80 lockers and 80 chair	488,000	249,000
F.B Tuva Secondary	2016/17	Supply of 80 lockers and 80 chair	488,000	249,000
Watamu Secondary	2019/20	Supply of 160 lockers and 60 chair	1,200,000	400,000
Ngala Memorial Girls Secondary School	2018/19 & 2019/20	Extra 350,000		223,540

Committee Observation

644. **The Committee observed that the matter was adequately addressed.**

8. Irregular Procurement of Projects

645. The Management incurred an amount of Kshs.38,778,938 on construction of classrooms in three (3) secondary schools. However, the Project Management Committees used restricted tendering method instead of open tender method. This is contrary to Section 102(c) of the Public Procurement and Asset Disposal Act, 2015, which states that 'An accounting officer of a procuring entity may use restricted tendering if there is evidence to the effect that there are only a few known suppliers of the whole market of the goods, works or services'. Consequently, Management is in breach of the law.

Management Response

646. The PMCs for the schools contravened the Public Procurement and Asset Disposal Act. However, continuous training has been undertaken to empower them. Subsequently there has not been any such similar issue.

Committee Observation

647. **The Committee observed that the matter was adequately addressed.**

3.4.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/ 2021

1. Unsupported Bursary Payments

648. The statements of receipts and payments reflect other grants and transfers totalling to Kshs.64,759,725 and as disclosed in Note 7 to the financial statements. The amount includes bursary payments amounting to Kshs.30,596,806 issued to students in secondary schools and tertiary institutions of Kshs.15,173,000 and Kshs.15,423,806 respectively. However, the students' registration and admission details were not provided for audit. In the circumstances, the accuracy and completeness of the bursary payments totalling Kshs.30,596,806 could not be confirmed.

Management Response

649. The list that had been provided during the audit still had gaps in the registration numbers as the students, especially the new form one students had not yet provided them. Follow up was done and are available. The beneficiaries' registration or admission numbers have been provided for review.

Committee Observation

650. **The Committee observed that the management submitted the beneficiaries' registration and admission details to the Office of the Auditor General for verification and the query was adequately addressed.**

Other Matter

2. Budgetary Control and Performance

651. The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs.215,446,953 and Kshs.162,990,350 respectively, resulting to an under-funding of Kshs.52,456,603 or 26% of the budget. Similarly, the Fund spent an amount of Kshs.147,178,174 against an approved expenditure budget of Kshs.215,446,953, resulting to

an under expenditure of Kshs.68,268,479 or 32% of the budget. The underfunding and under-expenditure affected the planned activities and might have impacted negatively on service delivery to the public.

Management Response

652. The underfunding and under-expenditure was due to delay in receipt of funds. The copy of AIEs have been provided for review.

Committee Observation

653. **The Committee observed that the issue arose due to delay in disbursement of funds from the exchequer. The AIEs were provided and verified by the Office of the Auditor General. The query was adequately addressed.**

3. Unresolved Prior Year Matters

654. In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Management Response

655. All the audit issues of the previous financial years have been responded to.

Committee Observation

656. **The Committee observed that the management addressed all unresolved matters from prior years and submitted their responses to the Office of the Auditor General for verification. The query was adequately addressed.**

Basis for Conclusion

4. Delay in Projects Implementation

657. According to the Projects Implementation Status Report as at 30 June 2021, the Fund had forty-six (46) approved projects with a budgetary allocation totalling to Kshs.137,088,879 for the year under review. Forty (40) of the projects with an allocation totalling to Kshs.98,484,975 were completed and in use, three (3) projects with a budgetary allocation of Kshs.20,003,904 were ongoing and three (3) projects with a total budget of Kshs.18,600,000 had not started as at the time of the audit in April 2022. The report also included nine (9) projects relating to previous financial years totalling Kshs.19,894,397 that were still ongoing at the end of the financial year. In the circumstances, the public did not obtain value for money spent on the delayed uncompleted projects.

Management Response

658. The details of the projects are as below:

Name	Financial year	Activity	Amount	Current status
Ongoing projects				
Kilifi North DCCs project	2020/2021	Construction of office	14,603,904	Complete and in use
Matsangoni Divisional Headquarters	2020/2021	Construction of offices	4,000,000	Complete and in use
Kilifi secondary	2020/2021	Renovation of a classroom and office	500,000	Complete and in use
Old ferry primary school	2020/2021	Construction of one classroom	900,000	Complete and in use
			20,003,904	
Not Started				
Gede mixed secondary school	2020/2021	Construction of a storey building consisting of 8 classrooms	7,000,000	Complete and in use
Gede mixed secondary school	2020/2021	Construction of a 6-door toilet	1,600,000	Complete and in use
RG Ngala secondary school	2020/2021	Construction of a storey building consisting of 8 classrooms	10,000,000	Ongoing, still waiting for more funds
			18,600,000	
Previous years ongoing				
Mayungu police post	2015/2016	Construction of a police post	3,500,000	Ongoing was allocated Kshs.500,000 for its completion
Sidzeni primary school	2018/2019	Purchase of 2 ha of land	1,200,000	Done, subdivision on going
Environment activities	2018/2019	Planting of trees	1,000,000	Completed
Kilifi North TTI (Co-funded)	2019/2020	Construction of TTI	10,000,000	This is a co-funded project between the Ministry of Education and NGCDF where NGCDF was to contribute Kshs. 10,000,000 and the rest by the Ministry of Education
Kilifi North DCCs project	2019/2020	Construction of office	2,094,397	Complete and in use

Watamu secondary school	2019/2020	Construction of a 6-door toilet	1,200,000	Complete and in use
			18,994,397	

659. Copies of completion certificates and photos have been provided for review.

Committee Observations

660. The Committee observed that:

- (i) Nine (9) projects were implemented and are in use.
- (ii) Three (3) projects are still ongoing from the FY2019/20.
- (iii) The management submitted the completion certificates and photos of the completed projects.

661. The query was adequately addressed.

5. Unexplained Disbursements of Funds to Projects Management Committee (PMC) Accounts above the Project Costs

662. The statement of receipts and payments reflects transfers to other Government units amounting to Kshs.68,657,152 to various PMC accounts for different projects. Review of the disbursements revealed that two (2) projects received funds above their cost as shown below:

School	Project Description	Project Cost Kshs.	Amount Disbursed as per Schedule Kshs.	Variance Kshs.
Mkwajuni Secondary School	Construction of 2 classrooms @ Kshs.2,200,000, Administration section of 65 people Capacity @ Kshs.2,900,000 and six (6) door flush toilets block @ Kshs.1.6M	6,532,598	8,228,000	1,695,402
Mkigirani Primary School	Construction of 2 classrooms of a Capacity of 65 people to completion	2,119,417	3,400,000	1,280,583
Total	8,652,015	11,628,000	2,975,985	

663. No explanation or justification was provided for the over-disbursement of funds. In the circumstances, value of money on amount disbursed over and above the project cost of Kshs.2,975,985 could not be confirmed.

Management Response

664. The NGCDF projects were approved by the Board as below:

School	Financial year	Activity	Amount approved
Mkwajuni secondary school	2019/2020	Construction of a block of 2 classrooms	2,200,000
Mkwajuni secondary school	202/2021	Construction of 2 classrooms @ Kshs.2,200,000 Administration section of 65 people Capacity @ Kshs.2,900,000 and six (6) door flush toilets block Kshs .1.6M	6,700,000
Mikingirini primary school	2019/2020	Construction of a block of 2 classrooms	2,200,000

665. The NGCDFC ensured that only approved funds were disbursed to the projects. The variances especially for Mkwajuni were funds for the previous year's project. However, for Mikingirini, there was an error of the schedule as only Kshs.2,200,000 was disbursed to the project. The code lists and bank statements have been provided for review.

Committee Observation

666. **The Committee observed that the management submitted the code lists and bank statements to justify the over disbursement of funds to the Office of the Auditor General for verification. Consequently, the query was satisfactorily addressed.**

6. Non-Submission of Bank Reconciliation Statements

667. The statement of assets and liabilities reflects bank balances of Kshs.15,811,876 as disclosed in Note 10A to the financial statements. However, the Fund Management did not submit the monthly bank reconciliation statements for the bank accounts to the County Treasury and a copy to the Office of the Auditor-General as stipulated in Section 90 (1) of the Public Finance Management (National Government) Regulations, 2015. No justification was provided for the non-compliance. In the circumstances, Management was in breach of the law.

Management Response

668. Cheque nos.07444 and 07458 of Co-operative Bank for gratuity had not been replaced at the time the account was being closed. They were then replaced as nos. 1727 and 1728 respectively amounting to Kshs.103,076 at Equity Bank. Further, cheque nos. 0023 & 0115 of Equity bank amounting to Kshs.103,076 were stale at the time of audit thus the financial statement was amended to correct the anomaly. The anomalies were all corrected by April 2022. Copies of the received bank reconciliation statements, bank statements and the cash book extracts have been provided for review.

Committee Observation

669. **The Committee observed that the bank reconciliation statements, bank statements and the cash book extracts were provided and reviewed by the Office of the Auditor General. The query was adequately addressed.**

3.4.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/ 2022

1. Other Grants and Transfers

670. The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.71,034,148 in respect of other grants and transfers. Included in this amount is bursary - tertiary institutions of Kshs.13,620,476, out records provided for enrollment for driving revealed that the bursary applicants requested for bursary after enrolling in various driving schools. Management did not provide evidence of the vetting of the applicants to confirm their eligibility. Further, out of Kshs.272,000 paid to the driving schools as bursaries, the amount of Kshs.182,000 was not supported by acknowledgement receipts. Further, no evidence was provided to confirm completion of the training and award of driving licenses to the beneficiaries.

In the circumstances, the occurrence and completeness of other grants and transfers amount of Kshs.71,034,148 could not be confirmed.

Management Response

671. The minutes indicating vetting criteria, acknowledgement receipts and licences have been provided for review.

Committee Observation

672. **The Committee observed that the minutes indicating vetting criteria, acknowledgement receipts and licenses were provided by management and verified by the Office of the Auditor General and the query adequately addressed.**

Emphasis of Matter

2. Budgetary Control and Performance

673. The summary statement of appropriation reflects final receipts budget and actual on a comparable basis of Kshs.205,440,758 and Kshs.192,193,817 respectively, resulting in an under-funding of Kshs.13,246,941 (6%) percent of the budget. Similarly, the Fund expended Kshs.185,372,177 against an approved budget of Kshs.205,440,758, resulting in an under-expenditure of Kshs.20,068,581 (10%) percent of the budget. The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

674. The underfunding and under-expenditure was due to a delay in receipt of funds. Copies of AIEs provided for review.

Committee Observation

675. The **Committee observed that the underfunding and under expenditure arose due to the late disbursement of funds by the National Treasury and the management availed the AIE's to the Office of the Auditor General for audit verification. The query was addressed.**

Other Matter

3. Unresolved Prior Year Matters

676. In the audit report of the previous year, several issues were raised. Management has not resolved and disclosed the status of all the prior year's matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided satisfactory explanation for the delay in resolving the audit issues.

Management Response

677. All the audit issues of the previous financial years have been responded to.

Committee Observation

678. **The Committee observed that the management addressed all unresolved matters from prior years and submitted their responses to the Office of the Auditor General for verification. The query was adequately addressed.**

4. Delayed Project Implementation

679. The statement of receipts and payments and as disclosed Note 6 to the financial statements reflects an amount of Kshs.102,677,277 in respect of transfers to other Government Units. Included in this amount is transfers to secondary schools of Kshs.45,433,552, out of which Kshs.6,000,000 was in respect of construction of a secondary school at Gede Primary School. Review of records provided and an interview with the Fund's Clerk of Works revealed that the contract for the construction of a storey building consisting of eight (8) classrooms for sixty five (65) persons and administration section was awarded on 19 August 2021 at a contract sum of Kshs.19,991,685 but the project had not started as at March 2023 due to an ongoing dispute over ownership of the land on which the building was to be erected.
680. Management did not explain why the contract was advertised and awarded before obtaining the land ownership documents and consulting the relevant Government Department on the ownership status of the land. This is contrary to Regulation 15(1) of the NGCDF Regulations, 2016, which states that, 'there shall be appointed a Project Management Committee for each project in a Constituency in accordance with Section 36 of the Act which shall implement projects in consultation with the relevant departments of government'. In the circumstances, Management was in breach of the law.

Management Response

681. The land that the school was to be constructed was to be hived from Gede Primary School, an existing public primary school. Since a dispute cropped up an alternative public land was sought where the project was implemented, completed and in use. Certificates of completion and photos of the project have been provided for review.

Committee Observation

682. **The Committee observed that the management availed the completion certificates and photos to the Office of the Auditor General for audit verification and the query was adequately addressed.**

5. Failure to Provide for Retention Money

683. The statement of receipts and payments reflects transfers to other Government units of Kshs.102,677,277 as disclosed in Note 6 to the financial statements. However, the tender forms/documents for fifty-three (53) projects with a total expenditure of Kshs.93,077,276 did not provide for retention money under special or general conditions of the contract to cater for defects before expiry of the defect's liability period. This exposed the Fund to risk of poor workmanship without recourse. In the circumstances, in case of poor workmanship, the risk of funds loss is high.

Management Response

684. The management used the standard tender document and in part III General conditions 34.1 and 46.1 the management provided six months as the defects liability period and the proportion of payments to be retained as 10% respectively. The management usually retains 10% and releases the 5% as last moiety after lapse of the defects liability period as provided in the tender documents I General conditions of contract no 34.1 and 46.1 All these projects are complete Sample Copies of the standard tender documents (GCC 34.1 & GCC 46.1) have been provided for review.

Committee Observation

685. **The Committee observed that the management submitted the standard tender documents (GCC 34.1 & GCC 46.1) for audit verification and the query was adequately addressed.**

3.5 MVITA CONSTITUENCY

687. The Fund Account Manager for **Mvita Constituency** appeared before the Committee on Thursday, 3rd April 2025, tabled the NG-CDF management responses and supporting documents on the audited accounts, and submitted as follows:

3.5.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/ 2017

1. Accuracy of the Financial Statements

688. The statement of assets reflects fund balance of Kshs. 41,973,050.38 as at 01 July 2017. However, the opening fund balance was at variance with the closing balance for the year 2015/2016 of Kshs.52,703,219.28 resulting to unreconciled variance of Kshs.10,730,168.90. In addition, the statement of cash flows reflects cash and cash equivalent as at 30 June 2016 of Kshs.52,703,219.54 while the cash and cash equivalent as at 01 July 2016 of Kshs. 41,973,050.38 resulting to unreconciled variance of Kshs.10,730,169.16. As a result, the statement of cash flow was inaccurate. In the circumstances, the accuracy and completeness of fund balance brought forward of Kshs. 41,973,050.38 as at 30 June 2017 could not be confirmed.

Management Response

689. The variance of Ksh. 10,730,168.90 was erroneously Captured as a transaction in 2015/2016 yet the funds had not been received in the bank. The variance comprised of Kshs.3,700,000, which were funds yet to be received from the board. The AIE was later received as Captured in the cashbook on 29th June 2017.

690. The balance of Kshs.7,030,169.90 were funds yet to be transferred from PMC Accounts. The funds were later transferred as Captured in the cashbook on 29th June 2017. The cashbook extract as at 30.06.2016 closing balance is Kshs.41,973,050.35.

The financial statement: - statement of assets 2015-2016 FY column has been reinstated.

Committee Observation

691. **The Committee observed that the management submitted the cashbook extract, copy of AIE and corrected financial statement to the Office of the Auditor General for audit verification, and the query was adequately addressed.**

2. Bank Balances

692. The statement of assets reflects the bank balance of Kshs.14,549,112 as at 30 June 2017. However, included in bank reconciliation statement are casting errors amounting to Kshs.114,670.47 dating all the way back to the year 2012. It has not been clearly explained why the errors have not been corrected for this long.

Consequently, the accuracy and completeness of bank balance of Kshs.14,549,112 as at 30 June 2017 could not be confirmed.

Management Response

693. The casting errors amounting to Kshs.114,670.47 have been corrected as per the attached cashbook extract, bank reconciliations and journal entry.

Committee Observation

694. **The Committee observed that the errors amounting to Kshs.114,670.47 were corrected, and the management submitted the cashbook extract, bank reconciliations and journal entry to the Office of the Auditor General for verification. The query was adequately addressed.**

3. Transfer of Other Government Units

695. The statement of receipts and payments reflect a figure of Kshs.70,745,970 in respect of transfers to other government units as detailed in Note 6 to the financial statements. Included in this is transfers to secondary schools' figure of Kshs.16,202,625 which includes a disbursement of Kshs.10,000,000 on 06 December 2016 for the conversion of Mvita Stima Primary School to a secondary school. However, the information available indicates that the project was found not to be viable and a request to reallocate the funds for construction of student hostels at Technical University of Mombasa has been declined by the NG-CDF Board. The management has not explained why proper feasibility studies were not undertaken before allocating funds to the project. As at the time of audit in February 2018, neither had the funds been utilized nor had they been returned. As a result, public funds are lying idle at the expense of other priority projects that should improve service delivery to residents of Mvita constituency.

696. In the circumstances, value for money from the expenditure of Kshs.10,000,000 for the year ended 30 June 2017 on transfers to other government units could not be ascertained.

Management Response

697. The funds were reallocated to the construction of a modern girls secondary (Mekatilili wa Menza girls). The project has been completed and in use as per attached approved reallocation letter from the NG-CDF Board, photo, completion certificate, certificates of good defects, ward forum report, NG-CDFC Minutes, PMC minutes and reallocation request to NG-CDF Board.

Committee Observations

698. **The Committee observed that:**

- (i) The Kshs.10,000,000 was reallocated to the construction of Mekatilili wa Menza Girls Secondary School.**
- (ii) The management requested the reallocation from the Board, and it was approved.**
- (iii) The project has been implemented and is in use.**
- (iv) The management submitted the photo of the project, completion certificate, certificates of good defects, ward forum report, NG-CDFC Minutes, PMC minutes, reallocation request to NG-CDF Board and the approved reallocation letter from the NG-CDF Board to the Office of the Auditor General for verification.**
- (v) The supporting evidence presented by management was satisfactory and the query was adequately addressed.**

4. Other Grants and Transfers

699. The statement of receipts and payments reflect a figure of Kshs.56,233,128 in respect of other grants and other payments for year ended 30 June 2017 as detailed in Note 7 to the financial statements. Audit verifications revealed the following anomalies:

4.1 Construction of Toilets at Social Halls

700. Included in other grants and other payments figure of Kshs.56,233,128 for the year ended 30 June 2017 is a figure of Kshs.5,000,000 in respect of other Capital grants and transfers. The figure of Kshs.5,000,000 relates to disbursement for the construction of toilets at Tononoka, Old Town, Tudor, Shimanzi and Mwembe Tayari social halls. Audit verifications revealed that although the funds were disbursed in January 2017, as at the time of audit in the month of November 2017, the projects had not been implemented. The information available indicates that the project could not be implemented because the activity is a devolved function. As a result, public funds amounting to Kshs.5,000,000 are lying idle at the expense of service delivery.

Management Response

701. NG-CDFC has allocated Kshs.5,000,000.00 for construction of five public toilets in each ward during the financial year 2015/2016. At the time we received the funds the projects were not viable for implementation due to the devolved function to the County. Hence the funds were reallocated to construction of a modern girls secondary (Mekatilili wa Menza girls). The Project has been completed and in use as per the attached approved reallocation letter from NG-CDF Board, photo, certificate of good defects, completion certificate, NG-CDFC Minutes and ward forum report.

Committee Observation

702. **The Committee noted that the management provided the approved reallocation letter from NG-CDF Board, photo, certificate of good defects, completion certificate, NG-CDFC minutes and ward forum report to the Office of the Auditor General for verification. The query was adequately addressed.**

4.2 Emergency Projects

703. Included in other grants and other payments figure of Kshs.56,233,128 for the year ended 30 June 2017 is a figure of Kshs.2,532,827 in respect of emergency projects. The figure of Kshs.2,532,827 includes the disbursement of Kshs.1,794,827 and Kshs.738,000 for construction of Tudor stairs and basic first aid and road safety respectively. Audit verification of the projects revealed that the same did not meet prerequisite conditions for emergency as per Section 8 (3) of NGCDF Act, 2015 which states that, "emergency" shall be construed to mean an urgent, unforeseen need 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'. It was not clearly explained why the projects could not have been included in the project proposal for the next financial year.

704. Further, there was no evidence of a report by the Constituency Development Fund Committee to the National Government Constituency Development Fund Board on the utilization of emergency vote as per Section 20 (2) of the National Government Constituency Development Fund Act regulations, 2016 which states that "the utilization of the emergency reserve shall be reported to the Board within thirty days of the occurrence of the emergency, in the format prescribed by the Board." The fund was therefore in breach of the law. In the circumstances, the occurrence, value for money and regularity of other grants and other payments figure of Kshs.56,233,128 could not be confirmed for the year ended 30 June 2017.

Management Response

705. Tudor stairs amounting to Kshs.1,794,827 were constructed in a cliff connecting *tudor kaa chonjo* village, St. Augustine Public Primary School and the main road. The cliff passage had been washed by heavy rainfall making it dangerous for passage of residents and pupils of St Augustine Public Primary School. The NGCDF Committee prioritized it as an emergency and the stairs were constructed to completion and are currently being used by residents as per attached photos.
706. The payment of Kshs.738,000 was for training youths (*boda boda* riders) of Mvita Constituency by Kenya Redcross on Basic First Aid and Road Safety. The skill was aimed at reducing road accidents by matatu drivers, small scale traders, conductors and *boda boda* riders. As per attached payments made to Kenya Redcross Mombasa branch and NG-CDFC minutes.
707. Monthly expenditure returned report for the month of March 2017 detailing the utilization of emergency vote was submitted. A copy is hereby attached for your reference.
708. Tudor stairs was an emergency project within the financial year constructed in a cliff connecting *tudor kaa chonjo* village, St. Augustine Public Primary School and the main road as per attached emergency NG-CDFC minutes.

Committee Observations

709. **The Committee observed that the disbursement of Kshs.2,532,827:**
- (i) **Constructed stairs in a cliff connecting *Tudor kaa chonjo* village, St. Augustine Public Primary School and the main road for a total cost of Kshs.1,794,827.**
 - (ii) **The Kenya Red Cross conducted a training session on Basic First Aid and Road Safety for the youth (*Boda Boda* riders) of Mvita Constituency, with a total cost of Kshs. 738,000.**
 - (iii) **The management provided photos of the stairs project, payment vouchers to Kenya Redcross Mombasa Branch, monthly expenditure report for the month of March 2017 detailing the utilization of emergency vote and NGCDFC minutes to the Office of the Auditor General for verification.**
 - (iv) **The query was adequately addressed.**

Other Matter

5. Budgetary Controls and Performance

710. According to the National Government Constituencies Development Fund Board's appropriation, during the financial year 2016-2017, Mvita Constituency Development Fund had an approved budget of 126,973,402 compared to the 2015/2016 budget of Kshs.124,194,643 representing a 2.2% rise. The Mvita Constituency Development Fund had a final budget of Kshs. 126,973,402 and received an allocation of Kshs. 104,031,659 being 81.9 % of the budget for the financial year under review. The CDF overall budget for the year under review was Kshs.126,973,402 against total expenditure of Kshs.138,559,364 resulting to overall over-expenditure of Kshs. 11,586,366 or 9% as summarized below:

Budget line	Final Budget Kshs	Expenditure Kshs	Under Absorption (Kshs)	Over-Absorption	Over-Absorption Under Absorption %
Compensation of Employees	3,447,552	3,371,987	75,565		2.2%
Use of goods and services	8,256,486	8,208,682	47,804		0.6%
Transfers to other government units	59,041,381	70,745,970	0	(11,713,589)	19.8%
Other grants and transfers	56,227,982	56,233,128	0	(5,146)	0.1%
Total	126,973,401	138,559,767	123,369	(11,718,735)	9.2% .09%

Management Response

711. The total approved budget omitted inclusion of balance brought forward of Kshs.41,973,050.38 in 2016/2017 financial year in the adjustments section of the Summary Statement of Appropriation, Recurrent and Development Combined. Evidence of received money (AIES) and financial statements have been corrected as per the attached copy of 2016-2017.

Committee Observation

712. The Committee observed that the management submitted AIEs and the financial statement for 2016/2017 to the Office of the Auditor General for audit review and the query was adequately addressed.

6. Project Implementation

713. According to the project implementation status report as at 30 June 2017, the following eleven (11) projects with a total budget of Kshs. 28,827,586 were not implemented during the period under review:

No.	Project Name	Activity	Approved Budget	Status
1	Mwembe Tayari toilet	Construction of a toilet	1,000,000	not started
2	Shimanzi toilet	Construction of a toilet	1,000,000	not started
3	Old town toilet	Construction of a toilet	1,000,000	not started
4	Tudor toilet	Construction of a toilet	1,000,000	not started
5	Tononoka toilet	Construction of a toilet	1,000,000	not started
6	Environment	Plant 1000 pieces of mangrove trees at Tudor to	837,931	not started

No.	Project Name	Activity	Approved Budget	Status
		preserve water and sea animals.		
7	Environment Sparki Primary School	Tree planting	400,000	not started
8	Environment Serani primary school	Tree planting	400,000	not started
9	Social Security Program	Support orphans, vulnerable children, older persons and persons with disabilities and destitute families.	8,189,655	not started
10	Ronald Ngala Primary School	Construction of a modern school football pitch.	4,000,000	not started
11	Mvita Stima Secondary	Conversion of Ziwani Primary into Secondary	10,000,000	not started
	Total		28,827,586	

714. Non-implementation of development projects affects delivery of goods and services to the public, and the intended purpose of the project may not be realized. It also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Mvita Constituency Development Fund Committee (CDFC).

Management Response

No.	Project Name	Activity	Approved Budget	Status
1	Mwembe Tayari toilet	Construction of a toilet	1,000,000	Kshs. 5,000,000 was reallocated to Mekatilili wa Menza Secondary school and the project is complete and in use as per attached approved reallocation, completion certificate, NG-CDFC minutes and photo
2	Shimanzi toilet	Construction of a toilet	1,000,000	
3	Old town toilet	Construction of a toilet	1,000,000	
4	Tudor toilet	Construction of a toilet	1,000,000	
5	Tononoka toilet	Construction of a toilet	1,000,000	
6	Environment	Plant 1000 pieces of mangrove trees at Tudor to preserve water and sea animals.	837,931	The funds were reallocated to Coast Girls High School painting works which is complete as per attached photo, approved reallocation and completion certificate.
7	Environment Sparki Primary School	Tree planting	400,000	Complete as per attached procurement documents, minutes and payments.

No.	Project Name	Activity	Approved Budget	Status
8	Environment Serani Primary School	Tree planting	400,000	Complete as per attached procurement documents, minutes and payments report
9	Social Security Program	Support orphans, vulnerable children, older persons and persons with disabilities and destitute families.	8,189,655	Social security funds had been reallocated to bursary for tertiary, and they were fully utilized. As per attached reallocation letter.
10	Ronald Ngala Primary School	Construction of a modern school football pitch.	4,000,000	Complete and in use as per attached, completion certificate and photo
11	Mvita Stima Secondary	Conversion of Ziواني Primary into Secondary	10,000,000	Reallocated to Mekatilili wa Menza Secondary School and school is complete and in use as per attached approved reallocation letter, completion certificate and photos
Total			28,827,586	

Committee Observation

715. The Committee observed that the NG-CDFC minutes, approved reallocation letter, procurement documents, completion certificates, photos and payment report for the eleven (11) projects were provided by the management and verified by the Office of the Auditor General and the query adequately addressed.

7. Project Inspection

716. Out of fifteen (15) projects inspected in the month of December 2017, eight (8) projects were found to have issues as indicated below:-

No.	Name of Projects	Activity	Project Expenditure	Remarks
1	Ganjoni Primary School	Construction of three toilets for students	1,000,000	Construction not complete, Toilet sinks were broken, and loose water taps
2	Ronald Ngala Primary School	Construction of three storey Building	13,491,381	Construction not complete
3	Mombasa Technical Training Institute	Purchase of Equipment for Radio Studio	4,000,000	Studio not in operation as some of the equipment had not been delivered
4	Tudor Primary Library	Fish pond	1,000,000	Project is stalled and not branded

No.	Name of Projects	Activity	Project Expenditure	Remarks
5	Mbheni Bondeni Primary Complex	painting, change of windows and doors of Bondeni and Mbheni primary complex	1,000,000	Noted poor finishing in toilets roof and hanging electrical cables and the project was not branded
6	Kindle Readers	E-Learning equipment	2,600,000	Out of the 120 equipment 80 equipment had not been distributed to schools. The 40 equipment delivered in the two schools were not operational.
7	Tudor Police Booth	Construction of borehole and purchase of furniture	650,000	Police booth turned into youth recreation centre
8	Fahari Primary School	Green house	999,780	Black net was used instead of ash white net.
	Total		24,741,161	

717. The following additional observations were made during project inspection

7.1 Construction of Fishponds at Makande and Tudor Schools

718. During audit inspection, it was observed that the projects with a total of Kshs.1,000,000 have stalled midway and are yet to be completed. The management attributed the status to safety concerns raised by the schools' management citing the project location which pose a danger to the schools' pupils. This implies that the school management were not consulted in the initiation of the project.

7.2 Construction of Estate Gates

719. During the year under review, the Fund disbursed a total of Kshs. 2,841,000 for the construction of four (4) estate gates. However, the contract and bills of quantities did not specify the location of where the gates were to be erected and material for construction. It was therefore not possible to verify the projects. The existence and project status could not be confirmed.

Management Response

No.	Name of Projects	Activity	Project Expenditure	Remarks
1	Ganjoni Primary School	Construction of three toilets for students	1,000,000	The school is complete and in use as per the attached photo.
2	Ronald Ngala Primary School	Construction of three storey Building	13,491,381	The project is complete and in use as per attached completion certificate and photo
3	Mombasa Technical Training Institute	Purchase of Equipment for Radio Studio	4,000,000	Studio in operation and equipment for radio

				studio were purchased and delivered as per attached confirmation letter from the principal and photos
4	Tudor Primary Library	Fishpond	1,000,000	Project is complete and in use as per attached photos
5	Mbheni Bondeni Primary Complex	painting, change of windows and doors of Bondeni and Mbheni primary complex	1,000,000	The project is complete and in use as per attached photo, completion certificate and branded photo
6	Kindle Readers	E-Learning equipment	2,600,000	All equipment had been distributed to schools and were operational as per the attached distribution list and photos.
7	Tudor Police Booth	Construction of borehole and purchase of furniture	650,000	The police booth is being used by <i>nyumba kumi</i> leadership under community policy and not as a youth recreation centre.
8	Fahari Primary School	Green house	999,780	Black net was used instead of ash white as per the recommendation from Agricultural officer.
	Total		24,741,161	

720. The fishponds at Makande and Tudor Schools are complete and in use as per attached photos, completion certificate and certificate of making good defects .

721. The estate gates were constructed at the following areas: Kaloleni Kidogo Basi, Sargoi Kipande, Inglani Kibokoni and Tudor areas. The gates were to enhance security in the estates (Mtaa).The material used to construct the gates was as per attached bill of quantities and photos.

Committee Observations

722. **The Committee observed that:**

- (i) The eight projects were completed and are in use.**
- (ii) The management submitted the completion certificates, branded photos for the projects, letter from the principal, distribution list for the kindle readers, and photos to the Office of the Auditor General for verification.**
- (iii) The query was adequately addressed.**

3.5.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/ 2018

1. Prior Year

1.1 Accuracy of the Financial Statements

723. As reported in 2016/2017, the statement of assets reflects comparative fund balance of Kshs.41,973,049 as at 1 July 2016. However, the opening fund balance was at variance with audited closing balance for the year 2015/2016 of Kshs.52,703,219.28 resulting to unreconciled variance of Kshs.10,730,170.28. In addition, the statement of cash flows reflects cash and cash equivalent of Kshs.41,973,050.38 as at 1 July 2016 while the 2015/2016 audited accounts reflected cash and cash equivalents of Kshs.52,703,219.54 as at 30 June 2016 resulting to unreconciled variance of Kshs.10,730,169.16. As a result, the statement of cash flow was inaccurate. In the circumstances, the accuracy and completeness of the fund balance brought forward of Kshs.41,973,049 and cash and cash equivalent of Kshs.41,973,050.38 as at 1 July 2016 could not be confirmed. This has not been corrected in the year under audit and therefore, the bank balance of Kshs.16,431,097 as at 30 June 2018 is not accurate.

Management Response

724. The financial statement for 2016/2017 which affected the balances for 2017/2018 has been amended. The variance of Kshs.10,730,168.90 was erroneously Captured as a transaction in 2015/2016 yet the funds had not been received in the bank. The variance comprised of Kshs.3,700,000, which were funds yet to be received from the board . The AIE was later received as Captured in the cashbook on 29th June 2017. See cashbook extract and copy of AIE. The balance of Kshs.7,030,169.90 were funds yet to be transferred from PMC Accounts. The funds were later transferred as Captured in the cashbook on 29th June 2017. See cashbook extract.

Committee Observations

725. The Committee observed that:

- (i) **The financial statement for 2016/2017 were amended to reflect the correct balance;**
- (ii) **The management provided the AIE and cashbook extract to the Office of the Auditor General for verification; and**
- (iii) **The query was adequately addressed.**

1.2 Bank Balances

726. As reported in 2016/2017, the statement of assets reflects bank balance of Kshs.16,431,097 as at 30 June 2018 (2016/2017 – Kshs.14,549,113). However, included in the bank reconciliation statement is casting errors amounting to Kshs.114,770.57 dating all the way back to the year 2012. In addition, included in outstanding cheques of Kshs.322,269 are three (3) stale cheques totaling 273,390 issued in the month of February and June 2017 and which had not been reversed in the cash book as at time of audit February 2019. It has not been clearly explained why the errors and the long outstanding cheques have not been corrected and updated in the cashbook for this long. Further, the audit also noted a payment in the bank of Kshs.190,630 made in August 2017 and which had not been recorded in the cash book as at 30 June 2018. Therefore, overstating the cash book balance of Kshs.16,431,097 as at 30 June 2018. Consequently, the accuracy and completeness of bank balance of Kshs.16,431,097 as at 30 June 2018 could not be confirmed.

Management Response

727. The casting errors amounting to Kshs.114,670.47 have been corrected as per the attached cashbook extract and journal entry. The amount of Kshs.273,290 for stale cheques were reversed in the cash book as per attached cashbook extracts. NG-CDF Mvita allocated Kshs.200,525 To Makupa Boys Secondary School as per attached approved reallocation. Funds were disbursed to the PMC as per the attached copy of the cheque and cash book extract.
728. Makupa Boys Secondary School paid the supplier Kshs.190,630 that was erroneously charged in Mvita main account since the goods had been supplied, and the project was complete Kshs.200,525 initially deposited in PMC account was reversed to the NG-CDF Mvita main account as per attached debit and credit voucher dated 24/07/2018 and Mvita NG CDF Bank statement.

Committee Observations

729. The Committee observed that:

- (i) The errors amounting to Kshs.114,670.47 were corrected;
- (ii) The stale cheques amounting to Kshs. 273,290 were reversed in the cash book;
- (iii) The management submitted the cashbook extracts, journal entry, approved allocation. debit and credit voucher to the Office of the Auditor General for verification; and
- (iv) The query was adequately addressed.

Other Matter

2. Budgetary Controls and Performance

2.1 Revenue Budget

730. According to the 2017/2018 National Constituencies Development Fund Board's Constituencies allocation, Mvita Constituency was allocated Kshs.98,189,655. However, according to the statement of receipts and payments, the Fund received a total of Kshs.73,515,516 as transfers from the National Constituencies Development Fund Board resulting to a shortfall of Kshs.24,674,139 or 25% of the targeted revenue. This may have affected implementation of planned projects for the benefit of the residents of Mvita Constituency. There is a need to do proper budgeting on a priority basis.

Management Response

731. There was a delay in disbursement of funds from the NG-CDF Board, however the funds were disbursed in the subsequent year as per the attached copy of AIEs.

2.2 Expenditure Budget

732. The summary statement of appropriations reflects a final budget a final budget of Kshs.142,849,112 for the financial year 2017/2018 against total actual expenditure of Kshs.71,643,532 resulting to under absorption of Kshs.71,205,580 or 50% as summarized below:

Budget line	Final Budget	Expenditure	Unspent Balance	% of Utilization
Compensation of Employees	3,767,707	2,087,787	1,679,920	55%

Use of goods and services	5,069,362	4,177,515	891,847	82%
Transfers to Other Government Units	50,484,738	45,392,240	5,092,498	90%
Other grants and transfers	74,173,251	19,985,990	54,187,261	27%
Other payments	9,354,054	0	9,354,054	0%
Total	142,849,112	71,643,532	71,205,580	50%

Management Response

733. The under absorption of funds is as explained in the table below;

Budget line	Final Budget	Expenditure	Unspent Balance	Reason for under absorption
Compensation of Employees	3,767,707	2,087,787	1,679,920	Gratuity fund to paid once contract ends
Use of goods and services	5,069,362	4,177,515	891,847	Balances brought forward
Transfers to Other Government Units	50,484,738	45,392,240	5,092,498	Delay in disbursements of funds from the board
Other grants and transfers	74,173,251	19,985,990	54,187,261	Delay in disbursements of funds from the board
Other payments	9,354,054	0	9,354,054	Delay in disbursements of funds from the board
Total	142,849,112	71,643,532	71,205,580	

Committee Observation

734. The Committee observed that during the year under review, the fund experienced a shortfall occasioned by the late disbursement of funds by the National Treasury and the management availed AIE's to the Office of the Auditor General for audit verification. The query was adequately addressed.

2.3 Project Implementation Status

735. According to the project implementation status report as at 30 June 2018, the following twelve (12) projects with a total budget of Kshs.38,169,267 were not implemented during the period under review:

No.	Project Name	Activity	Funds Disbursed (Kshs.)	Implementation Status
1	Mwembe Tayari toilet	Construction of a public toilet	1,000,000	not started
2	Shimanzi toilet	Construction of a public toilet	1,000,000	not started

3	Old town toilet	Construction of a public toilet	1,000,000	not started
4	Tudor toilet	Construction of a public toilet	1,000,000	not started
5	Tononoka toilet	Construction of a public toilet	1,000,000	not started
6	Star of the sea high school	Installation of windows, doors and furniture for the dining hall	1,300,000	not started
7	Allidina Visram	Purchase of water purifier model Nyati 11 500 reverse osmosis plant with a purifying Capacity of 500 liters per hour.	1,500,000	not started
8	Sharrif Nassir Girls High School	Construction of Social Hall and 2 classrooms with finishes.	3,000,000	not started
9	Mvita Primary School	Construction of a youth recreation centre consisting of a football pitch(seven a side)and swimming pool.	2,696,854	not started
10	Ronald Ngala Primary School	Construction of a modern school football pitch.	9,995,386	not started
11	Mvita Stima Secondary	Conversion of Ziwani Primary into Secondary	10,000,000	not started
12	Constituency Innovation Hubs	Installation of Satellite antenna, Router, Digital access kit at 4 sites	4,677,027	not started
Total			38,169,267	

736. Although two (2) of the projects had been implemented by the time of audit in the month of January 2019, delayed implementation of projects denies residents intended benefits. Non-implementation of development projects affects delivery of goods and services to the public, and the intended purpose of the project may not be realized. It also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the Mvita Constituency Development Fund Committee (CDFC).

Management Response

No.	Project Name	Activity	Funds Disbursed (Kshs)	Implementation Status
1	Mwembe Tayaritoilet	Construction of a public toilet	1,000,000	Reallocated to Mekatilili wa Menza Secondary School.

2	Shimanzi toilet	Construction of a public toilet	1,000,000	The project is complete and in use as per the attached photo, completion certificate and NG-CDFC minutes, approved reallocation letter.
3	Old town toilet	Construction of a public toilet	1,000,000	
4	Tudor toilet	Construction of a public toilet	1,000,000	
5	Tononoka toilet	Construction of a public toilet	1,000,000	
6	Star of the Sea High School	Installation of windows, doors and furniture for the dining hall	1,300,000	The windows were installed and furniture purchased for the dining hall.
7	Allidina Visram	Purchase of water purifier model Nyati 11 500 reverse osmosis plant with a purifying Capacity of 500 litres per hour.	1,500,000	Complete and in use as per attached PMC minutes, photos and completion certificate.
8	Sharrif Nassir Girls High School	Construction of Social Hall and 2classrooms with finishes.	3,000,000	Complete and in use as per attached completion certificate
9	Mvita PrimarySchool	Construction of a youth recreation centre consisting of a football pitch(seven a side)and swimming pool.	2,696,854	Complete and in use as per attached completion certificate and photos.
10	Ronald Ngala Primary School	Construction of a modernschool football pitch.	9,995,386	Complete and in use as per attached photo.
11	Mvita Stima Secondary	Conversion of Ziwani Primary into Secondary	10,000,000	Reallocated to Mekatilili wa Menza Secondary School which is complete and in use as per attached approved reallocation letter , completion certificate, NG-CDFC minutes, Ward forum report and photos.
12	Constituency Innovation Hubs	Installation of Satellite antenna, Router, Digital access kit at 4 sites	4,677,027	Innovation hubs were installed at Allidina Visram High School, Majengo Primary School , Sheikh Abdallah Alfarsy Secondary School and JKUAT Mombasa Campus as per attached documents
	Total		38,169,267	

Committee Observations

737. The Committee observed that:

- (i) The twelve projects were completed and are in use;
- (ii) The management submitted the completion certificates, photos for the projects, approved reallocation letter, PMC minutes, NGCDF minutes and ward forum report to the Office of the Auditor General for verification; and
- (iii) The query was adequately addressed.

2.4 Project Inspection

738. Audit inspection of seven (7) projects with a total of Kshs.23,200,000 during the month of January 2019 indicated the following state of affairs of the following specific projects: -

No	Name of Projects	Activity	Amount (Kshs)	Observations
1	Sharif Nassir Girls Secondary	Construction of 2 classroom and social hall	3,000,000	Construction in progress Project not branded
2	Sharif Nassir Girls Secondary School	Construction of Laboratory finishes, Gas fittings, painting, and furniture.	1,600,000	Project complete but not branded
3	Mama Ngina Girls Secondary School	Purchase of water purifier	1,600,000	Plant delivered and in operation. Project not branded
4	Ronald Ngala Primary School	Construction of three storey building	11,000,000	Construction is not complete. Project not branded
5	Mombasa Technical Training Institute	Purchase of Equipment's for Radio Studio	4,000,000	Studio not in operation
6	Tudor Primary School	Fishpond	1,000,000	Project is stalled and not branded
7	Makande Primary School	Fishpond	1,000,000	Project is stalled and not branded
Total			23,200,000	

Management Response

No.	Name of Projects	Activity	Amount(Kshs)	Observations
1	Sharif Nassir Girls Secondary	Construction of 2 classrooms and social hall	3,000,000	Complete and in use as per attached completion certificate and branded photo

2	Sharif Nassir Girls Secondary School	Construction of laboratory finishes, Gas fittings, painting and furniture.	1,600,000	Project completed and branded as per attached branded photos
3	Mama Ngina Girls Secondary School	Purchase of water purifier	1,600,000	Plant delivered and operational as per branded photo.
4	Ronald Ngala Primary School	Construction of three storey building	11,000,000	Complete and in use as per attached completion certificate and branded photo
5	Mombasa Technical Training Institute	Purchase of Equipment's for Radio Studio	4,000,000	Studio in operation currently running as Mvita FM 106.2 as per attached photos and letter from the school
6	Tudor Primary School	Fishpond	1,000,000	Project operational as per attached photos and completion certificate
7	Makande Primary School	Fishpond	1,000,000	Project operational as per attached completion certificate and branded photos
	Total		23,200,000	

Committee Observations

739. The Committee observed that:

- (i) The seven projects were completed and are in use;
- (ii) The management submitted the completion certificates, branded photos for the projects, and the letter from Mombasa Technical Training Institute to the Office of the Auditor General for verification; and
- (iii) The query was adequately addressed.

Basis for Conclusion

3. Transfer to Other Government Entities

740. Included in transfer to other government entities of Kshs.45,392,240 for the year ended 30 June 2018 as detailed in note 6 to the financial statements is transfers to primary schools of Kshs.34,692,240. Transfers to primary schools of Kshs.34,692,240 include two disbursements totaling Kshs.9,995,386 to Ronald Ngala Primary School for the construction of a modern football pitch. However, audit verifications revealed that the second disbursement of Kshs.5,995,386 was paid before the Project Management Committee submitted returns on how the first tranche of Kshs.4,000,000 was spent. This is contrary to Section 11 (1 -y) of National Government Constituency Development Fund Regulations 2016 which states that the Constituency Committee shall ensure that the returns are received from Project Management Committees before funding is released for each phase of the project being implemented. In the circumstances, the management was in breach of the law.

Management Response

741. The project was being funded in phases (1st phase 2016/2017 - Kshs.4,000,000, 2nd Phase 2017/2018 - Kshs.5,995,386). As at 30th June 2018 the project was ongoing and no payment certificate had been raised, therefore the Project Management Committee account had zero expenditure/ returns. See evidence of PMC Ronald Ngala football Pitch statement.

Committee Observations

742. The Committee observed that:

- (i) The project was funded in two phases in FY 2016/2017 and FY 2017/2018;
- (ii) The Project Management Committee submitted returns detailing the expenditure of the first tranche of Kshs.4,000,000;
- (iii) The expenditure returns of the second tranche of payment Kshs.5,995,386 were not submitted as the project was ongoing and no payment certificate had been raised;
- (iv) The management submitted the PMC Ronald Ngala football pitch statement, completion certificates and photos to the Office of the Auditor General for verification; and
- (v) The query was adequately addressed.

4. Bank Balances in Closed Projects

743. Annex 5 to the financial statements reflects bank balances of Kshs.48,227,265.88 in various Project Management Committees' bank accounts as at 30 June 2018. The annex includes balances for six (6) closed projects totaling Kshs.2,007,525 and which had not been refunded to the fund's main account as detailed below:

No.	PMC	Balance as at 30/06/2018 (Kshs.)
1	Makupa Primary School	159,928
2	Tudor Primary School	125,864
3	Mbheni Primary School	465,081
4	Sacred Heart Primary School	391,303
5	Ronald Ngala Primary School	517,052
6	Sereni Primary School Library	348,297
Total		2,007,525

744. This is contrary to Section 12 (8) of National Government Constituencies Development Fund Act, 2015 which states that all unutilized funds of the Project Management Committee shall be returned to the constituency account. Therefore, the management was in breach of the laws.

Management Response

745. The projects had not been refunded to the main account since the retention had not been paid per attached letter for the closure of PMC accounts.

Committee Observation

746. The Committee noted that management stated the balances for the six closed projects, totaling Kshs.2,007,525, had not been refunded to the main account because the retention had not been paid. Management later submitted a letter regarding the closure of the PMC accounts to the Office of the Auditor General for verification.

5. Unutilized Funds

747. Included in the list of project management committees' bank balances of Kshs.48,227,265.88 at annex 5 to the financial statements are six (6) projects with total disbursement of Kshs.15,000,000 as disbursed in the year 2016 as detailed below:

No.	Project Name	Activity	Date of Disbursement	Amount (Kshs.)
1	Mwembe Tayari public toilet	Construction of a toilet	06/12/2016	1,000,000
2	Shimanzi public toilet	Construction of a toilet	06/12/2016	1,000,000
3	Old town public toilet	Construction of a toilet	20/12/2016	1,000,000
4	Tudor public toilet	Construction of a toilet	20/12/2016	1,000,000
5	Tononoka public toilet	Construction of a toilet	20/12/2016	1,000,000
6	Mvita Stima Secondary	Conversion of Ziwani Primary into Secondary	06/12/2016	10,000,000
Total				15,000,000

748. The information available indicates that the toilet projects could not be implemented because the activity falls under devolved functions. In addition, the Kshs. 10,000,000 for conversion of Ziwani Primary into a secondary school has been lying in the project management committee's bank account since year 2016 after the NG-CDF Board declined to approve request to reallocate the funds to construct student hostels at Technical University of Mombasa. The management has not clearly explained why the above funds have not been returned to the main account to await reallocation. This implies allocation of funds to non-priority projects at the expense of more deserving projects that would improve service delivery to the residents of Mvita Constituency.

Management Response

749. The unutilized funds were reallocated to Mekatilili wa Menza Secondary school as per attached reallocation approval letter, NG-CDFC minutes, reallocation request schedules and ward forum report.

Committee Observation

750. **The Committee observed that the reallocation approval letter of funds transfer to Mekatilili Wa Menza Secondary School, NG-CDFC minutes, reallocation request schedules and ward forum report were provided by management and reviewed by the Office of the Auditor General. The query was adequately addressed.**

3.5.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/ 2019

1. Prior Year Matters

1.1. Accuracy of the Financial Statements

751. As reported in 2017/2018, the statement of assets and liabilities reflected comparative fund balance of Kshs.41,973,049 as at 01 July 2016. However, the opening fund balance was at variance with audited closing balance for the year 2015/2016 of Kshs.52,703,219.28, resulting to unreconciled and unexplained variance of Kshs.10,730,170.28. In addition, the statement of cash flows reflected cash and cash equivalents balance of Kshs.41,973,050.38 as at 01 July 2016 while the 2015/2016 audited accounts reflected cash and cash equivalents balance of Kshs.52,703,219.54 as at 30 June 2016, resulting to unreconciled and unexplained variance of Kshs.10,730,169.16. In the circumstances, the accuracy and completeness of the fund balance brought forward of Kshs.16,431,097 and the cash and cash equivalents balance of Kshs.34,629,174 as at 30 June 2019 could not be confirmed.

Management Response

752. The Financial statement for 2016/2017 which affected the balances for 2017/2018, has been amended. The variance of Kshs.10,730,168.90 was erroneously Captured as a transaction in 2015/2016 yet the funds had not been received in the bank.
The variance comprised of Kshs 3,700,000, which were funds yet to be received from the Board. The AIE was later received as Captured in the cashbook on 29th June 2017. See cashbook extract and copy of AIE .
753. The balance of Kshs.7,030,169.90 were funds yet to be transferred from PMC Accounts. The funds were later transferred as Captured in the cashbook on 29th June 2017. See cashbook extract.
754. The cashbook extract as at 30.06.2016 closing balance is Kshs.41,973,050.35. See cashbook extract.
755. The financial statement:- statement of assets 2015-2016 FY column has been reinstated. See corrected financial statement.

Committee Observation

756. **The Committee observed that there were unreconciled and unexplained variances in the financial statements. The management submitted the cashbook extract, copy of AIE and corrected financial statement to the Office of the Auditor General for verification. The query was adequately addressed.**

1.2. Inaccurate Bank Balances

757. As previously reported, the statement of assets and liabilities reflected bank balances of Kshs.34,629,174 as at 30 June 2019 (2017/2018 – Kshs.16,431,097). Included in the bank

reconciliation statement in the year 2017/2018 were casting errors amounting to Kshs.114,770 dating all the way back to the year 2012. However, the figure is included in the Fund's expenditure returns as at 30 June 2019 and as cashbook adjustments made in March 2019. However, no journal entries were availed to explain or support the adjustments.

Management Response

758. Journal entries were availed to support the adjustments as per attached copies, cashbook extract and bank reconciliations.

Committee Observation

759. **The Committee observed that the cashbook extract and bank reconciliations to support the adjustments were submitted to the Office of the Auditor General for verification. The query was adequately addressed.**

2. Inaccurate Bank Reconciliation Statements

760. The bank reconciliation statement in support of the bank balance of Kshs.34,629,174 includes bank charges of Kshs.3,030 which have not been charged as expenses. The Management has not explained why bank charges were included in the bank reconciliation statement instead of treating the charges as expenses incurred in the normal course of business. Consequently, the accuracy, and completeness of bank balance of Kshs.34,629,174 as at 30 June 2019 could not be confirmed.

Management Response

761. The bank charges of Kshs.3,030 were part of the charges made as payment in the cashbook on 24th June 2020 as per attached copy of cashbook extract.

Committee Observation

762. **The Committee observed that the cashbook extract highlighting the bank charges made as payment was submitted to the Office of the Auditor General for verification. The query was adequately addressed.**

Other Matter

3. Budgetary Controls and Performance

763. The summary statement of appropriation- recurrent and development reflects final receipts budget and actual on comparable basis of Kshs.187,265,187 and Kshs.124,046,373 respectively resulting to an under-funding of Kshs.63,218,814 or 34% of the budget. Similarly, the Fund spent Kshs.89,417,199 against an approved budget of Kshs.187,265,187 resulting to an under-expenditure of Kshs.97,847,987 or 52% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Mvita Constituency.

Management Response

764. Late disbursement from the board resulted to underfunding. However, the AIEs were received in the subsequent years as outlined in the table below.

FY	Date received	Amount
2018/2019	08/03/2021	55,040,875.50
2014/2015	16/03/2021	5,503,800.00
2016/2017	08/03/2021	837,931.00
2017/2018	08/03/2021	1,736,206.90
TOTAL		63,218,813.40

765. Copies of the AIEs are hereby attached for your review.

Budget line	Final Budget	Expenditure	Unspent Balance	Reason for under absorption
Compensation of Employees	5,174,224	2,753,149	2,421,075	Gratuity fund to paid once contract ends
Use of goods and services	9,167,252	5,475,373	3,691,879	Balances brought forward
Transfers to Other Government Units	74,927,433	48,963,520	25,963,913	Delay in disbursements of funds from the board
Other grants and transfers	97,929,278	30,532,590	67,396,688	Delay in disbursements of funds from the board and unutilized emergency funds awaiting reallocation approval from the Board.
Other payments		1,692,567	(1,692,567)	
Unallocated funds			67,000	AIA awaiting approval for utilization of funds
Total	187,265,187	89,417,199	97,847,987	

Committee Observation

766. **The Committee observed that the underfunding was occasioned by the late disbursement from the Board and the management availed the AIEs showing receipt of funds in the subsequent years to the Office of the Auditor General for audit verification. The query was adequately addressed.**

4. Projects Implementation Status

767. According to the projects implementation status report as at 30 June 2019, the fund completed nine (9) projects with total budget allocation of Kshs.16,200,000, six (6) projects with budgetary allocation of Kshs.52,500,000 were on-going while four (4) projects allocated Kshs.20,855,763 had not been started. Consequently, projects implementation as reported did not achieve the intended performance targets and so the public was denied the intended/planned benefits. Further, this casts doubts on the efficiency and effectiveness of the Fund's projects monitoring and evaluation system.

Management Response

768. The projects could not be implemented on time due to delay in disbursement of funds from the Board. However, the funds were received in the subsequent years and projects implemented as outlined in the table below.

No.	Project Name	Activity	Funds Disbursed (Kshs.)	Implementation Status
1	Mvita Primary School	Construction of a youth recreation centre consisting of a football pitch (seven a side) and swimming pool	4,803,145	Complete and in use as per attached completion certificate
2	Sparki primary school	Construction of Kitchen	5,000,000	Complete and in use as per attached completion certificate
3	Makande primary	Construction of a fence around the fishpond project	1,050,000	Complete and in use as per attached photos
4	Ronald Ngala Primary School	Construction of a modern school football pitch	10,504,612	Complete and in use as per attached completion certificate
5	Tudor primary	Construction of a fence around the fishpond project	1,050,000	Complete and in use as per attached completion certificate, certificate of good defects and photo
6	Star of Sea High School	Purchase of a school bus 44-seater	5,000,000	Complete and in use as per attached completion certificate
7	Sharriff Nassir Girls high School	Construction of social hall and two classrooms	3,500,000	Complete and in use as per attached completion certificate
8	Khamis High School	Re-roofing of 4no. Classrooms and painting of Library	1,600,000	Complete and in use as per attached completion certificate
9	Sheikh Abdalla Alfarsy Secondary School	Construction of 4no. classrooms and the science laboratory 5,300,000. Complete with furniture 100 stools at 700,000	6,000,000	Complete and in use as per attached completion certificate
10	Mama Ngina Girls	Additional funds for water purifier	200,000	Complete and in use as per attached inspection and acceptance report
	Makande Girls	Construction of social hall 4,000,000 and library 2,755,763.07	6,755,763	Complete and in use as per attached completion certificate.
	Tudor day High school	Construction of 4no. classroom	3,500,000	Complete and in use as per attached completion certificate.

Committee Observations

769. The Committee observed that:

- (i) Implementation of the projects was not done on time due to delay in disbursement of funds from the Board. The funds were received in the subsequent years and projects were implemented and are in use;
- (ii) The completion certificates, certificate of good defects, photos, inspection and acceptance report were submitted and reviewed by the Office of the Auditor General; and
- (iii) The query was adequately addressed.

5. Projects Inspection

770. Audit inspection of three (3) projects with total disbursements of Kshs.41,000,000 in the month of January 2020 revealed the following state of affairs:

No.	Project Name	Project Activity	Budgetary Allocation (Kshs.)	Observation
1	Ronald Ngala Primary School	Construction of Social Hall	16,000,000	Project complete but not in use due to lack of drainage system.
2	Ronald Ngala Primary School	Construction of a modern football pitch	20,000,000	Project on-going, halfway complete but fencing not yet done.
3	Sparki Primary School	construction of a modern kitchen	5,000,000	Project on-going, except the floor and plastering which had not been done.
Total			41,000,000	

771. As a result of the idle or incomplete projects, citizens of Mvita Constituency did not realize the intended benefits. This is an indication of poor projects monitoring and evaluation. The management should therefore put in place measures to ensure projects are implemented within the set time frames for the benefit of the residents of Mvita Constituency.

Management Response

No.	Project Name	Project Activity	Budgetary Allocation (Kshs.)	Observation
1	Ronald Ngala Primary School	Construction of social hall	16,000,000	Project complete in use as per attached completion certificate and photo
2	Ronald Ngala Primary School	Construction of a modern football pitch	20,000,000	Project complete in use as per attached completion certificate and photo
3	Sparki Primary School	Construction of a modern kitchen	5,000,000	Project complete in use as per attached completion certificate and photo
Total			41,000,000	

Committee Observation

772. **The Committee observed that all three projects were completed and are in use. The completion certificates and the photos were submitted and verified by the Office of the Auditor General and the query adequately addressed.**

Basis for Conclusion

6. Lack of Information Technology Governance

773. As previously reported, the Fund had not established an approved information and technology security policy. The fund information and communication technology functional objectives and goals might have lacked strategic direction.

Consequently, the effectiveness of information and communication technology functional objectives and goals could not be confirmed.

Management Response

774. Mvita operates as per attached information and technology security policy.

Committee Observation

775. **The Committee observed that the management established an information and technology security policy and submitted the policy to the Office of the Auditor General for verification. The query was adequately addressed.**

3.5.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/ 2020

1. Unresolved Prior Year Matters

1.1. Inaccuracy of the Financial Statements

776. As reported in 2017/2018, the statement of assets and liabilities reflected comparative fund balance of Kshs.41,973,049 as at 01 July 2016. However, the opening fund balance was at variance with audited closing balance for the year 2015/2016 of Kshs.52,703,219.28, resulting to unreconciled or explained variance of Kshs.10,730,170.28. In addition, the statement of cash flows reflected cash and cash equivalents balance of Kshs.41,973,050 as at 01 July 2016 while the 2015/2016 audited accounts reflected cash and cash equivalents balance of Kshs.52,703,219 as at 30 June 2016, resulting to unreconciled nor explained variance of Kshs.10,730,169. As a result, the statement of cash flows was not accurate. In the circumstances, the accuracy and completeness of the fund balance brought forward of Kshs.34,629,174 and cash and cash equivalents balance of Kshs.41,552,873 as at 30 June 2020 could not be confirmed.

Management Response

777. The financial statement for 2016/2017 which affected the balances for 2017/2018 has been amended. The variance of Ksh.10,730,168.90 was erroneously Captured as a transaction in 2015/2016 yet the funds had not been received in the bank.

The variance comprised of Kshs.3,700,000, which were funds yet to be received from the board. The AIE was later received as Captured in the cashbook on 29th June 2017. See cashbook extract and copy of AIE.

778. The balance of Kshs.7,030,169.90 were funds yet to be transferred from PMC Accounts. The funds were later transferred as Captured in the cashbook on 29th June 2017. See cashbook extract.

779. The cashbook extract as at 30.06.2016 closing balance is Kshs.41,973,050.35. See cashbook extract.
780. The financial statement ; - statement of assets 2015-2016 FY column has been reinstated.

Committee Observation

781. **The Committee observed that there were unreconciled and unexplained variances in the financial statements. The management submitted the cashbook extract, copy of AIE and corrected financial statement to the Office of the Auditor General for verification. The query was adequately addressed.**

1.2. Unconfirmed Bank Balances

782. As previously reported, the statement of assets and liabilities reflected bank balances of Kshs.41,552,873 as at 30 June 2020 (2018/2019 - Kshs.34,629,174). Included in the bank reconciliation statement in the year 2017/2018 were casting errors amounting to Kshs.114,770.57 dating way back to the year 2012. However, the cash book figure is included in the Fund's expenditure returns as at 30 June 2020 and as cashbook adjustments made in March 2020. However, no journal entries were availed to explain or support the adjustments. This is contrary to Regulation 103(1) and (2) of the Public Finance Management (National Government) Regulations, 2015 on accounting adjustments which states that '(1) Journal entries prepared for all adjustments shall be authorized by the accounting officer or an officer designated by him or her before posting them in a financial record (2). In all cases journal vouchers shall be supported by sufficient explanations, authorizations and documentation to facilitate accounting adjustments to be understood'. In the circumstances, the accuracy and completeness of bank balance of Kshs.41,552,873 could not be ascertained.

Management Response

783. Journal entries were availed to support the adjustments as per attached copies cashbook extract.

Committee Observation

784. **The Committee observed that the cashbook extract and bank reconciliations to support the adjustments were submitted to the Office of the Auditor General for verification. The query was adequately addressed.**

2. Other Receipts

785. The statement of receipts and payments for the year ended 30 June 2020 reflects other receipts (re-allocations) of Kshs.1,500,000. However, schedules, receipts and other relevant documents to support the re-allocation of Kshs.1,500,000 were not provided for audit review. Consequently, the accuracy and completeness of receipts of Kshs.51,514,000 for the year ended 30 June 2020 could not be confirmed.

Management Response

786. Amount of Kshs.1,500,000 was balance from a closed Project Management Committees account whose account name was the bibiwashafi cabro project. The bank statement is hereby attached for your review.

Committee Observation

787. The Committee observed that the bank statement to support the PMC account was submitted to the Office of the Auditor General for verification. The query was adequately addressed.

Other Matter

3. Budgetary Control and Performance

788. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.236,729,712 and Kshs.86,143,174 respectively resulting to an under funding of Kshs.150,586,538 or 64 of the budget. Similarly, the actual expenditure reflects a balance of Kshs.44,590,301 against an approved budget of Kshs.236,648,712 resulting to an under-expenditure of Kshs.192,058,411 or 81% of the budget. The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the constituents of Mvita Constituency.

Management Response

789. Late disbursement from the board resulted to underfunding . However, the AIEs were received in the subsequent years as outlined in the table below;

FY	Date received	Amount
2018/2019	08/03/2021	55,040,875.50
2014/2015	16/03/2021	5,503,800.00
2016/2017	08/03/2021	837,931.00
2017/2018	08/03/2021	1,736,206.90
2019/2020	08/03/2021	20,000,000.00
2019/2020	09/06/2022	49,367,724.00
2019/2020	02/09/2020	18,000,00.00
TOTAL		150,586,538

790. Copies of the AIEs are hereby attached for your review.

Budget line	FinalBudget	Expenditure	Unspent Balance	Reason for under absorption
Compensation of Employees	5,902,335	4,555,520	1,349,815	Gratuity fund to paid once contract ends
Use of goods and services	11,369,232	5,204,050	6,165,182	Balances brought forward and recurrent expenditure
Transfers to Other Government Units	91,160,330	9,218,528	81,941,802	Delay in disbursements of funds from the board
Other grants and transfers	125,232,355	23,800,000	101,432,355	Due to Covid -19 pandemic, the issuance of bursaries was not

				done since the schools were closed leading to under expenditure of the funds
Other payments	2,984,460	1,815,203	1,169,257	Delay in disbursements of funds from the board
Unallocated funds	81,000		81,000	AIA awaiting approval for utilization of funds
Total	187,265,187	89,417,199	97,847,987	

Committee Observations

791. The Committee observed that:

- (i) There was underfunding and under expenditure in the year under review occasioned by late disbursement of funds from the Board;
- (ii) The management availed the AIE's showing the late release of funds to the Office of the Auditor General for audit verification; and
- (iii) The query was adequately addressed.

4. Projects Implementation Status

792. According to the projects implementation status report as at 30 June 2020, the Fund completed nine (9) projects with total budget allocation of Kshs.17,500,000, six (6) projects with budgetary allocation of Kshs.52,500,000 were on-going while four (4) projects allocated Kshs.20,355,763 had not been started. No explanation was provided as to why projects which started in 2015/2016 financial year have not been completed to date. The underperformance in the implementation of ten (10) ongoing and not started projects with an expenditure budget of Kshs.72,855,763 affected the planned activities and may have impacted negatively on service delivery to citizens.

Management Response

793. The underperformance of ongoing and not started project was as a result of delay in disbursement of funds from the Board and Covid -19 Pandemic. However, the funds were received in the subsequent years and projects implemented as outlined in the table below.

No.	Project Name	Activity	Funds Disbursed (Kshs.)	Implementation Status
1	Mvita Primary School	Construction of a youth recreation centre consisting of a football pitch (seven a side) and swimming pool	4,803,145	Complete and in use as per attached completion certificate
2	Sparki Primary School	Construction of Kitchen	5,000,000	Complete and in use as per attached completion certificate

3	Makande Primary	Construction of a fence around the fishpond project	1,050,000	Complete and in use as per attached photos
4	Ronald Ngala Primary School	Construction of a modern school football pitch	10,504,612	Complete and in use as per attached completion certificate
5	Tudor Primary	Construction of a fence around the fishpond project	1,050,000	Complete and in use as per attached photo
6	Star Of Sea High School	Purchase of a school bus 44-seater	5,000,000	Complete and in use as per attached pre-delivery inspection report (documents) and photos
7	Sharriff Nassir Girls High School	Construction of social hall and two classrooms	3,500,000	Complete and in use as per attached completion certificate
8	Khamis High School	Re-roofing of 4no. Classrooms and painting of library	1,600,000	Complete and in use as per attached completion certificate
9	Sheikh Abdalla Alfarsy Secondary School	Construction of 4no. classrooms and the science laboratory 5,300,000. Complete with furniture 100 stools at 700,000	6,000,000	Complete and in use as per attached completion certificate
10	Mama Ngina Girls	Additional funds for water purifier	200,000	Complete and in use as per attached inspection and acceptance report
11	Makande Girls	Construction of social hall 4,000,000 and library 2,755,763.07	6,755,763	Complete and in use as per attached completion certificate
12	Tudor Day High School	Construction of 4 no. classroom	3,500,000	Complete and in use as per attached completion certificate

794. Projects which started in the financial year 2015/2016 have not been completed to date since some of the projects were devolved functions. A request for reallocation to other projects was approved. The projects were implemented and complete and in use. See attached reallocation letter, completion certificate and photos

Committee Observations

795. **The Committee observed that:**

- (i) **The underperformance was occasioned by the late disbursement of funds by the Board and Covid -19;**
- (ii) **The funds were received in the subsequent years and the projects implemented, and in use;**

- (iii) **Projects initiated in the FY 2015/2016 remain incomplete to date, primarily due to the fact that some of these projects fall under devolved functions;**
- (iv) **Management availed the reallocation letter, completion certificates and photos to the Office of the Auditor General for audit verification; and**
- (v) **The query was adequately addressed.**

Basis of Conclusion

5. Project Management Committee Bank Balances

796. Annex 4 to the financial statements for the year ended 30 June 2020 reflects Project Management Committee bank balances amounting to Kshs.51,757,291, out of which funds totalling to Kshs.19,100,000 belonging to three (3) schools were lying idle in the bank accounts since the projects were complete. This is contrary to Section 12(8) of the National Government Constituencies Development Fund Act, 2015 which states that ‘all unutilized funds of the Project Management Committee shall be returned to the constituency account’. Therefore, the Management was in breach of the law.

Management Response

797. The Kshs.19,100,000.00 was not unutilized funds since the projects had not started. The projects were implemented as below.

Name of project	Amount	Activity
Mvita Secondary School	10,000,000	The funds were reallocated to Mekatilili wa Menza Secondary School. The school is complete and in use as per attached approved reallocation letter, completion certificate and photo
Khamis High School	1,600,000	Purchase of water purifier which is complete and in use as per attached photo
Mvita Primary School	7,300,000	Construction of a youth recreation centre consisting of a football pitch (seven a side) and swimming pool. The project is complete and in use as per attached completion certificate and photo

Committee Observation

798. **The Committee noted that the unutilized funds amounting to Kshs.19,100,000.00 were redirected towards the implementation of three projects, all of which are currently in use. To support this, management submitted the approved reallocation letter, along with completion certificates and photographs, to the Office of the Auditor General for audit review. The query adequately addressed.**

Committee Recommendation

799. **The Committee recommends that the matter stands resolved.**

6. Information Technology Governance

800. As previously reported, the Fund had not established an approved IT security policy as at 30 June 2020 and so the Fund's information and communication technology functional objectives and goals might have lacked strategic direction.

Management Response

801. Mvita operates as per attached information and technology security policy.

Committee Observation

802. **The Committee observed that the management established an information and technology security policy and submitted the policy to the Office of the Auditor General for verification. The query was adequately addressed.**

3.5.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021

1. Cash and Cash Equivalents

803. The statement of assets and liabilities reflects cash and cash equivalents totalling Kshs.42,208,016. However, the following anomalies were, however, noted in relation to the balance:

1.1 Inaccuracies of Balances Brought Forward

804. The statement of assets and liabilities reflects a cash and cash equivalents brought forward balance totalling Kshs.41,552,873. However, as reported in the previous year, the opening fund balance totalling Kshs.41,973,050 for the financial year 2016/2017 was at variance with the audited closing balance totalling Kshs.52,703,219 for the year 2015/2016, resulting to an unexplained variance of Kshs.10,730,169. Further, the statement of cash flows reflects cash and cash equivalents totalling Kshs.42,208,016. However, as reported in previous years, the statement of cash flow for the year ended 30 June 2017 reflected cash and cash equivalents totalling Kshs.41,973,050 as at 1 July 2016 whereas the 2015/2016 audited accounts reflected cash and cash equivalents totalling Kshs.52,703,219 as at 30 June 2016, resulting to a variance of Kshs.10,730,169 which was not explained. These discrepancies have never been resolved.

Management Response

805. The Financial statement for 2016/2017 which affected the balances for 2017/2018 has been amended. The variance of Ksh. 10,730,168.90 was erroneously Captured as a transaction in 2015/2016 yet the funds had not been received in the bank.
806. The variance comprised of Kshs. 3,700,000, which were funds yet to be received from the board . The AIE was later received as Captured in the cashbook on 29th June 2017. See cashbook extract and copy of AIE.
807. The balance of Kshs.7,030,169.90 were funds yet to be transferred from PMC Accounts. The funds were later transferred as Captured in the cashbook on 29th June 2017.see cashbook extract.
808. The cashbook extract as at 30.06.2016 closing balance is Kshs.41,973,050.35. See cashbook extract.
809. The financial statement:- statement of assets 2015-2016 FY Column has been reinstated. See corrected financial statement.

Committee Observation

810. **The Committee observed that there were unreconciled and unexplained variances in the financial statements. The management submitted the cashbook extract, copy of AIE and corrected financial statement to the Office of the Auditor General for verification. The query was adequately addressed.**

1.2 Stale Cheques

811. The bank reconciliation statement as at June 2021 reflects unrepresented cheques balance totalling Kshs.30,016,118 which includes two cheques, totalling Kshs.48,000 that were stale as at 30 June 2021 but had not been reversed in the cash book. No explanation was provided for the failure to reverse the stale cheques.

Management Response

812. The stale cheques of Kshs.48,000 were reversed in the cash book as per attached cash book extract.

Committee Observation

813. **The Committee observed that the stale cheques amounting to Kshs.48,000 were reversed and the cashbook extract was provided and verified by the Office of the Auditor General and the query was adequately addressed.**

1.3 Unrecorded Bank Charges

814. The bank reconciliation statement reflects payments in bank not in cashbook totalling Kshs.33,540. Records provided for audit indicated that the payments related to bank charges levied between July 2020 and June 2021. However, Management did not explain why the bank charges were not posted in the cash book. In view of these anomalies, the accuracy and completeness of the cash and cash equivalents balance totalling Kshs.42,208,016 could not be confirmed.

Management Response

815. The bank charges of Kshs.33,540 have been paid in the cash book as per attached cashbook extract and bank reconciliation

Committee Observation

816. **The Committee observed that the bank charges amounting Kshs.33,540 were recorded in the cash book. The cash book extract was provided and verified by the Office of the Auditor General, adequately addressing the query.**

2. Unsupported Projects Management Committee (PMC) Account Balances

817. Note 17.4 to the financial statements under other Important disclosures, reflects PMC Account Balances totalling Kshs.120,240,030 as further disclosed in Annex 5 to the financial statements. However, the respective bank reconciliation statements, bank account statements and certificates of bank balances were not provided for audit review. In the circumstances, the accuracy and completeness of the PMC balances totalling

Kshs.120,240,030 could not be confirmed.

Management Response

818. The bank statements and bank reconciliation statement for Project Management Committee accounts are attached.

Committee Observation

819. The Committee noted that the bank statements and bank reconciliation statement for Project Management Committee accounts were submitted and verified by the Office of the Auditor General, adequately addressing the query.

Other Matter

3. Budgetary Control and Performance

820. The summary statement of appropriation reflects the final revenue budget and actual amounts on comparable basis totalling Kshs.287,631,660 and Kshs. 203,989,909 respectively, resulting to a shortfall of revenue of Kshs.83,641,751 or 29% of the budget. Similarly, the Fund expended Kshs.203,534,766 against an approved budget of Kshs.287,631,660, resulting to under-expenditure of Kshs.84,096,894 or 29% of the budget. The shortfall of revenue and under-expenditure constrained implementation of t planned activities and may have hampered the Fund’s Capacity to deliver services to the constituents of Mvita Constituency.

Management Response

821. Late disbursement from the board resulted to underfunding. However, the AIEs were received in the subsequent years as outlined in the table below.

FY	Date received	Amount
2020/2021	23/07/2021	49,367,724
2019/2020	09/06/2022	32,000,000
TOTAL		81,367,724

822. Copies of the AIEs are hereby attached for your review.

Budget line	Final Budget	Expenditure	Unspent Balance	Reason for under absorption
Compensation of Employees	6,848,828	4,512,571	2,536,267	Gratuity fund to paid once contract ends
Use of goods and services	13,589,839	6,379,250	7,210,589	Balances brought forward and recurrent expenditure
Transfers to Other Government Units	142,580,598	126,573,067	16,007,531	Delay in disbursements of funds from the board
Other grants and transfers	123,782,396	64,070,622	59,711,774	Delay in disbursements of funds from the board

Acquisition of assets	830,000	830,000	0	
Other payments			1,169,257	Delay in disbursements of funds from the board
Total	287,631,660	203,534,766	84,096,894	

Committee Observation

823. **The Committee observed that the underfunding was occasioned by the late disbursement from the Board and the management availed the AIEs showing receipt of funds in the subsequent years to the Office of the Auditor General for audit verification. The query was adequately addressed.**

4. Unresolved Prior Year Matters

824. The audit report for the year ended 30 June 2020 highlighted several issues relating to balances reflected in the financial statements. Management's report on follow-up of the auditor's recommendations, appended to the financial statements for the year under review, indicates that the issues have since been resolved. The actual status of the issues shall be confirmed after they are discussed by Parliament.

Committee Observation

825. **The Committee observed that the issues raised had been addressed in the subsequent financial year and the query was adequately addressed.**

Committee Recommendation

826. **The Committee recommends that the matter stands resolved.**

3.5.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022

1. Payments in the Bank Statement not in the Cash Book

827. The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs 36,473,873 and discloses in Note 10A to the financial statements however, review of the related bank statement reconciliation statements revealed payments in the bank statements not recorded in the cash book amounting to Kshs.72,555 relating to the period 11 July 2020 to 30 September 2022.

Management Response

828. Kshs.72,555 were bank charges. The bank charges were later credited in the cash book. See attached cashbook extract.

Committee Observation

829. **The Committee observed that the bank charges amounting Kshs.72,555 were recorded in the cash book. The cash book extract was provided and verified by the Office of the Auditor General, adequately addressing the query.**

2. Budgetary Control and Performance

830. The Summary statement of appropriation reflects that the Fund spent Kshs.244,456,892 against an approved budget of Kshs.280,390.766 resulting to an under-utilization of Kshs.36,473,873 or 13% of the budget.

Management Response

831. The underperformance was due to a delay in disbursement of funds from the Board.

Committee Observation

832. **The Committee noted that the underperformance was due to delayed fund disbursement from the Board. The management did not avail the payment schedule, completion certificates, code list and photos for audit review. The query was partially addressed.**

Committee Recommendation

833. **The Committee recommends that within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, Cap.412B the Accounting Officer should submit the completion certificates to the National Assembly.**

Report on Lawfulness and Effectiveness in Use of Public Resources

3. Unutilized Emergency Funds

834. The statement of liabilities reflects cash and cash equivalents balances of Kshs.36,473,873 which includes Kshs.6,563,676 relating to emergency funds for the financial year 2020/2021.

Management Response

835. The funds have been reallocated as per the attached approved letter from the board and transferred to the PMC account as per the attached bank statement and approved reallocation letter. The projects have been implemented and are complete and in use as per photo.

Committee Observations

836. **The Committee observed that:**

- (i) Kshs. 6,563,676 allocated for emergency funds in the financial year 2020/2021 was reallocated and successfully used to implement projects that are now completed and operational;**
- (ii) The Management submitted the approved reallocation letter from the Board and project photo to the Office of the Auditor General for verification; and**
- (iii) The query was adequately addressed.**

4. Bank Balances for Closed Projects

837. The financial statements reflect 32 Projects Management Committees' bank accounts totaling to Kshs.93,437,369. This balance includes banks balances nineteen (19) closed projects totaling to Kshs.519,419 which had not been returned to the Fund main account. This is contrary to section 6(4) of the National Government Constituency Development Act, 2015.

Management Response

838. The projects had retention funds in the account and that couldn't be closed. But some of them

have been closed after the release of the retention funds see attached copy of bank statements.

Committee Observation

839. The Committee observed that the management submitted bank statements to the Office of the Auditor General for verification. The query was adequately addressed.

5. Uninsured Assets

840. Annex 4 to the financial statements reflects summary of fixed assets register historical cost balance of Kshs.3,180,378. However, no evidence was provided to show that the listed assets were insured in compliance with section 36(3) of the National Government Constituency Development Act 2015 which requires all assets, including equipment bought under this Act for use by the Constituency Committee be the property of the Board and shall be insured in the name of the Board. In the circumstances, the security of the Fund's assets could not be confirmed.

Management Response

841. The management will allocate funds to insure the assets. Our administration budget was limited.

Committee Observation

842. The Committee observed that the matter was adequately addressed.

6. Unutilized Assets

843. The statement of receipts and payments reflects use of goods and services amount of Kshs.15,042,139 which ,as disclosed in Note 5 to the financial statement includes Kshs. 533,384 relating to other operative expenses. This amount turn includes Kshs.120,000 incurred towards procurement of four (4) 5,000 litres Capacity water tanks for Kikowani and Kaloleni Primary Schools. However, a physical verification done in the month of August 2022 revealed that the tanks were supplied but had not been put into use.

Management Response

844. The tanks were supplied, delivered, installed and in use currently. At the time of audit there was no rain thus could not be used since there was no water flowing in , but currently they are in use as per attached photo.

Committee Observation

845. The Committee observed that the management submitted photos showing that the tanks were installed to the Office of the Auditor General for verification. The query was adequately addressed.

7. Irregularities in Procurement of Goods and Services

846. Audit examination of various procurement processes undertaken during the year under review revealed irregularities in various projects as detailed below:

7.1 Non – Conformity with ninth schedule in professional opinion

847. The statement of receipts and payments for the year ended 30 June 2022 reflects transfers to other government entities of Kshs. 93,674,778 as disclosed in Note 6 to the financial statements.

However, a review of all professional opinions provided for audit review did not comply with the format prescribed in the ninth schedule of the Public Procurement and Asset Disposal Regulations, 2020, Regulations. Areas of non-compliance included legal and practical aspects of the tender. In the circumstances, the Fund is in breach of the law.

No.	Aspect	Basis
1	A brief background statement of the procurement/asset disposal proceeding from planning to tender evaluation	There was no mention of the planning process, requisition and advertisement.
2	State whether due diligence was conducted on the successful bidder	There was no mention of due diligence applicability or undertaken)
3	Confirm if adequate funds are set aside (budgeted) for the procurement/asset	There was no mention of availability of funds set aside

Management Response

848. The non-conformity with ninth schedule in professional opinion has been noted and the template has been adopted in the subsequent procurements.

Committee Observation

849. **The Committee observed that the management did not fully comply with the format prescribed in the ninth schedule of the Public Procurement and Asset Disposal Regulations, 2020.**

Committee Recommendation

850. **The Committee recommends that the Accounting Officer should at all times ensure compliance with the professional opinion format prescribed under the Ninth Schedule in Public Procurement and Disposal Regulations, 2020 during the procurement of goods and services.**

7.2 Non- Preparation of Monthly Progress reports

851. The audit did not observe monthly reports from the head of procurement to the Accounting Officer in compliance to Section 152 of the Public Procurement and Assets Disposal Act, 2015 which states that ‘the head of the procurement function shall prepare monthly progress reports of all procurement contracts of the procuring entity and submit them to the accounting office’.

Management Response

852. NG-CDF Mvita works with the sub-county Supply Chain Management Officer as the head of procurement. The head of procurement has been advised accordingly.

Committee Observation

853. **The Committee observed that the query was adequately addressed.**

8. Lack of Risk Management policy and data recovery strategy

854. As at the time of the audit, the Fund had not yet formulated a Risk Management policy. Further, there was no disaster recovery and business continuity plan in place.

Management Response


855. NG-CDF Mvita operates a Risk Management Policy and has an operational Disaster Recovery and Business Continuity Plan. Copies submitted.

Committee Observation

856. The Committee observed that the management provided the Risk Management Policy and Disaster Recovery & Business Continuity Plan. The query was adequately addressed.

Sign:  Date: 2nd Dec, 2025

HON. DR. (Arch) GIDEON MULYUNGI, CBS, EBS, M.P.
CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

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

MINUTES OF THE 78TH SITTING OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE HELD ON MONDAY, 24TH NOVEMBER 2025, IN GARDEN SUITS, HILTON GARDEN INN HOTEL, MACHAKOS COUNTY AT 3:00 P.M.

PRESENT

1. **Hon. Gideon Mutemi Mulyungi, CBS, EBS, MP** **Chairperson**
2. Hon. Innocent Momanyi Obiri, MP
3. Hon. K'Oyoo, James Onyango, MP
4. Hon. Adhe Guyo Wario, MP
5. Hon. Richard Cheruiyot Kilel, MP
6. Hon. Adhe Guyo Wario, MP
7. Hon. Martin Wanyonyi Pepela MP
8. Hon. Caroline Jeptoo Ng'elechei, MP
9. Hon. David Mboni Mwalika, MP
10. Hon. Stephen Mogaka, MP
11. Hon. Dorothy Muthoni, Ikiara, MP

APOLOGIES

1. **Hon. Gertrude Mwanyanje Mbeyu, MP** **Vice Chairperson**
2. Hon. Abdi Barre Hussein, MP
3. Hon. Reuben Kipngor, Kiborek, MP
4. Hon. Jackson Lentoijoni, Lekumontare, MP

IN-ATTENDANCE

SECRETARIAT

1. Mr. Oscar Namulanda - Deputy Director
2. Mr. Ahmad Guliye - Clerk Assistant I
3. Mr. John Mutinda - Clerk Assistant III
4. Ms. Sharon Koskei - Clerk Assistant III
5. Mr. Peter Barasa - Legal Counsel II
6. Ms. Elizabeth Kibati - Research Officer III
7. Mr. Wilson Mwangi - Fiscal Analyst II
8. Ms. Winfred Kiziah - Media Relations Officer I
9. Mr. Benson Muchiri - Audio Officer III
10. Mr. Wilson Angatangoria - Sergeant at Arms
11. Ms. Rahima Manzura - Personal Secretary

MIN.NO.NA/DAA&GPC/ DFAC/2025/423

PRELIMINARIES

The Chairperson called the meeting to order at 3:00 p.m. followed by a word of prayer. He thereafter invited all present to introduce themselves.

**MIN.NO.NA/DAA&GPC/ DFAC/2025/424 CONSIDERATION AND ADOPTION OF
THE NINTH REPORT OF THE
COMMITTEE ON ITS EXAMINATION
OF THE AUDITED FINACIAL
STATEMENTS OF THE NATIONAL
GOVERNMENT CONSTITUENCIES
DEVELOPMENT FUND FOR THE
CONSTITUENCIES IN NAKURU
COUNTY FOR THE FINANCIAL YEARS
2013/14, 2014/15, 2015/16, 2016/17, 2017/18,
2018/19, 2019/20, 2020/21 AND 2021/22**

- I. The Committee considered and adopted its ninth report on examination of the Reports of the Auditor General for the following Constituencies in Nakuru County for the FY 2013/14 to 2021/22:
 1. Bahati
 2. Gilgil
 3. Kuresoi North
 4. Kuresoi South
 5. Molo
 6. Naivasha
 7. Nakuru Town East
 8. Nakuru Town West
 9. Njoro
 10. Rongai
 11. Subukia
- II. The Committee made observations and recommendations as contained in the report.
- III. The adoption of the report was proposed and seconded by Hon. Martin Pepela, M.P. and Hon. David Mboni Mwalika, M.P. respectively.

**MIN.NO.NA/DAA&GPC/ DFAC/2025/425: CONSIDERATION AND ADOPTION
OF THE TENTH REPORT OF THE
COMMITTEE ON ITS
EXAMINATION OF THE AUDITED
FINANCIAL STATEMENTS OF THE
NATIONAL GOVERNMENT
CONSTITUENCIES
DEVELOPMENT FUND (NG-CDF)
FOR LARI, LURAMBI, EMBAKASI
CENTRAL, KILIFI NORTH AND**

**MVITA CONSTITUENCIES FOR
THE FINANCIAL YEARS 2016/2017,
2017/2018, 2018/2019, 2019/2020,
2020/2021 AND 2021/2022**

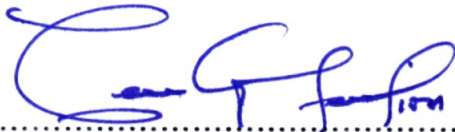
- I. The Committee considered and adopted its ninth report on examination of the Reports of the Auditor General for the following Constituencies for the FY 2016/17 to 2021/22:
1. Lari
 2. Lurambi
 3. Embakasi Central
 4. Kilifi North
 5. Mvita
- II. The Committee made observations and recommendations as contained in the report.
- III. The adoption of the report was proposed and seconded by Hon. K'Oyoo James Onyango, M.P. and Hon. Adhe Wario Guyo, M.P. respectively.

MIN.NO.NA/DAA&GPC/DFAC/2025/426

**ADJOURNMENT/DATE OF NEXT
SITTING**

There being no other business, the meeting was adjourned at thirty minutes past four p.m. The next meeting will be held on notice.

SIGNED.....



DATE.....

2nd Dec 2025

**HON. DR. GIDEON MUTEMI MULYUNGI, M.P. CBS
(CHAIRPERSON)**

REPUBLIC OF KENYA



**NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT
DECENTRALIZED FUNDS ACCOUNTS COMMITTEE**

ADOPTION SCHEDULE

We, the undersigned members of the Decentralized Funds Accounts Committee, today... 24/11/2025 do hereby affix our signatures to this **10TH REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE AUDITED FINACIAL STATEMENTS FOR THE NATIONAL GOVERNMENT CONSITUENCIES DEVELOPMENT FUND (NGCDF) FOR LARI, LURAMBI, KILIFI NORTH, MVITA AND EMBAKASI CENTRAL CONSTITUENCIES FOR FINANCIAL YEARS 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022** to affirm our approval and confirm accuracy, validity and authenticity: -

	NAMES	SIGNATURE
1.	Hon. Dr. Gideon Mutemi Mulyungi, CBS, EBS, MP Chairperson	
2.	Hon. Gertrude Mbeyu, M.P - ViceChairperson	
3.	Hon. K'Oyoo James, Onyango, MP	
4.	Hon. Joseph Kahangara Mburu, MP	
5.	Hon. David Mwalika Mboni, MP.	
6.	Hon. Innocent Momanyi Obiri, MP	
7.	Hon. Adhe Guyo Wario, MP.	
8.	Hon. Richard Cheruiyot, Kilel, MP.	
9.	Hon. Dorothy Muthoni, Ikiara, MP	
10.	Hon. Jackson Lentoijoni, Lekumontare, MP.	
11.	Hon. Abdi Barre Hussein, MP	
12.	Hon. Caroline Jeptoo Ng'elechei, MP	
13.	Hon. Martin Wanyonyi Pepela MP	
14.	Hon. Stephen Mogaka, MP	
15.	Hon. Reuben Kipngor, Kiborek, MP	