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THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT  
SECOND SESSION

**SECOND REPORT OF THE SPECIAL FUNDS ACCOUNTS COMMITTEE  
ON AUDITED FINANCIAL STATEMENTS FOR THE NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND FOR CONSTITUENCIES IN NAIROBI  
CITY COUNTY FOR THE FINANCIAL YEARS 2013/14, 2014/15 AND 2015/16**

Directorate of Committee Services  
The National Assembly  
Parliament of Kenya  
NAIROBI

OCTOBER, 2018

**REPUBLIC OF KENYA**



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SECOND SESSION**

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**NAIROBI**

**OCTOBER, 2018**



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3. Embakasi Central Constituency
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## **ABBREVIATIONS AND ACRONYMS**

|         |                                                               |
|---------|---------------------------------------------------------------|
| CDF     | Constituencies Development Fund                               |
| CoK     | Constitution of Kenya                                         |
| EACC    | Ethics and Anti-Corruption Commission                         |
| FY      | Financial Year                                                |
| GDP     | Gross Domestic Product                                        |
| GOK     | Government of Kenya                                           |
| IPSAS   | International Public Sector Accounting Standards              |
| MDA     | Ministries, Departments and Agencies                          |
| MP      | Member of Parliament                                          |
| NG-CDFC | National Government Constituencies Development Fund Committee |
| NG-CDF  | National Government Constituencies Development Fund           |
| PSASB   | Public Sector Accounting Standards Board                      |

## CHAIRPERSON'S FOREWORD

The Special Funds Accounts Committee is amongst the three Watchdog Committees in the twelfth Parliament that examines reports of the Auditor-General laid before the National Assembly to ensure probity, efficiency and effectiveness in the use of public funds. The Committee was established in the fifth session of the Eleventh Parliament following the review of the National Assembly's Standing Orders to enhance the role of this House on oversight over national revenue and its expenditure. This is in addition to ensuring that the National Assembly complies with Article 229(8) of the Constitution of Kenya, 2010 on reports laid before the House by the Auditor-General which provides that *"Within three months after receiving an audit report, Parliament shall debate and consider the report and take appropriate action"*.

Examination of reports of the Auditor-General for the National Government Constituencies Development Fund (NG-CDF) for the 290 constituencies in Kenya is amongst the mandate of the Committee as outlined in the National Assembly Standing Order 205A. The Committee received a backlog of these reports which dates back to 2013/14 financial year which had not been examined by the Eleventh Parliament. Based on the fact that each of the 290 constituencies is audited independently, the Committee adopted a strategy of scrutinizing financial statements of each constituency for 2013/14, 2014/15 and 2015/16 financial years concurrently. The Committee also resolved to examine reports of all constituencies per each County, with Nairobi City County being the first one.

This report therefore contains observations, findings and recommendations arising from examination of fifty one (51) reports of the Auditor-General for the National Government Constituencies Development Fund for the seventeen (17) constituencies in Nairobi City County for financial years 2013/14, 2014/15 and 2015/16.

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.

May I also extend my appreciation to my fellow Members of the Committee whose immense contributions and dedication to duty has enabled the Committee finalize with the first batch of fifty one (51) reports of the NG-CDF.

Finally, I sincerely thank the sitting Members of the House representing these seventeen (17) constituencies who made time to attend and participate in Committee deliberations during consideration of reports of their constituencies.

On behalf of the Special Funds Accounts Committee, and pursuant to Standing Order 199(6), it is my pleasant duty and honour to present to this House the report on Audited Financial Statements for the National Government Constituencies Development Fund for the 17 constituencies in Nairobi City County for financial years 2013/14, 2014/15 and 2015/16.

**THE HON. KATHURI MURUNGI, MP**  
**CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE**

## EXECUTIVE SUMMARY

Examination of accounts of the National Government Constituencies Development Fund is amongst the mandate of the Special Funds Accounts Committee as provided under the National Assembly's Standing Order number 205A (2) (d).

This report contains observations, findings and recommendations arising from examination of fifty one (51) reports of the Auditor-General for the National Government Constituencies Development Fund (NG-CDF) for the seventeen (17) Constituencies in Nairobi City County for Financial Years 2013/14, 2014/15 and 2015/16.

The Committee held a total of thirty one meetings, where reports of each constituency for the three financial years were examined independently. During examination of these reports, each constituency Fund Account Manager being the accounting officer as provided under section 12(3) of the NG-CDF Act, 2015 was invited to present written responses to audit queries contained in the NG-CDF constituency audit report. The Committee also sought clarifications from the NG-CDF Board on various policy matters which were subject to audit queries raised by the Auditor-General. These deliberations were recorded and can be obtained in the Hansard reports of the Committee.

In execution of its mandate, the Committee was guided by the Constitution of Kenya 2010; the National Government Constituencies Development Fund Act, 2015; the Public Audit Act, 2015; the Public Procurement and Asset Disposal Act 2015 and Regulations; Parliamentary Powers and Privileges Act, 2017; and the National Assembly Standing Orders (3<sup>rd</sup> Edition) among other laws and policies.

Article 226(5) of the Constitution of Kenya, 2010 provides that *"If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not"*. This formed the basis that the Committee used to hold each Fund Account Manager and any other public officer directly and personally liable for any loss of public funds they are entrusted with.

Further, Section 68 (1) of the Public Finance Management Act, 2012 provides, inter alia, that *"An accounting officer for a National Government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is lawful and authorized, and effective, efficient, economical and transparent"*. This obligated the Fund Account Managers (both current and former) as accounting officers for NG-CDF in constituencies to appear before the Special Funds Account Committee to respond to audit queries raised by the Auditor-General during their tenure in Constituency offices.



Submissions received from Fund Account Managers formed the basis of observations, findings and recommendations of the Committee as outlined in the report. These can be obtained in the bound copies of written submissions received for each Constituency and Minutes of Committee proceedings hereto annexed as Volume I, II, & III.

Recommendations on audit queries raised in the reports the Auditor -General for each constituency are found under appropriate sections of this report. Implementation of these recommendations will enhance accountability, transparency, effectiveness, efficiency and prudent management of the NG-CDF, which will ultimately improve the lives of Kenyans as envisioned during creation of this important Fund.

The Committee also made the following general recommendations arising from observations and findings that cut across the seventeen constituencies:-

### **1. DISBURSEMENT OF FUNDS FOR IMPLEMENTATION OF NG-CDF PROJECTS**

The Committee observed that some projects which had been budgeted and approved by the NG-CDF Board were not implemented during the financial year(s) due to late disbursement of funds by the National Treasury. In most cases, funds were disbursed in the second and third quarter of the financial year(s) which made it difficult to complete procurement processes, particularly for works. This ultimately led to non-implementation of the approved projects within the financial year that they were budgeted and subject to audit query as “under absorption of funds”.

*The Committee found out that late disbursement of funds has continued even in the last financial year (2017/18) where out of Ksh 29.8 Billions allocated to the NG-CDF Board, Ksh. 21.8 Billion (73% ) was disbursed in the third quarter, between January and May, 2018 and the balance released in July, 2018 after the closure of the financial year. This meant that approved projects earmarked for implementation in the 2017/18 financial year will be carried over to 2018/19 financial year, and may be subject to audit query as ‘under-absorption of funds by constituencies’ as raised in previous audit report.*

The Committee also noted that the National Treasury had not released an amount totalling to Ksh. 4,976,750,000 to NG-CDF Board. This relates to underfunding in the financial years 2011/12 (Ksh.541, 750,000), 2013/14 (Ksh. 2,128,500,000) and 2014/15 (Ksh. 2,306,500,000).

**The Committee recommends that: -**

- (i) The National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies; and**
- (ii) The National Treasury factors an amount of Ksh. 4,976,750,000 being previous year’s underfunding in the supplementary budget for the financial year 2018/19 as additional allocation to NG-CDF Board.**

## **2. FAILURE TO SUBMIT REQUIRED DOCUMENTS DURING AUDIT PERIOD**

The Committee observed that Fund Account Managers did not avail some documents that were subject of examination by the Auditor-General for verification at the time of audit. The documents not availed for audit included cash books, bank statements, payment vouchers, project completion certificates, procurement records and Bills of Quantities. This is in contrary to section 62 (1) (c) of the Public Audit Act, 2015 which provides that *“Any person who without justification, fail to provide information within reasonable time that is required under this Act commits an offence and is liable on conviction to a fine not exceeding five million shillings or to imprisonment for a term not exceeding three years, or to both”*.

The Committee noted that documents relating to various projects and which were subject to audit query were under the custody of Project Management Committees (PMCs) and that Fund Account Managers were unable to access them during the audit period.

The Committee further observed that the Auditor- General gives Fund Accounts Managers sufficient notice to prepare for the audit, and seven days to respond to various audit queries prior to publishing the Audit Report.

The Committee found out that audit queries dating back to 2013/2014 financial year had not been addressed, contrary to **Section 68 (2) (I)** of the Public Finance Management Act, 2012 which requires that the accounting officer *“take appropriate measures to resolve any issues arising from audit which may remain outstanding”*.

**The Committee recommends that:-**

- (i) The Fund Account Managers ensure compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012;**
- (ii) The NG-CDF Board issues an administrative circular directing Fund Account Managers to comply with the provisions of the Constitution of Kenya, 2010, the Public Audit Act, No. 34 of 2015, the Public Finance Management Act, No. 18 of 2012 and Public Procurement and Asset Disposal Act, No. 33 of 2015; and**
- (iii) The Fund Account Manager maintains the original Project Management Committee files at the NG-CDF Constituency Office, while the duplicate be maintained by the Project Management Committees.**

*The National Government Constituencies Development Fund Board should implement these recommendations within three months of adoption of this report by the House.*



### **3. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The Committee observed that there were high incidences of delays in disbursement of bursaries to beneficiary institutions, non-presentation of issued bursary cheques to institutions and cancellation of issued bursary cheques. Some of the reasons cited were errors in spelling of names of beneficiaries, loss of issued cheques by beneficiaries and failure to present the cheques within reasonable time. The Committee found out that in some constituencies, bursaries amounting to over Ksh. 5 million remained unpresented since the cheques had become stale, and these amounts were subject to audit queries raised by the Auditor-General.

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;**
- (ii) The National Government Constituencies Development Fund Board fast-track adoption of electronic funds transfer in disbursement of bursaries; and**
- (iii) The Fund Account Managers ensures that beneficiary institutions issue acknowledgement document upon receipt of the bursaries.**

*The National Government Constituencies Development Fund Board should implement these recommendations within three months of adoption of this report by the House.*

### **4. ACCURACY OF FINANCIAL STATEMENTS**

The Committee observed that Fund Account Managers experienced challenges in adopting to International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. The standards were introduced in 2013/14 financial year in the public sector and failure to comply with the standards in subsequent years occasioned qualification of financial statements. The committee also established that the Public Sector Accounting Standards Board (PSASB) reviews the IPSAS standards periodically to take into account emerging issues and conform to best accounting practices. The Committee found that most Fund Account Managers experienced challenges in application of these standards while preparing their financial statements as evidenced in the audit queries.

**The Committee recommends that -**

- (i) The Fund Account Managers complies with the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and**
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff.**

### **5. IMPLEMENTATION OF PROJECTS AND RE-ALLOCATION OF FUNDS WITHOUT APPROVAL OF THE NG-CDF BOARD**

The Committee observed that most Fund Accounts Managers had implemented projects and re-allocated funds without seeking prior approval of the NG-CDF Board. This was contrary to

section 6(2) and Section 31 of the National Government Constituencies Development Fund Act, 2015 which provides that once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the NG-CDF Board.

In addition, Regulation 54 of the Public Finance Management (National Government) Regulations, 2015 provides that *“Except as provided for in the Act and these Regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities”*. Section 196 (6) provides that *“public officer who contravenes this section commits an offence and on conviction is liable to a term of imprisonment not exceeding two years or to a fine not exceeding one million shillings, or to both”*.

The Committee also observed that some projects initiated by Constituency Development Fund Committees prior to enactment of NG-CDF Act, 2015, and which currently fall within the devolved functions remained stalled to date.

The Committee further observed that there was poor monitoring and evaluation of projects which led to delays in project implementation, poor workmanship and budgetary challenges. The Committee noted that the NG-CDF Board had not leveraged on Information and Communication Technology (ICT) in management of projects.

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board takes administrative action against Fund Account Managers who reallocated funds contrary to the NG-CDF Act, 2015;**
- (ii) The Fund Account ensures compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015;**
- (iii) The National Government Constituencies Development Fund Board publishes a list of all incomplete and/or stalled projects initiated by the former Constituency Development Fund (CDF) Board before the enactment of the National Government Constituencies Development Fund Act, 2015;**
- (iv) The NG-CDF Board in consultation with the National Treasury and Planning and other relevant authorities expedite completion of all incomplete and/or stalled projects; and**
- (v) The NG-CDF Board adopts and implements Electronic Monitoring and Evaluation Systems and Tools to monitor all projects in the Constituencies and have them linked to the Electronic National Government Monitoring and Evaluation Systems.**

*The National Government Constituencies Development Fund Board to furnish the report to the National Assembly on implementation of this recommendation within three months of adoption of this report by the House.*



## **6. UNSURRENDERED IMPREST**

Committee observed that recovery of outstanding imprest was slow and that some remained outstanding since 2015/16 financial year. This is contrary to existing financial regulations that require surrender of imprest within seven (7) days after return to work station.

**The Committee recommends that the National Government Constituencies Development Fund Board recovers all outstanding imprest from defaulting officers with an interest at the prevailing Central Bank Rate as provided under Article 226(5) of the Constitution of Kenya, 2010.**

## **7. TRANSFER OF ASSETS AND LIABILITIES FOLLOWING SPLIT OF CONSTITUENCIES**

The Committee noted that during delimitation of constituency boundaries that resulted in split of constituencies, there were challenges on transfer of assets and liabilities amongst the newly created constituencies. The Committee found out that Fund Account Managers of the domicile constituencies which existed prior to the split opened new bank accounts with nil balances, which was subject to audit queries. The Committee further noted that NG-CDF Board guidelines on management of constituency bank accounts provided that existing bank accounts would be retained by the domicile constituency following the split. Some of the constituencies which were split included the larger Kasarani constituency to create Ruaraka, Roysambu and Mathare constituencies. The committee further noted that there are no clear guidelines on how on-going projects prior to split of constituencies would be funded to ensure their completion.

**The Committee recommends that the NG-CDF Board provides a status report to the National Assembly on transfer of assets and liabilities amongst constituencies following delimitation of constituency boundaries that resulted in creation of the 290 constituencies in Kenya.**

*The National Government Constituencies Development Fund Board should implement this recommendation within six months of adoption of this report by the House.*

## **8. SUPPORT FROM THE NATIONAL GOVERNMENT SUB-COUNTY TREASURY IN NAIROBI CITY COUNTY**

The Committee observed that the 17 Constituencies in Nairobi City County are served by one District Accountant who is domiciled in the Ministry of Interior and Coordination of National Government. The Fund Account Managers cited challenges in accessing the services of this office particularly approval of payments and access to documents under the custody of the District Accountant and are subject for verification by the Auditor-General during audit period.

**The Committee recommends that the Cabinet Secretary, the National Treasury and Planning establishes the office of the Regional Accountant to support Fund Account Managers in Nairobi City County.**

#### **9. ENGAGEMENT OF FUND ACCOUNT MANAGERS BY THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BOARD**

The Committee observed that some Fund Account Managers were deployed to more than one constituency, with others doubling as regional coordinators, thus creating inefficiencies in execution of their functions. The Committee noted with concern that the NG-CDF Board had not taken appropriate measures to ensure that Fund Account Managers resolved issues raised by the Auditor-General in constituencies that they served prior to deployment. Some of audit queries date back to 2013/14 financial year and had been carried in the subsequent years audit reports.

**The Committee recommends that:-**

- i. The NG-CDF Board reviews its policy on renewal of contracts for Fund Account Managers to provide for clearance of outstanding audit queries raised in reports of the Auditor-General in constituencies they are engaged in prior to effecting any transfers and/deployment;
- ii. The NG-CDF Board fills existing vacancies for Fund Accounts Managers and regional coordinators; and
- iii. **THAT** the NG-CDF Board adheres to its deployment policy on the maximum number of years that Fund Account Managers should be engaged in a constituency.

*The National Government Constituencies Development Fund Board should implement the recommendations within three months of adoption of this report by the House.*

#### **10. OPERATIONS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BOARD**

The Committee observed that:

- (i) The NG-CDF Board was not fully constituted as provided under section 15(1) (e) of the NG-CDF Act, 2015, which has created challenges in raising quorum to transact business. This has occasioned delays in project approvals and ultimately led to non-implementation of projects which is subject to audit query and reported as '*low absorption of funds and that constituents did not get value for money*' in the Auditor-General report;
- (ii) The current Chief Executive Officer of the Board was appointed in acting capacity in 2011 and remains acting to date;
- (iii) The NG-CDF Board secretariat was constrained in its human resource capacity to offer the requisite technical support to the 290 constituencies. The secretariat did not have the capacity to prepare Fund Account Managers for audits and did not offer support to ensure that issues raised in the Auditor-General reports are resolved before the next audit cycle; and



- (iv) The Board resolution to withhold release of funds to constituencies that had a balance of Ksh. 10 million and above in their account affected implementation of projects. This policy was meant to mitigate against cash flow by creating allowable administrative balances prior to release of funds to constituencies.

**The Committee recommends that:-**

- (i) The Cabinet Secretary, the National Treasury and Planning appoints seven other persons to the NG-CDF Board as provided under Section 15(1)e of the NG-CDF Act, 2015 ;**
- (ii) The NG-CDF Board fills the position of the Chief Executive Officer;**
- (iii) The NG-CDF Board restructures its operations to decentralize its services in the regions; and**
- (iv) The National Government Constituencies Development Fund Board reviews its policy on withholding funds for Constituencies with a balance of Ksh. 10 million and above in their account.**

*These recommendations should be implemented within three months of adoption of this report by the House.*

## **11. INVESTIGATIONS BY ETHICS AND ANTI-CORRUPTION COMMISSION AND ACTIVE MATTERS IN COURT**

The Committee observed that some audit queries raised in the report of the Auditor-General in the following constituencies were either active in court or under investigations by the Ethics and Anti-Corruption Commission (EACC):

- (i) Lang'ata Constituency, where an unauthorized payment totalling to KSh.21, 439,997 was paid to construction companies through fraud that took place in the financial year 2012/13 and that involved the Co-operative Bank of Kenya. The matter is active in court;
- (ii) Embakasi North constituency where payment of KSh.84,115 140 was made during financial year 2015/16 to four firms for construction of four roads, namely Cinema Road, Dandora Phase 11, AP Road-Dandora Phase V, Maitu Njeri Road-Dandora Phase 1 and DO Road – Dandora Phase 111. Supporting documents in respect of the four constructions were not provided for audit verification having been taken away by the Ethics and Anti-corruption Commission;
- (iii) Embakasi South Constituency where accuracy of expenditure of Ksh. 19,404,338 during the financial year 2013/14 could not be confirmed since documents had been taken away by EACC; and
- (iv) Kamukunji Constituency where in financial years 2009/2010 and 2010/2011, the CDF Board allocated Maziwa Chicken Market an amount of Ksh 10,000,000 and 9,250,528.00 respectively, which is subject to on-going investigations by EACC.



**The Committee recommends that:**

- (i) The Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report; and**
- (ii) The National Government Constituencies Development Fund Board suspends Fund Account Managers and any other officer of the Board who are under investigations by the EACC until these investigations are completed.**

*The Board should implement this recommendation immediately after adoption of the report by the House.*

**The Committee recommends that:**

- (i) The Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report; and**
- (ii) The National Government Constituencies Development Fund Board suspends Fund Account Managers and any other officer of the Board who are under investigations by the EACC until these investigations are completed.**

*The Board should implement this recommendation immediately after adoption of the report* *by*

## ADOPTION LIST

Pursuant to Standing Order 199(2), we the undersigned Members of the Special Funds Account Committee of the National Assembly, do hereby append our signatures to adopt this report

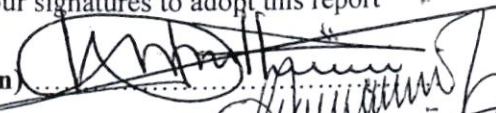
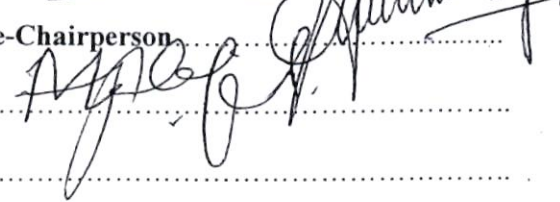
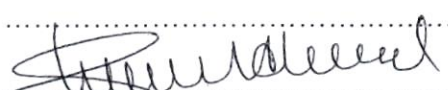
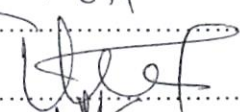
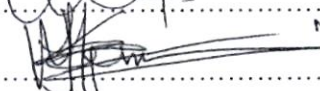
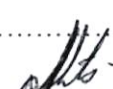
1. Hon. Kathuri Murungi, M.P. (Chairperson).....
2. Hon. William Kamuren Chepkut, M.P. (Vice-Chairperson).....
3. Hon. Alfred Agoi Masadia, M.P. ....
4. Hon. Dennitah Ghati, M.P. ....
5. Hon. Mark Lomunokol, M.P. ....
6. Hon. Shakeel Shabbir, M.P. ....
7. Hon. Erastus Kivasu Nzioka, M.P. ....
8. Hon. Esther Passaris, M.P. ....
9. Hon. Geoffrey Omuse, M.P. ....
10. Hon. Irene Kasalu, M.P. ....
11. Hon. James Kamau Wamacukuru, M.P. ....
12. Hon. Jared Okelo, M.P. ....
13. Hon. Justus Gesito Mugali, M.P. ....
14. Hon. Marwa Maisori Kitayama, M.P. ....
15. Hon. Mohamed Ali, M.P. ....
16. Hon. Mwambu M. Mabongah, M.P. ....
17. Hon. Rehema Dida Jaldesa, M.P. ....
18. Hon. Mohamed Ali Lokiru, M.P. ....
19. Hon. Abdi Koropu Tepo, M.P. ....

**Proposed by:**

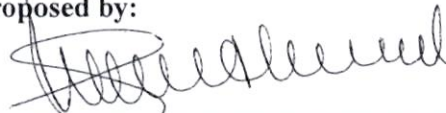
**Seconded by:**

## ADOPTION LIST

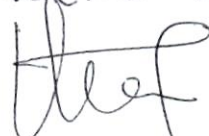
Pursuant to Standing Order 199(2), we the undersigned Members of the Special Funds Account Committee of the National Assembly, do hereby append our signatures to adopt this report

1. Hon. Kathuri Murungi, M.P. (Chairperson) 
2. Hon. William Kamuren Chepkut, M.P. (Vice-Chairperson) 
3. Hon. Alfred Agoi Masadia, M.P. ....
4. Hon. Dennitah Ghati, M.P. ....
5. Hon. Mark Lomunokol, M.P. ....
6. Hon. Shakeel Shabbir, M.P. 
7. Hon. Erastus Kivasu Nzioka, M.P. 
8. Hon. Esther Passaris, M.P. ....
9. Hon. Geoffrey Omuse, M.P. 
10. Hon. Irene Kasalu, M.P. 
11. Hon. James Kamau Wamacukuru, M.P. 
12. Hon. Jared Okelo, M.P. ....
13. Hon. Justus Gesito Mugali, M.P. ....
14. Hon. Marwa Maisori Kitayama, M.P. 
15. Hon. Mohamed Ali, M.P. ....
16. Hon. Mwambu M. Mabongah, M.P. 
17. Hon. Rehema Dida Jaldesa, M.P. ....
18. Hon. Mohamed Ali Lokiru, M.P. ....
19. Hon. Abdi Koropu Tepo, M.P. ....

Proposed by:

SHAKEEL SHABIR AHMED 

Seconded by:

Hon. IRGENE 'ICA' 



## **1.0 PREFACE**

The Special Funds Accounts Committee is amongst the three Audit Committees alongside the Public Accounts Committee (PAC) and the Public Investments Committee (PIC) of the twelfth Parliament that examine reports of the Auditor-General laid before the National Assembly and enables Parliament fulfil its oversight role over public funds as provided under Article 229(8) of the Constitution of Kenya, 2010 which states that *"Within three months after receiving an audit report, Parliament shall debate and consider the report and take appropriate action"*.

The Committee was established in the Fifth Session of the Eleventh Parliament during the review of the National Assembly's Standing Orders, and became operational in the twelfth Parliament.

### **1.1. Mandate of the Committee**

The Committee is established under the National Assembly's Standing Order number 205A to examine accounts laid before the House of the Equalization Fund, the Political Parties Fund, the Judiciary Fund, the National Government Constituencies Development Fund and such other Fund established by law as the Speaker may direct.

## **1.2. Committee Membership**

|                         |                                    |
|-------------------------|------------------------------------|
| <b>Chairperson</b>      | Hon. Kathuri Murungi, M.P.         |
| <b>Vice-chairperson</b> | Hon. William Kamuren Chepkut, M.P. |
| <b>Members</b>          | Hon. Alfred Agoi Masadia, M.P.     |
|                         | Hon. Dennitah Ghati, M.P.          |
|                         | Hon. Mark Lomunokol, M.P.          |
|                         | Hon. Shakeel Shabbir, M.P.         |
|                         | Hon. Erastus Kivasu Nzioka, M.P.   |
|                         | Hon. Esther Passaris, M.P.         |
|                         | Hon. Geoffrey Omuse, M.P.          |
|                         | Hon. Irene Kasalu, M.P.            |
|                         | Hon. James Kamau Wamacukuru, M.P.  |
|                         | Hon. Jared Okelo, M.P.             |
|                         | Hon. Justus Gesito Mugali, M.P.    |
|                         | Hon. Marwa Maisori Kitayama, M.P.  |
|                         | Hon. Mohamed Ali, M.P.             |
|                         | Hon. Mwambu M. Mabongah, M.P.      |
|                         | Hon. Rehema Dida Jaldesa, M.P.     |
|                         | Hon. Mohamed Ali Lokiru, M.P.      |
|                         | Hon. Abdi Koropu Tepo, M.P.        |

### **1.3. Committee Secretariat**

|                              |                              |
|------------------------------|------------------------------|
| Ms. Lucy Kimathi             | Principal Clerk Assistant II |
| Ms. Ruth Mwihaki Gakuya      | Third Clerk Assistant        |
| Ms. Clare Jerotich Kidombo   | Research Officer             |
| Mr. Ngetich Robert Kiprotich | Fiscal Analyst               |
| Mr. Peter Mwaura             | Legal Counsel                |
| Mr. Josphat Bundotich        | Serjeant- at- Arms           |
| Ms. Naserian Kaare           | Serjeant-at- Arms            |
| Ms. Deborah Mupusi           | Media Relations officer      |
| Mr. Ian Otieno               | Audio-recording Officer      |

## 2.0 INTRODUCTION

### 2.1. Establishment of Special Funds

Special Funds in Kenya are established through an Act of Parliament or by the Cabinet Secretary in charge of finance matters as provided under section 24(4) of the Public Finance Management Act, 2012 which states that “*the Cabinet Secretary may establish a national government fund with the approval of development the National Assembly*”. The National Government Constituencies Development Fund (NG-CDF) is amongst the special funds established under NG-CDF Act, No. 30 of 2015.

Special Funds may be termed as ‘*special purpose vehicles*’ that are meant to address an urgent need in the society that would not otherwise be addressed in the annual budget cycle. Their existence is therefore critical in enhancing efficiency in certain sectors such as health, addressing marginalisation, enhancing the independence of institutions among other reasons. One of the first notable challenges interventions to address development challenges was through the *Sessional Paper No.10 of 1965 on African Socialism and its Application to Planning in Kenya* whose hallmark was devolved planning at provinces, districts and municipalities so as to ensure progress in each administrative unit<sup>1</sup>.

Since then, Kenya has made several attempts to take development to the grassroots through various policies and strategies including the Growth Centre Policy in the 1970s, District Focus for Rural Development Strategy and the Structural Adjustment Programmes (SAPs) in the 80s and the Poverty Reduction Strategy Paper of 2003- 2008<sup>2</sup> which was meant to be a short-term plan aimed at accomplishing the fifteen year long term plan as envisioned in National Poverty Eradication Programme. This is in addition to development of Vision 2030 in 2006 whose aim was to make Kenya a newly industrializing and middle-income country providing high quality life for all citizens by the year 2030. The array of government policies that were adopted through the years all sought to bring development to the people at the grassroots level. The Constituency Development Fund was one of the most effective ways that this was realized.

### 2.2. The National Government Constituencies Development Fund

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. The fund comprised an annual budgetary allocation equivalent to 2.5% of the government’s ordinary revenue and was aimed at controlling the imbalances in regional development occasioned by partisan politics.

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<sup>1</sup> GOK 1965

<sup>2</sup> Poverty Reduction Strategy Paper of 2003-2008



Since it was introduced, the Constituency Development Fund has made a significant impact, with various Constituency Development Fund projects being implemented throughout the country. The success of the model of the Constituency Development Fund has been linked to the bottom-up approach to development which requires public participation and the decentralization of resources which go directly to the local level.

In a bid to align the CDF with the Constitution of Kenya, 2010, Parliament passed the National Government Constituencies Development Fund (NG-CDF) Act, 2015. The NG-CDF is a national fund that comprises of monies of an amount of not less than 2.5% of all the national government's share of revenue as divided by the annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution. From financial year 2013/14 to 2017/18, the fund has received a total of Ksh.163.56 billion against an allocation of Ksh. 168.05 billion, with Ksh. 4.49 billion as pending releases as shown in the table below:-

**Table 1: Allocation and Receipt of Funds from National Treasury from Financial Year 2013/2014 to 2015/16**

| No. | Financial Year | Allocation            | Receipt from Treasury | Outstanding Balance  |
|-----|----------------|-----------------------|-----------------------|----------------------|
| 1.  | 2013/2014      | 23,062,000,000        | 20,881,000,000        | 2,181,000,000        |
| 2.  | 2014/2015      | 33,213,000,000        | 30,906,500,000        | 2,306,500,000        |
| 3.  | 2015/2016      | 35,213,000,000        | 35,213,000,000        | -                    |
|     | <b>TOTAL</b>   | <b>91,488,000,000</b> | <b>87,000,500,000</b> | <b>4,487,500,000</b> |

*Source: National Government Constituency Development Fund Board*

### **3.0 EXAMINATION OF AUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEARS 2013/14, 2014/15 AND 2015/16 FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE SEVENTEEN CONSTITUENCIES IN NAIROBI CITY COUNTY**

Examination of reports of the Auditor-General for the National Government Constituencies Development Fund (NG-CDF) for the 290 constituencies in Kenya is amongst the mandate of the Special Funds Account Committee as outlined in the National Assembly Standing Order 205A. The Committee received a backlog of these reports which dates back to 2013/14 financial year which had not been examined by the Eleventh Parliament. Given the fact that each of the 290 constituencies is audited independently, the Committee adopted a strategy of scrutinizing financial statements of each constituency for 2013/14, 2014/15 and 2015/16 financial years concurrently. The Committee also resolved to complete examining reports of all constituencies per County, starting with Nairobi City County which is comprised of 17 constituencies.

This section therefore, contains observations and recommendations arising from examination of 51 reports of the Auditor-General for the NG-CDF for financial years 2013/14, 2014/15 and 2015/16 for the following 17 constituencies in Nairobi City County, which was undertaken between March and July, 2018:

1. Dagoretti North Constituency
2. Dagoretti South Constituency
3. Embakasi Central Constituency
4. Embakasi East Constituency
5. Embakasi North Constituency
6. Embakasi South Constituency
7. Embakasi West Constituency
8. Kamukunji Constituency
9. Kasarani Constituency
10. Kibra Constituency
11. Lang'ata Constituency
12. Makadara Constituency
13. Mathare Constituency
14. Roysambu Constituency
15. Ruaraka Constituency
16. Starehe Constituency
17. Westlands Constituency

### 3.1. DAGORETTI NORTH CONSTITUENCY

#### EVIDENCE ON THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF DAGORETTI NORTH NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

Mr. Aziz M. Juma, the current Fund Account Manager accompanied by Mr. Gilbert Karani, NG-CDF Clerk of Works and Mr. Nyandiko Erick, NG-CDF Secretary appeared before the Committee on 20<sup>th</sup> March, 2018 and 16<sup>th</sup> April, 2018 to submit responses on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### SUBMISSIONS FOR THE FINANCIAL YEAR 2013/2014

##### 1. ACCURACY OF FINANCIAL SYSTEMS

The Committee heard that the statement of receipts and payments reflected total payments of Ksh 38,753,776 which included payments amounting Kshs. 38,027,857 that were not analysed and supported with documentary evidence as detailed below.

| Expenditure Item                      | Amount (Ksh)  |
|---------------------------------------|---------------|
| Compensation of Employees             | 163,182.00    |
| Use of Goods and Services             | 3,433,000.00  |
| Committee Meeting Allowances          | 912,000.00    |
| Transfer to other Government entities | 18,324,290.00 |
| Other Grants and Transfer             | 14,329,985.00 |
| Social Security Benefits              | 10,400.00     |
| Acquisition of assets                 | 855,000.00    |
|                                       | 38,027,857.00 |

##### Management Response

The Fund Account Manager informed the Committee that the expenditure items had not been analysed at the time of audit. However, the analysis was later done and presented for audit review. The analysis of employee compensation; analysis of use of goods and services; analysis of committee meeting allowances; analysis of transfer to other government entities; analysis of other grants and transfer; and analysis of social security benefits were all presented for verification.



### **Committee Observation**

The Committee observed that the Fund Account Manager did not avail supporting documents on expenditure analysis at the time of the audit. The documents were availed and verified and the matter resolved as confirmed by the Auditor-General.

### **Committee Recommendations**

The Committee recommends that the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## **2. CASH AND CASH EQUIVALENTS**

The Committee heard that the statement of financial assets and liabilities reflected a net cash balance of Ksh. 26,222,046 which agreed with the surplus reflected by the statement of receipts and payments. However, this balance did not agree with the cash book balance of Ksh. 29,730,094. The difference of Ksh. 3,508,048 between the two sets of records was not been supported or explained. Further, no record were provided for funds that may have been received from the former Dagoretti Constituency, which is disclosed in the financial statement as Ksh. 37,546,274. Consequently, the completeness and accuracy of the cash and cash equivalents balance of Kshs. 26,222,046 reflected in the financial statements could not be ascertained.

### **Management Response**

The Fund Account Manager informed the Committee that the statement of financial assets and liabilities reflected a net cash balance of Ksh. 26,222,046 which agreed with the surplus reflected by the statement of receipts and payments. The cashbook however reflected a balance of Ksh. 29,730,094 giving a difference of Ksh. 3,508,048 between the two sets of records.

Upon review it was established that the correct balance was Ksh 26,222,046. The difference of Ksh. 3,508,048 was due to failure to capture some transactions in the cash book. The items have since been reconciled and captured appropriately.

Further, that no funds were inherited/received from the former Dagoretti Constituency. The Ksh. 37,546,274 was an error which was subsequently corrected. Unfortunately, the corrections were done after the audit report had been published.

### **Committee Observation**

The Committee observed that errors in financial statements arose from failure to comply with IPSAS in financial reporting. The matter has since been resolved as confirmed by the Auditor-General.



### Committee Recommendations

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.

### **3. AWARD OF CONTRACTS**

The Committee was informed that the statement of receipts and payments further reflects total expenditure of Ksh.38, 755,776 which includes three expenditure items totalling Ksh.36, 168,978 that had been paid to three contractors for construction of boundary walls, renovation of toilets and routine maintenance of various roads in Kawangware. The engineer's total estimate for the expenditure was Ksh 34,083,284. No supporting documents were availed to indicate how the estimated costs by the engineers were arrived at. No details were also availed to identify the nature of work carried out. Consequently, no physical verification of the project was carried out. The validity of the expenditure could not therefore be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that the total expenditure of Ksh.38, 755,776, which includes three expenditure items totalling Ksh.36, 168,978 had been paid to three contractors for construction of boundary walls, renovation of toilets and routine maintenance of various roads in Kawangware. The engineer's total estimate for the expenditure was Ksh 34,083,284.

The following is an analysis of the projects and how the contracts were awarded

| Name of Project.                                              | Tenders Received.                 | Tender Amount. | Firm awarded the Tender.     | Awarded Kshs. | Amount- |
|---------------------------------------------------------------|-----------------------------------|----------------|------------------------------|---------------|---------|
| 1. Proposed Construction of Boundary Wall in several schools. | i. Muani Contractors              | 19,321,018     | Muani Contractors            |               |         |
| (Engineers Esimate kshs.17,691,934)                           | ii. Eremo Stores                  | 8,233,780      |                              | 19,321,018    |         |
|                                                               | iii. North Gate Investments       | 23,552,950     |                              |               |         |
|                                                               | iv. Wandua Nyachae                | 15,576,470     |                              |               |         |
|                                                               |                                   |                |                              |               |         |
| 2. Proposed renovation of Toilets in several schools          | i. Muani Contractors              | 6,468,902.40   | True Base Multi Services Ltd | 6,319,800.00  |         |
| (Engineers Esimate kshs.5,791,350)                            | ii. True Base Multi Services Ltd. | 6,319,800.00   |                              |               |         |
|                                                               | iii. Chobwoka Enterprises Ltd.    | 9,882,300.00   |                              |               |         |
|                                                               | iv. Kajake Investments Ltd.       | 4,542,384.00   |                              |               |         |

|                                                          |                                |               |                    |               |
|----------------------------------------------------------|--------------------------------|---------------|--------------------|---------------|
| 3.Routine Maintenance of various roads within Kawangware | i.Lawrence Africa Contractors  | 11,817,865.00 | Uniscope Kenya Ltd | 10,528,160    |
| (Engineers Estimate kshs.10,600,000)                     | ii.Quota Frontier Technologies | 8,775,153.00  |                    |               |
|                                                          | iii.Uniscope Kenya Ltd         | 10,528,160    |                    |               |
| Cummulative Effect                                       |                                |               |                    | 36,168,978.00 |

Total engineers estimate Ksh.34, 083,284

From the analysis above the tenders awarded were within the plus or minus ten percent of the engineer's estimates which is allowed by law. The engineers' estimates were arrived at based on the quantities of works to be done and the available funds. The constituency submitted that the Technical Evaluation Analysis was done and signed by the Tender Evaluation Team from Public Works Ministry. The evaluation and award recommendation was based on the engineer's estimates for the various projects. The bills of quantities were also prepared by the Public Works Officers who are the project managers for the CDF projects

#### **Committee Observation**

**The Committee observed that the Fund Account Manager did not avail supporting documents at the time of the audit. The documents were availed and verified and the matter resolved as confirmed by the Auditor-General.**

#### **Committee Recommendations**

**The Committee recommends that the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### **4. IRREGULAR SITTING ALLOWANCES**

The Committee heard that the statement of receipts and payments also reflects committee allowances amounting Kshs. 912,000 which include an amount of Kshs 297,000 paid as sitting allowances to the area member of parliament and other non- members of the committee, which included a Government engineer who was paid 70,000 for visiting the project. No documentary evidence was provided from the CDF Board to confirm authority for payment. The expenditure of Kshs.297, 000 is therefore irregular.

#### **Management Response**

The Fund Account Manager informed the Committee that there were irregularities in payment of committee allowances. The Management observed the Audit concerns and measures were put in



place to recover the Kshs. 90,000 which was irregularly paid to Personal Assistant to Member of Parliament who was the CDF Patron. The money was paid back to CDF main Account.

The government engineer did not receive any other payment for the preparation of bills of quantities and subsequent supervision of our projects. Payment of Kshs. 70,000 was for lunch allowances for the Public works team for their project visits which was budgeted for.

The following staff were also paid allowances the during the bursary exercise on different dates-

**Dated: 24/04/2014**

|              | Name of Participant | Designation      | No. of Days | ID Number | Amount        |
|--------------|---------------------|------------------|-------------|-----------|---------------|
| 1.           | Emma Ayusa          | CDF Acc. Clerk   | 2           | 27892633  | 6,000         |
| 2.           | Evelyne Imbahale    | Records officer  | 2           | 24172183  | 6,000         |
| 3.           | Evans Makori        | Office Assistant | 2           | 27826142  | 6,000         |
| 4.           | Zephania Omae       | Driver           | 2           | 6931065   | 6,000         |
| 5.           | Abel Onkundi        | Administrator    | 2           | 23167131  | 6,000         |
| 6.           | Benard Nyamasege    | Clerical Officer | 2           | 0972173   | 6,000         |
| 7.           | Timothy Ndeke       | Const. Manager   | 2           | 23141113  | 6,000         |
| 8.           | Frank Kenyanya      | ICT              | 2           | 30747344  | 6,000         |
| 9.           | Samwel Mogere       | P.A              | 2           | 22336893  | 6,000         |
| <b>TOTAL</b> |                     |                  |             |           | <b>54,000</b> |

**Dated: 02/02/2014**

|              | Name of Participant | Designation      | No. of Days | ID Number | Amount        |
|--------------|---------------------|------------------|-------------|-----------|---------------|
| 1.           | Leunida Nyotah      | CDF Office       | 2           | 25949708  | 6,000         |
| 2.           | Emma Ayusa          | CDF Acc. Clerk   | 2           | 27892633  | 6,000         |
| 3.           | Evans Makori        | Office Assistant | 2           | 27826142  | 6,000         |
| 4.           | Zephania Omae       | Driver           | 2           | 6931065   | 6,000         |
| 5.           | Abel Onkundi        | Administrator    | 2           | 23167131  | 6,000         |
| 6.           | Frank Kenyanya      | ICT              | 2           | 30747344  | 6,000         |
| 7.           | Samwel Mogere       | P.A              | 2           | 22336893  | 6,000         |
| <b>TOTAL</b> |                     |                  |             |           | <b>42,000</b> |

**Dated: 28/02/2014**

|              | Name of Participant | Designation      | No. of Days | ID Number | Amount        |
|--------------|---------------------|------------------|-------------|-----------|---------------|
| 1.           | Emma Ayusa          | CDF Acc. Clerk   | 2           | 27892633  | 6,000         |
| 2.           | Frank Kenyanya      | ICT              | 2           | 30747344  | 6,000         |
| 3.           | Evans Makori        | Office Assistant | 2           | 27826142  | 4,000         |
| 4.           | Zephania Omae       | Driver           | 2           | 6931065   | 4,000         |
| 5.           | Abel Onkundi        | Administrator    | 2           | 23167131  | 6,000         |
| 6.           | Evelyne Imbahale    | ICT              | 2           | 30747344  | 6,000         |
| 7.           | Samwel Mogere       | P.A              | 2           | 22336893  | 4,000         |
| <b>TOTAL</b> |                     |                  |             |           | <b>36,000</b> |

**Dated: 28/02/2014**

|              | Name of Participant | Designation     | No. of Days | ID Number | Amount       |
|--------------|---------------------|-----------------|-------------|-----------|--------------|
| 1.           | Richard Tuwei       | ACC. Kawangware | 1           | 2472183   | 5,000        |
| <b>TOTAL</b> |                     |                 |             |           | <b>5,000</b> |

Mr. Richard Tuwei represented the Deputy County Commissioner in the CDFC meeting and therefore the committee saw nothing wrong in paying him an allowance. The CDF Committee

felt that it was proper to pay this team during the bursary exercise because of the amount of work that it involves and working for longer hours which included working up to weekends.

### **Committee Observation**

**The Committee observed that there were irregularities in payment of allowances to public officers who were involved in the activity.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager adheres to the NG-CDF Regulations 2016 on payment of allowances to members of the constituency committee and other government officers involved in any NG-CDF projects.**

## **5. COMPENSATION OF EMPLOYEES**

The Committee heard that the statement of receipts and payment in addition reflects total payment of Kshs.828, 101 for compensation of employees, which include an amount of Kshs.324, 732 overpaid to staff who were engaged at high basic salaries and other allowances contrary to the guidelines issued by the constituencies Development Fund Board.

### **Management Response**

The Fund Account Manager informed the Committee that the following were CDF employees as at the time of the audit:

|    | Name of Employee     | Designation        | Date of Employment | Gross Salary | No. of months Paid |
|----|----------------------|--------------------|--------------------|--------------|--------------------|
| 1. | Emma Ayusa           | Accounts Assistant | Jan. 2014          | 40,000       | 7                  |
| 2. | Benard Nyamasege     | Clerical Officer   | Jan. 2014          | 25,692       | 6                  |
| 3. | Zephania Omae Orenge | Driver             | Jan. 2014          | 25,692       | 6                  |
| 4. | Evelyne S. Imbahale  | Records officer    | Feb. 2014          | 35,000       | 5                  |
| 5. | Adelaidah F. Gurmakh | Accounts Assistant | May 2014           | 35,000       | 2                  |

The circular ref: CDF BOARD/CIRCULARS/VOL.I.I/166 from the CDF Board gave guidance on recruitment and remuneration of CDFC employees. The circular only captures basic salary for the various job groups and further guides that remuneration for the CDFC staff to be benchmarked to the prevailing civil service salary scale including all the allowances.

The circular puts the Accounts Assistant in job group H. However, as per the revised Government scheme of service for Accountants, Accounts Assistant II (Job group G) and Accounts Assistant I (Job group H) were all transitioned to Job group J. Employees were paid consolidated amounts inclusive of all other allowances.

From the revised scheme of service for Accountants it is therefore evident that the Accounts Assistants were not overpaid as observed by the auditors. Salary payments to Accounts Assistants plus allowances were therefore within the recommended job group.

### **Committee Observation**

**The Committee observed that the Fund Account Manager relied on existing guidelines issued by the constituencies Development Fund Board at the time to make the payments.**



### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures that all payments to staff are done as per the guidelines issued by the NG-CDF Board.**

## **6. BURSARY ALLOCATION AND DISBURSEMENTS**

The Committee was informed that the statement of receipts and payments also reflects an amount of Ksh.14,392,985.00 under other grants and transfers, which include an amount of Ksh. 13,310,000.00 in bursaries disbursed for various students in the Constituency; it was observed that an amount of Ksh. 1,641,000.00 relating to bursary cheques had not been presented. It is not clear why the bursary cheques had been prepared in the month of June, which is way too late for start of school term.

### **Management Response**

The Fund Account Manager informed the Committee that an amount of Kshs. 1,641,000 for bursaries remained unrepresented at the end of financial year. An amount of Kshs. 13,310,000 had been disbursed as bursaries for various students. The first batch of bursary cheques were done in February 2014 as the first funds were received in January 2014. The second batch of bursary cheques were prepared and released in June 2014. By the end of the financial year most of the bursary cheques had been presented to the bank and on only Ksh. 1,641,000 stood unrepresented.

### **Committee Observations**

**The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time. The matter has since been resolved.**

### **Committee Recommendations**

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;**
- (ii) The National Government Constituencies Development Fund Board fast-track adoption of electronic funds transfer in disbursement of bursaries; and**
- (iii) The Fund Account Managers ensures that beneficiary institutions issue acknowledgement document upon receipt of the bursaries.**



## SUBMISSIONS FOR THE FINANCIAL YEAR 2014/2015

### 1. BUDGET AND BUDGETARY CONTROLS

The Committee heard that the summary of statement of appropriation recurrent and development had a final receipt and expenditure budget of kshs.113, 711,584.00. The total funds available of Kshs. 72,466,816 includes cash brought forward of Kshs. 26,222,046. Although the C.D.F had cash of Kshs. 72,466,816, it utilized Kshs.61, 265,921 about 84.5% only as shown below

|                           | <b>Budgeted<br/>Amount<br/>Kshs.</b> | <b>Actual<br/>Expenditure<br/>Kshs.</b> | <b>Under<br/>Expenditure<br/>Kshs.</b> | <b>Over<br/>Expenditure<br/>Kshs.</b> |
|---------------------------|--------------------------------------|-----------------------------------------|----------------------------------------|---------------------------------------|
| Compensation of Employees | 1,791,898                            | 1,352,356                               | 439,542                                | -                                     |
| Use of goods and services | 3,908,166                            | 5,002,195                               | -                                      | 1,094,029                             |
| Committee Allowances      | 3,055,269                            | 1,292,000                               | 1,763,269                              | -                                     |
| Transfers to Other Govnt. | 37,695,091                           | 10,792,018                              | 26,903,073                             | -                                     |
| Other Grants and Transf.  | 54,104,960                           | 40,643,951                              | 13,461,009                             | -                                     |
| Social Security Benefits  | 11,200                               | 8,400                                   | 2,800                                  | -                                     |
| Acquisition of Assets     | 13,145,000                           | 2,175,000                               | 10,970,000                             | -                                     |
| <b>Total</b>              | <b>113,711,584</b>                   | <b>61,265,920</b>                       | <b>53,539,693</b>                      | <b>1,094,029</b>                      |

It was noted that the over expenditure or reallocation of Ksh. 1,094,029 on use of goods and services was not approved by the CDF Board. Further failure to implement the projects was blamed on low funding. The fund closed with a cash balance of Kshs. 11,200,896 as at 30June 2016 which could have been used to fund needy projects

#### **Management Response**

The Fund Account Manager informed the Committee that out of the total available funds of kshs. 70,466,816 the constituency utilized kshs. 61,265,921 or about 84.5%. This was due to late disbursement of funds from the CDF BOARD which affected the implementation of projects as the 1<sup>st</sup> disbursement was received during the 3<sup>rd</sup> quarter of the financial year 2014/15.

On issue of over expenditure or reallocation of Kshs. 1,094,029 on use of goods and services we would like to state that this occurred due to wrong posting. An amount of Kshs 1,094,029 for committee expenses was wrongly posted to goods and services. Consequently the financial statement has been adjusted and presented to auditors for review.

#### **Committee Observations**

**The Committee observed that:**

- (i) **The errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved as confirmed by the Auditor-General; and**

- (ii) The under expenditure was due to late disbursement of funds by the National Treasury.

**Committee Recommendation**

The Committee recommends that: -

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting; and
- (ii) The National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## **2. IMPLEMENTATION OF PROJECTS**

### ***Transfers to Other Government Entities***

The Committee was informed that the summary appropriation for recurrent and development expenditure reflects that the constituency had budgeted to spend Ksh. 37,695,091 on Transfers to Other Government Entities, while the statement on receipts and payments reflects an amount of Ksh 10, 792,018 as having been expended resulting to under expenditure of Ksh. 26,903,073. However review of records available at the constituency office indicates that the CDF had a budget of Ksh. 29,000,000 and implemented projects worth Ksh. 15,000,000 as detailed in the table:



| <b>Project</b>                                                                                      | <b>Budgeted<br/>Amount<br/>Kshs.</b> | <b>Actual<br/>Expenditure<br/>Kshs.</b> | <b>Under<br/>Expenditure<br/>Kshs.</b> | <b>Over<br/>Expenditure</b> |
|-----------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------|----------------------------------------|-----------------------------|
| Kawangware Day Nursery - Classes                                                                    | 2,000,000                            | 2,000,000                               | -                                      | -                           |
| Kileleshwa Pri. Sch. - Kitchen                                                                      | 1,000,000                            | 1,000,000                               | -                                      | -                           |
| Muslim Pri. Sch. - Kitchen                                                                          | 500,000                              | 500,000                                 | -                                      | -                           |
| HGM Pri. Sch - Desk                                                                                 | 500,000                              | 500,000                                 | -                                      | -                           |
| Kabiro Pri. Sch. - Landscapping                                                                     | 500,000                              | 500,000                                 | -                                      | -                           |
| Gatina Pri. Sch - Landscapping                                                                      | 250,000                              | 250,000                                 | -                                      | -                           |
| Gatina Pri. Sch - P. Wall                                                                           | 5,000,000                            | 5,000,000                               | -                                      | -                           |
| Dagoretti Sec Sch. Landscapping                                                                     | 5,250,000                            | 5,250,000                               | -                                      | -                           |
| Kawangware Pr. Sch. - Toilets                                                                       | 1,000,000                            | -                                       | 1,000,000                              | -                           |
| St. Georges pri. Sch. Dorm                                                                          | 2,000,000                            | -                                       | 2,000,000                              | -                           |
| Kilimani Pri. Sch. Classes                                                                          | 500,000                              | -                                       | 500,000                                | -                           |
| Milimani pri. Sch. Classes                                                                          | 500,000                              | -                                       | 500,000                                | -                           |
| Muthangari pri. Desks                                                                               | 500,000                              | -                                       | 500,000                                | -                           |
| Jakaranda pri. Sch. Bus                                                                             | 2,000,000                            | -                                       | 2,000,000                              | -                           |
| St. Georges Girls Sec. Classes                                                                      | 1,500,000                            | -                                       | 1,500,000                              | -                           |
| Nairobi Milimani Sec. Dorm                                                                          | 2,000,000                            | -                                       | 2,000,000                              | -                           |
| Precious Blood Sec. School                                                                          | 4,000,000                            | -                                       | 4,000,000                              | -                           |
| <b>Total per records</b>                                                                            | <b>29,000,000</b>                    | <b>15,000,000</b>                       | <b>14,000,000</b>                      | <b>-</b>                    |
| <b>Unsupported budgeted<br/>Projects (Balancing figure)</b>                                         | <b>8,695,091</b>                     | <b>(4,207,982)</b>                      | <b>12,903,073</b>                      | <b>-</b>                    |
| <b>Total per summary statement of<br/>appropriation, and statement of<br/>receipts and payments</b> | <b>37,695,091</b>                    | <b>10,792,018</b>                       | <b>26,903,073</b>                      | <b>-</b>                    |

No reconciliation or explanation was provided for the variance between the figure of Ksh 37,695,091 reflected in the summary statement of appropriation and the figure of Ksh 29,000,000 as supported with documentary evidence. In addition, no reconciliation or explanation has been provided for the variance between the amount of Ksh 10,792,018 reflected in the statement of receipts and payments and records supporting an amount of Ksh 15,000,000 as having been spent. Consequently, the completeness and accuracy of the figures reflected in the statement of receipts and payments and the summary statement of appropriation could not be ascertained.

### **Management Response**

The Fund Account Manager informed the Committee that the summary appropriation for recurrent and development expenditure reflects that the constituency had budgeted to spend Ksh. 37,695,091 on Transfers to Other Government Entities, while the statement on receipts and payments reflects an amount of Ksh. 10, 792,018 as having been expended resulting to under expenditure of Ksh. 26,903,073. However review of our records confirms that there were unreconciled and unexplained differences which were occasioned by wrong postings from the budget and source documents.

The ledgers were overestimated and this has been corrected and the figure stands at Ksh. 10,792,018 which has been corrected as follows.

| Variances between financial statements and records |            |             |            |
|----------------------------------------------------|------------|-------------|------------|
| Project                                            | Budgeted   | Actual      |            |
|                                                    | Amount     | Expenditure | Variance   |
|                                                    | Kshs.      | Kshs.       | Kshs.      |
| Kawangware Day Nursery - Classes                   | 2,000,000  | 1,500,000   | 500,000    |
| Kileleshwa Pri. Sch. – Kitchen                     | 1,500,000  | 1,000,000   | 500,000    |
| Muslim Pri. Sch. – Kitchen                         | 500,000    | 500,000     | -          |
| HGM Pri. Sch – Desk                                | 500,000    | 500,000     | -          |
| Kabiro Pri. Sch. - Landscapping                    | 500,000    | 500,000     | -          |
| Gatina Pri. Sch - Landscapping                     | 250,000    | 292,018     | (42,018)   |
| Gatina Pri. Sch - P. Wall                          | 5,500,000  | 3,250,000   | 2,250,000  |
| Dagoretti Sec Sch. Landscapping                    | 6,250,000  | 3,250,000   | 3,000,000  |
| Kawangware Pr. Sch. - Toilets                      | 2,000,000  | -           | 2,000,000  |
| St. Georges pri. Sch. Dorm                         | 3,000,000  | -           | 3,000,000  |
| Kilimani Pri. Sch. Classes                         | 695,091    | -           | 695,091    |
| Milimani pri. Sch. Classes                         | 500,000    | -           | 500,000    |
| Muthangari pri. Desks                              | 500,000    | -           | 500,000    |
| Jakaranda pri. Sch. Bus                            | 2,500,000  | -           | 2,500,000  |
| St. Georges Girls Sec. Classes                     | 2,500,000  | -           | 2,500,000  |
| Nairobi Milimani Sec. Dorm                         | 3,500,000  | -           | 3,500,000  |
| Precious Blood Sec. School                         | 5,500,000  | -           | 5,500,000  |
| Total                                              | 37,695,091 | 10,792,018  | 26,903,073 |

### **Committee Observation**

The Committee observed that errors in financial statements arose from failure to comply with IPSAS in financial reporting. The matter has since been resolved as confirmed by the Auditor-General.

### **Committee Recommendations**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.

### **Other Grants and Transfers**

The Committee was informed that the Constituency budgeted to spend Kshs.54, 104,960 on Other Grants and Transfers but only spent Ksh.40, 643,951 resulting to a net under expenditure of Ksh.13, 461,009.

The Constituency budgeted to spend Ksh.54, 104,960 on Other Grants and Transfers but only spent Ksh.40, 643,951 resulting to a net under expenditure of Kshs.13, 461,009 as detailed:



| <b>Project</b>                                                                           | <b>Budgeted Amount Kshs.</b> | <b>Actual Expenditure Kshs.</b> | <b>Under Expenditure Kshs.</b> | <b>Over Expenditure Kshs.</b> |
|------------------------------------------------------------------------------------------|------------------------------|---------------------------------|--------------------------------|-------------------------------|
| Constituency sports Activities                                                           | 1,741,785                    | 435,000                         | 1,306,785                      | -                             |
| Award of Bursary                                                                         | 20,727,099                   | 23,087,500                      | -                              | 2,360,401                     |
| Emergency                                                                                | 5,400,259                    | 1,992,018                       | 3,408,241                      | -                             |
| Environment                                                                              | 1,741,789                    | 1,137,000                       | 604,786                        | -                             |
| Waruku Road project                                                                      | 7,000,000                    | 10,527,232                      | -                              | 3,527,232                     |
| Kawangware water proj.                                                                   | 3,000,000                    | 3,465,201                       | -                              | 465,201                       |
| Kilimani police post                                                                     | 2,500,000                    | -                               | 2,500,000                      | -                             |
| Kileleshwa police post                                                                   | 2,940,574                    | -                               | 2,940,574                      | -                             |
| Muthangari police post                                                                   | 1,500,000                    | -                               | 1,500,000                      | -                             |
| Waruku village Floodlights                                                               | 3,000,000                    | -                               | 3,000,000                      | -                             |
| Subcounty Comm. Office                                                                   | 600,000                      | -                               | 600,000                        | -                             |
| <b>Total per records</b>                                                                 | <b>50,151,506</b>            | <b>40,643,951</b>               | <b>15,860,386</b>              | <b>6,352,834</b>              |
| <b>Unsupported Amounts (Balancing Figure)</b>                                            | <b>3,953,457</b>             | <b>-</b>                        | <b>3,953,457</b>               | <b>-</b>                      |
| <b>Total balance as per summary stmt of appropriation, stmt or receipts and payments</b> | <b>54,104,960</b>            | <b>40,643,951</b>               | <b>19,813,843</b>              | <b>6,352,834</b>              |

From the above, it is evident that at least three projects; award of bursary, road projects and water were given more funds totalling Ksh. 6,352,834 than had been budgeted for and approved. There is no evidence that the overshoot amounts were approved by the CDF Board. The CDF therefore did not adhere to budgetary provisions. The Ksh. 54,104,960 budgeted amount on other grants and transfers, differs with the supporting documentation on amount of Ksh. 50,151,503 by unreconciled and unexplained difference of Ksh. 3,953,457 consequently, the accuracy of the balances reflected in the summary statement of appropriation could not be ascertained.

### Management Response

The Fund Account Manager informed the Committee that approval from the CDF Board of the three projects was not presented at the time of audit for bursary, roads and water projects. The approvals were granted and have been subsequently presented to auditors. The unreconciled and unexplained difference of Ksh. 3,953,457 relates to balance brought forward from the previous financial year on other grants and transfers itemized as the following-

|       | Item               | Amount    |
|-------|--------------------|-----------|
| 1.    | Emergency Projects | 2,081,481 |
| 2.    | Environment        | 1,209,901 |
| 3.    | Sports             | 662,075   |
| Total |                    | 3,953,457 |

### **Committee Observations**

The Committee observed that: -

- (i) The errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved as confirmed by the Auditor-General; and
- (ii) The management did not avail to the Auditor General approvals from the CDF Board for bursaries, roads and water projects for verification at the time of Audit and the matter has since been resolved.

### **Committee Recommendation**

The Committee recommends that: -

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting; and
- (ii) The National Government Constituencies Development Fund Board takes administrative action against Fund Account Managers who reallocated funds contrary to the NG-CDF Act, 2015.

## **3. REVENUE**

The Committee was informed that the constituency had budgeted to receive Ksh. 113,711,585 but only received Ksh. 72,466,816 resulting to underfunding by Ksh. 41,244,769 at 36% short fall in transfers from the Constituency Development Fund Board. The management has not explained the reasons for not receiving the funds as budgeted.

### **Management Response**

The Fund Account Manager informed the Committee that the constituency had budgeted to receive Ksh. 113,711,585 but only received Ksh. 72,466,816 leading to a budget deficit of Ksh. 41,244,796. This was because of late disbursement of funds from the Board.

### **Committee Observation**

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

### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## **4. COMPENSATION OF EMPLOYEES**

The Committee was informed that the statement of receipts and payments reflects an amount of Ksh. 1,352,356 under compensation of employees. Review or records indicate that the CDF did not pay its employees in accordance with a circular ref CDFBOARD/CURCULARS/Vol. 1/166 dated 24 June 2013 on guidelines on recruitment and remuneration of employees engaged by constituencies by the CDF Board. As a result of the failure to follow the guidelines the CDF



overpaid one employee by Ksh. 56,652 while at the same time two employees were under paid by Ksh. 96,354. No reason was given for the failure to follow the guidelines on recruitment and remuneration of CDF staff.

### **Management Response**

The Fund Account Manager informed the Committee that the circular ref: CDF BOARD/CIRCULARS/VOL.I.I/166 from the CDF Board gave guidance on recruitment and remuneration of CDFC employees. The circular only captures basic salary for the various job groups and further guides that remuneration for the CDFC staff to be benchmarked to the prevailing civil service salary scale including all the allowances. The circular puts the Accounts Assistant in Job Group H. However as per the revised Government scheme of service for Accountants, Accounts Assistant II (Job group G) and Accounts Assistant I (Job group H) were all transitioned to Job Group J.

Employees were paid consolidated amounts inclusive of all other allowances. From the revised scheme of service for Accountants it is therefore evident that the Accounts Assistants were not overpaid as observed by the auditors. Salary payments to Accounts Assistants plus allowances were therefore within the recommended job group.

### **Committee Observation**

**The Committee observed that the Fund Account Manager relied on existing guidelines issued by the Constituencies Development Fund Board and the prevailing civil service salary scale at the time to make the payments.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager should ensure that all payments to staff are done as per the provisions of section 23 (2) of the NG-CDF Act, 2015 and guidelines issued by the NG-CDF Board.**

## **5. UNSUPPORTED EXPENDITURE**

The Committee heard that the statement of receipts and payments reflects an amount of Ksh. 5,002,195 and Ksh. 1,292,000 under use of goods and services and committee expenses respectively. However, supporting documents availed reflect expenditures of Ksh. 1,454,872 and Kshs. 1,679,500 under use of goods and services and committee expenses respectively. The net expenditure difference of Kshs. 3,159,823 was not supported with documentary evidence and thus not possible to confirm propriety of the payments.

### **Management Response**

The Fund Account Manager informed the Committee that the statement of receipts and payments reflects an amount of Ksh. 5,002,195 and Ksh. 1,292,000 under use of goods and services and committee expenses respectively. However an amount of Ksh. 1,094,029 for committee expenses was erroneously posted on goods and services. This was adjusted in the financial statement and presented to the auditors for review. In the adjusted statement of receipts and payments therefore

reflects an amount of Ksh. 3,908,166 and Ksh. 2,386,029. Some expenditure was not supported by documents at the time of audit. The expenditure has been supported by source documents and ledgers that were presented to auditors for review.

#### **Committee Observations**

**The Committee observed that the Fund Account Manager did not avail source documents and ledgers to support expenditure at the time of audit.**

#### **Committee Recommendation**

**The Committee recommends that:**

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and**
- (ii) The Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### **6. CASH AND CASH EQUIVALENTS**

The Committee heard that the statement of assets as at 30<sup>th</sup> June, 2015 reflected an amount of Kshs. 11,200,896 under cash and bank balance which differ with Ksh. 12,526,336, cash book figure by un reconciled and unexplained difference of Kshs. 1,325,440. Under the circumstance, accuracy of the bank balances of Kshs. 11,200,896 as reflected in the financial statements could not be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that the statement of assets as at 30 June, 2015 reflects an amount of Kshs. 11,200,896 under cash and bank balance which differ with Kshs. 12,526,336, cash book figure by unreconciled and unexplained difference of Kshs. 1,325,440. Upon review of the source documents we have established that the correct balance is Kshs. 12,526,336. The unreconciled difference of was corrected and the financial statement amended and presented to auditors for review.

#### **Committee Observations**

**The Committee observed that:-**

- (i) The errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved as confirmed by the Auditor-General; and**
- (ii) The Fund Account Manager did not avail to the Auditor General relevant documentation for verification at the time of audit.**

### **Committee Recommendation**

**The Committee recommends-**

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and**
- (ii) The Fund Account Manager should ensure strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## SUBMISSIONS FOR FINANCIAL YEAR 2015/2016

### 1. PRESENTATION AND ACCURACY OF THE FINANCIAL STATEMENTS

#### *Presentation of the financial statements*

The Committee heard that the statement of compliance and basis of presentation indicates that all values are rounded off to the nearest shilling. However, figures in the financial statement have not been rounded to the nearest shilling. As a result, the financial statements are not consistent with the basis of preparation and have not been properly identified and therefore do not conform to the format prescribed by the Public Sector Accounting Standards Board.

#### **Management Response**

Fund Account Manager informed the Committee that that figures presented in the financial statement are not rounded off to the nearest shilling. However we have not been aware of this since all our financial statement figures were not rounded off to the nearest shilling. We therefore promise to comply with this in future.

#### **Committee Observation**

The Committee observed that the Fund Account Manager did had not complied with IPSAS for preparation of financial statements and the accounts did not conform to the format prescribed by the Public Sector Accounting Standard Board.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.

#### *Comparative figures*

The Committee was informed that following differences have been noted between comparative figures (2014/2015) reflected in the financial statements for the year under review and the balances shown in the audited financial statements for 2014/15.

|                           | <b>2014/2015<br/>Comparative figures<br/>Kshs</b> | <b>2015/2016<br/>Audited Balances<br/>Kshs</b> | <b>Variance<br/>Kshs</b> |
|---------------------------|---------------------------------------------------|------------------------------------------------|--------------------------|
| Compensation of employees | 1,360,756                                         | 1,352,356                                      | 8,400                    |
| Use of Goods              | 6,294,195                                         | 5,002,195                                      | 1,292,000                |
| Committee Expenses        | -                                                 | 1,292,000                                      | (1,292,000)              |
| Social Security Benefit   | -                                                 | 8,400                                          | (8,400)                  |



However, no explanation has been provided for these differences. In addition, the nature of the errors and the respective amounts of the corrections affected on the comparative figures has not been disclosed in the notes to the financial statements.

### **Management Response**

The Fund Account Manager informed the Committee that there were variations on comparative figures under compensation of employees and use of goods. This was occasioned by the change in reporting framework where the Committee Expenses and Social Security Benefit were reported separately from the above main items. This has been explained to auditors.

### **Committee Observation**

**The Committee observed that errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.**

### ***Differences between balances in the Financial Statements and supporting schedules***

The Committee heard that the following differences have been noted between the figures in the financial statements and the supporting schedules.

|                                                    | Balance in the Financial Statements Kshs | Balance in the Supporting Schedule Kshs | Difference Kshs |
|----------------------------------------------------|------------------------------------------|-----------------------------------------|-----------------|
| Compensation of employees                          | 1,465,959                                | 1,345,669                               | 120,290         |
| Use of Goods and services                          | 6,947,901                                | 4,095,156                               | 2,852,745       |
| Other Grants and Other Payments-Emergency projects | 2,820,000                                | 1,250,000                               | 1,570,000       |

Consequently, the accuracy of the financial statements for the year ended 30<sup>th</sup> June, 2016 cannot be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that some expenditure was not fully supported by schedules at the time of audit. The expenditures have been supported by source documents and schedules and were presented to auditors for audit review.

### **Committee Observation**

**The Committee observed that the Fund Account Manager did not avail all the relevant documents for verification at the time of Audit. The documents have since been availed and the matter resolved as confirmed by the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## **2. CASH AND CASH EQUIVALENTS**

The Committee was informed that the statement of financial assets reflects cash and cash equivalents balance of Kshs 47,174,542.85 as at 30<sup>th</sup> June,2016. However, the cashbook made available for audit reflects a balance of Kshs.49,393,007 resulting in an unexplained difference of Kshs.2,218,464.15. Bank reconciliation statements for the twelve months from July 2015 to June 2016 were also not provided for audit verification. Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.47,174,542.85 as at 30 June 2016 cannot be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that the statement of financial assets and liabilities reflect a balance of Kshs.47, 174,542.85 as at 30<sup>th</sup> June 2016 while the cash book at the time of audit reflected a balance of Kshs. 49,393,007 resulting in a difference of Kshs 2,218,464.15 between the two sets of records. Upon review we have established that the correct balance is Ksh 47,174,542.85. The difference of Kshs. 2,218,464.15 was because of failure to capture some transactions in the cash book as analyzed. The items had since been reconciled and captured appropriately. It was also true that bank reconciliation statements were not presented for audit review as noted by auditors at the time of audit. However these were later presented to auditors for review.

### **Committee Observation**

**The Committee observed that the Fund Account Manager did not present bank reconciliation statements for verification at the time of Audit. The documents have since been availed and the matter resolved as confirmed by the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## **3. BUDGET AND BUDGETARY PERFORMANCE**

The Committee heard that during the year under review, Dagoretti North Constituency Fund incurred expenditure totalling Ksh.53,271,122 against an approved budget of Ksh.150,332,473 resulting in under-expenditure of Ksh.97,061,351 as shown below:



| Item                       | Budgeted Amount<br>Kshs. | Actual Expenditure<br>Kshs. | Over/Under Expenditure<br>Kshs. |
|----------------------------|--------------------------|-----------------------------|---------------------------------|
| Compensation of Employees  | 1,848,342                | 1,465,959                   | 382,383                         |
| Use of goods and Services  | 9,579,052                | 6,947,901                   | 2,631,151                       |
| Transfer to other Govt     | 78,939,941               | 12,595,351                  | 66,344,590                      |
| Other Grants and Transfers | 48,995,138               | 32,261,911                  | 16,733,227                      |
| Acquisition of Assets      | 10,970,000               |                             | 10,970,000                      |
| Total                      | 150,332,473              | 53,271,122                  | 97,061,351                      |

The under-expenditure is an indication of unutilized funds and approved programs not implemented fully. The budget did not, therefore, wholly meet the objective of improving delivery of services to the residents of Dagoretti North Constituency.

### **Management Response**

The Fund Account Manager informed the Committee that the under-expenditure was because of late disbursement of funds from the Board. Projects were also paid directly from the main account and not through Project Management Committee account hence the delay in payments of full amounts to the projects since payments done on certificates issued by the projects engineer. This is not so for now since all projects go through Project Management Committee Accounts.

### **Committee Observation**

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

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedite the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

## **4. PROJECTS NOT IMPLEMENTED**

The Committee was informed that a review of the status of projects implemented during the year ended 30<sup>th</sup> June, 2016 revealed that eight (8) of the project's with an aggregate budget of Kshs.11,400,031 as detailed below were not executed at all during the year.

| Project                              | Budgeted Amount Kshs. | Actual Expenditure Kshs. | Under Expenditure Kshs. |
|--------------------------------------|-----------------------|--------------------------|-------------------------|
| St Georges Primary Dormitory         | 2,000,000             |                          | 2,000,000               |
| Lavington Primary Renovation of Hall | 500,000               |                          | 500,000                 |
| Kawangware Renovation                | 610,320               |                          | 610,320                 |
| Muslim Primary Level Parade Field    | 500,000               |                          | 500,000                 |
| State House Girls two Classroom      | 2,331,975             |                          | 2,331,975               |
| Lavington Primary Admission Block    | 2,000,000             |                          | 2,000,000               |
| Environment-tree Planting            | 1,957,736             |                          | 1,957,736               |
| CDF Office –strategic Planning       | 1,500,000             |                          | 1,500,000               |
| Total                                | 11,400,031            |                          | 11,400,031              |

Consequently, the Constituency of Dagoretti North did not obtain benefits for the eight (8) projects budgeted for, but not implemented during the year under review.

**Management Response**

The Fund account Manager informed the Committee that there was non-implementation of the enlisted projects during the financial year under audit review. This was because of non-disbursement of funds from the Board. However when funds were made available the projects were subsequently implemented.

**Committee Observation**

**The Committee observed that the under-expenditure was due to late disbursement of funds by the National Treasury.**

**Committee Recommendation**

**The Committee recommends that the National Treasury expedite the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**



### 3.2. DAGORETTI SOUTH CONSTITUENCY

#### EVIDENCE ON THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF DAGORETTI SOUTH NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

Ms. Susan Nthiiri, the current Fund Account Manager, accompanied by Mr. Japheth Ondimu, the former Fund Account Manager appeared before the Committee on 15<sup>th</sup> March, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### SUBMISSIONS FOR THE FINANCIAL YEAR 2013/2014

##### 1. ACCURACY OF FINANCIAL STATEMENT

The Committee was informed that the statement of receipts and payments reflects receipts of Ksh. 25,633,371 and expenditure of Ksh.17,973,628.07. However the financial statement figures differed with records maintained by the fund as follows:-

|           | Records<br>Kshs | Financial Statements<br>Kshs | Difference<br>Kshs |
|-----------|-----------------|------------------------------|--------------------|
| Bursaries | 5,206,000       | 5,412,000                    | 206,000            |
| Roads     | 4,935,165       | 6,408,260                    | 1,473,098          |

The difference between the two sets of records has not been reconciled or explained. Consequently, the accuracy of financial statements as at 30<sup>th</sup> June, 2014 could not be ascertained.

##### Management Response

The Fund Account Manager informed the Committee that the difference of Ksh. 206,000 for bursary was payment to various institutions vide payment voucher number 030/2013/2014. A copy of the payment voucher was provided to the Committee as evidence.

| <i>PV NO</i>  | <i>AMOUNT</i> |
|---------------|---------------|
| 030/2014/2015 | 206,000.00    |

The difference of 1,473,098 noted between the records and the financial statements for the roads arose because of the voucher number 034/2013/2014 of Ksh. 539,098 and voucher number 050/2013/2014 of Ksh. 934,000 paid out to Lapaz Holdings Ltd for Wanyee Road and Project Management Committee allowances for Mukiri, Wangai, Wanyee, Ngina, Wairimu, Lenana and Mukembe Roads erroneously omitted from the records.

| <b>Pv No</b>  | <b>Amount</b>       |
|---------------|---------------------|
| 034/2013/2014 | 539,098.40          |
| 050/2013/2014 | 934,000.00          |
| <b>TOTAL</b>  | <b>1,473,098.00</b> |

### **Committee Observations**

The Committee observed that the errors arose from failure to avail records at the time of audit and non-compliance to IPSAS in financial reporting. The matter had since been resolved as confirmed by the Auditor-General.

### **Committee Recommendation**

The Committee recommends that:

- (i) he Fund Account Manager maintains accurate records and complies with the International Public Sector Accounting Standards (IPSAS) framework; and
- (ii) The Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## **2. UNSUPPORTED OTHER RECEIPTS TALLING KSHS. 127,000**

The Committee was informed that the statement of receipts and payments reflects other receipts amounting to Ksh. 127,000 indicated as receipts from sale of tender documents. However, the receipt was not supported with documentary evidence. Consequently, the figures reflected in the statement of receipts and payments under other receipts could not be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that copies of receipts from the sale of tender documents totaling to Ksh. 127,000 were subsequently submitted to the auditors for verification.

### **Committee Observation**

The Committee observed that the management did not avail receipts amounting to Ksh. 127,000 indicated as receipts from sale of tender documents to the Auditor-General for verification at the time of audit. The documents have since been availed and the matter resolved as confirmed by the Auditor-General.

### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## **3. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The Committee was informed that the statement of receipts and payments reflect an amount of Ksh. 13,438,089 under other grants and transfers during the year, which includes an amount of



Ksh. 5,412,000 that had been disbursed as bursaries during the year. However, a review of cashbooks and the bank reconciliation statement for the month of June 2014 revealed that an amount of Ksh. 2,139,476 in bursary cheques had not been presented. No reason was given for the huge balance of unpresented cheques.

#### **Management Response**

The Fund Account Manager informed the Committee that cheques totalling to Ksh. 2,139,476 remained unpresented at the end of the financial year. The cheques which included bursary among others were issued towards the end of the year. The cheques were subsequently presented in the following year. The Bank Reconciliation Statement was provided for verification.

#### **Committee Observations**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued and that they reach the intended beneficiaries or institutions on time. The matter has since been resolved since bank reconciliation statements were provided to the Auditor- General for verification.

#### **Committee Recommendations**

The Committee recommends that –

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries; and
- (ii) The Fund Account Manager ensures that beneficiary institutions issue acknowledgement document upon receipt of bursary cheques.

#### **4. LATE DISBURSEMENT OF FUNDS**

The Committee was informed that during the financial year, the constituency had an approved budget of Ksh. 44,529,452.91 however only an amount of Ksh. 25,633,370.80 was received. Although the fund manager requested for the difference of Ksh. 18,896,082 through the Constituency Development Fund Board, no Management Response was received. In the circumstance, the constituency could not meet the set targets due to financial constraint.

#### **Management Response**

The Fund Account Manager informed the Committee that an amount of Ksh. 18,896,082 was not received from the Board during the financial year.

#### **Committee Observation**

The Committee observed that there was a delay in disbursement of funds by the NG- CDF Board and the National Treasury.

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

#### **5. LOW ABSORPTION OF FUNDS**

The Committee was informed that a summary statement of appropriation showed that the NG-CDF had budgeted to spend Ksh. 33,875,452 during the year. However, the fund received an amount of Ksh. 25,633,370 for all its activities during the year and closed with a surplus of Ksh. 7,786,742. No reason was given for failure to implement the budgeted projects in the year.

#### **Management Response**

Account Manager informed the Committee that due to delay in disbursement of funds, some projects had to delay being implemented. Also some residents of Dagoretti South who are land owners are hesitant to give way for road projects causing a lot of push and shove before they can agree a road to pass on their parcels of land or its improvement to cause the pulling down of their illegal structures on road reserves.

#### **Committee Observation**

**The Committee observed that the late disbursement of funds by the NG-CDF Board and the National Treasury affected project implementation in the year under review.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**





## FINANCIAL YEAR 2014/2015

### 1. BUDGET AND BUDGETARY CONTROLS

The Committee was informed that the summary statement of appropriation for recurrent and development account reflect a total budget expenditure of Kshs 138,019,625 and receipts of 138,276,627 as at 30<sup>th</sup> June,

2015. At the same time, the Fund received an amount of Ksh 100,800,934 from the CDF Board and Ksh 130,000 from other sources. The Fund had an opening balance of cash of kshs 7,786,743. The total available fund cash balance during the year was therefore Ksh 108,717,677. Of this, the Fund absorbed Ksh 84,830,894 or about 78.75% in the year.

| Project amount Expenditure        | Budgeted           | Actual Expenditure       | Under expenditure - |
|-----------------------------------|--------------------|--------------------------|---------------------|
| Compensation of Employees         | 2,308,800          | 1,155,405<br>1,153,395   |                     |
| Use of goods and services         | 2,768,514          | 2,768,514                | -                   |
| Committee allowances              | 4,714,333          | 4,714,333                | -                   |
| Transfers to Other Govt. Entities | 21, 221,000        | 19,818,250               | 1,402,750           |
| Other Grants and Trans fer        | 103, 282,678       | 53,098,269<br>50,184,410 |                     |
| Social Security Benefits          | 24,300             | 24,300                   | -                   |
| Acquisition of Assets             | 3,700,000          | 3,251,823                | 448,177             |
| <b>TOTAL</b>                      | <b>138,019,625</b> | <b>84,830,894</b>        | <b>53,188,732</b>   |

#### Management Response

The Fund Account Manager informed the Committee that the statement of appropriation for recurrent and development account reflects a total budget expenditure of Ksh 138,019,625 and receipts of 138,276,627 as at 30<sup>th</sup> June, 2015. An amount of Ksh 100,800,934 was received from the NG-CDF Board and Ksh 130,000 received from other sources and the Fund had an opening balance of Kshs 7,786,743 making the available cash Ksh 108,717,677. Of this, the Fund absorbed Ksh 84,830,894 or about 78.75% in the year. The reasons for the under expenditure were as tabulated here below:

| DETAILS                               | UNDER EXPENDITURE | REASONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Compensation of Employees             | 1,153,395         | This amount is reserved to be used to pay employees gratuity and other benefits.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Transfer to other Government Entities | 1,402,750         | This amount comprises of Ksh 1,400,000 meant for purchase of furniture and Ksh.2,750 was the difference between contract amount and allocated amount. The furniture was later bought.                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Other grants and transfers            | 50,184,410        | The utilization was due to the statutory process involved to ensure compliances with the laid down regulations. The projects were thereafter implemented.<br>The over-expenditure was due to unavoidable bursary expenses incurred during the process. The amount was later reversed since bursary is an ongoing /statutory fund.<br>The amount was utilized in subsequent Financial years. The reason for the slow implementation was due to the release of funds by the board<br>The under absorption of the sports vote was caused by the lack of cohesion by various club teams and lack of proper planning. |
| Acquisition of Assets                 | 448,177           | The balance was as a result of the difference in supplier's tender amount and allocated amount. The amount should be reallocated elsewhere.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Total</b>                          | <b>53,188,732</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

### Committee Observations

The Committee observed that slow implementation of projects resulting in low absorption of funds was due to delays in the disbursement of funds by the NG-CDF Board.

### Committee Recommendation

The Committee recommends that the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## 2. IMPLEMENTATION OF PROJECTS

### *Transfer to other government entities*

The Committee was informed that the summary statement of appropriation and payments reflects a budget of ksh. 21,221,000 under transfers to other Government Entities but only spent Ksh 19,818,250 in the year resulting to under expenditure of Ksh 1,402,750 as detailed below-

| Project               | Budgeted amount | Actual Expenditure | under |
|-----------------------|-----------------|--------------------|-------|
| <b>Expenditure</b>    |                 |                    |       |
| Kirigu Primary school | 6,000,000       | 6,000,000          | -     |
| Ndurarua Primary      | 1,000,000       | 1,000,000          | -     |
| Ruthimitu Primary     | 1,000,000       | 1,000,000          | -     |
| Nembu Primary         | 2,730,000       | 2,730,000          | -     |
| Kabiria Primary       | 3,000,000       | 3,000,000          | -     |
| Gitiba Primary        | 2,221,000       | 1,521,000          |       |
| 700,000               |                 |                    |       |

|                         |           |           |       |
|-------------------------|-----------|-----------|-------|
| Riruta Satellite School | 3,700,000 | 3,000,000 |       |
| 700,000                 |           |           |       |
| Beth Mugo High School   | 570,000   | 567,250   | 2,750 |

The purchase of furniture for Gitiba and Riruta Satellite Primary School(s) had not been made. No reason was given for the failure to implement the two projects in full yet the funds had already been disbursed by the Board.

### **Management Response**

The Fund Account Manager informed the Committee that the Constituency did not spend Kshs 1,402,750 out of the budgeted Ksh 21,221,000 under transfers to other Government entities as detailed below.

- (i) The Constituency did not purchase furniture for Gitiba and Riruta Satellite Primary Schools yet funds were available. The Management wishes to acknowledge that indeed funds were available in the bank but had only been deposit on 22/06/2015 towards the closure of the financial year. The A.I.E was availed to us on 02/07/2015. That means the tendering process commenced thereafter and the furniture's have since been bought and delivered to the named schools.
- (ii) In relation to the underexpenditure of Ksh. 1,402,750.00 in the Transfer to Other Government Entities section was due to the above raised matter of the purchase of furniture whose total budget was Ksh. 1,400,000. The balance of Ksh. 2,750 was as a result of the difference between the budgeted figure and the contract value of Beth Mugo High School and the actual allocate amount.

### **Committee Observation**

The Committee observed that under-expenditure relating to the purchase of furniture for Gitiba Primary School and Riruta Satellite Primary School was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

### **Committee Recommendation**

The National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

### ***Other Grants and Transfers***

The Committee was informed that the summary statement of appropriation further reflects a budget of Ksh. 103,282,678 detailed below under other grants and transfer and an actual expenditure of Ksh. 53,098,269 resulting to under expenditure of Ksh. 50,184 409.

| Details | Amount          | Actual            | Under       |
|---------|-----------------|-------------------|-------------|
| (Ksh)   | Budgeted (Ksh.) | Expenditure (Ksh) | Expenditure |



|                             |                    |                   |                   |
|-----------------------------|--------------------|-------------------|-------------------|
| Emergency                   | 8,964,725          | 5,239,796         | 3,724,929         |
| Sports                      | 2,955,089          | 447,701           | 2,507,388         |
| Bursary                     | 20,464,651         | 15,151,000        | 5,313,651         |
| Roads                       | 53,796,787         | 28,732,957        | 25,063,830        |
| Security                    | 18,600,000         | 900,000           | 17,700,000        |
| Environmental               | <u>2,716,756</u>   | <u>2,626,815</u>  | <u>89,941</u>     |
|                             | 107,498,008        | 53,098,269        | 54,399,739        |
| Unsupported Amounts         | (4,215,330)        | -                 | (4,215,330)       |
| (Balancing Figure)          |                    |                   |                   |
| Total per summary           |                    |                   |                   |
| Statement of Appropriation, |                    |                   |                   |
| Statement of receipt        |                    |                   |                   |
| and Payments                | <u>103,282,678</u> | <u>53,098,269</u> | <u>50,184,409</u> |

The Auditor noted the figure reflected in the budget proposal submitted to the CDF Board and figures reflected in the summary statement of appropriation on the grants and transfers differed with an unsupported amount of Ksh 4,215,330. The accuracy and completeness of the budgeted figures reflected in the summary statement of appropriation could therefore not be ascertained. No justification by management has been given for the failure to absorb the entire Ksh. 103,282,678 budgeted expenditure amount by Ksh. 50,184,409.

### Management Response

The Fund Account Manager informed the Committee that the details were as presented in the table below:

| ANALYSIS                                                         |                                     |                                 |                      |                        |
|------------------------------------------------------------------|-------------------------------------|---------------------------------|----------------------|------------------------|
| Details                                                          | Amount Allocated For FYR. 2014/2015 | Balance B/F From FYR. 2013/2014 | Actual Expenditure   | Over/Under Expenditure |
| Bursary                                                          | 13,670,175.00                       | 1,382,476.15                    | 15,151,000.00        | (98,348.85)            |
| Security                                                         | 18,000,000.00                       | 39,293.00                       | 900,000.00           | 17,139,293.00          |
| Roads                                                            | 23,095,600.00                       | 21,792,926.55                   | 28,732,958.05        | 16,155,568.50          |
| Sports                                                           | 1,822,676.16                        | 395,413.13                      | 447,700.00           | 1,770,389.29           |
| Environment                                                      | 1,822,689.60                        | 894,066.57                      | 2,626,815.00         | 89,941.17              |
| Emergency projects (specify)                                     | 5,400,259.00                        | 3,234,344.00                    | 5,239,795.60         | 3,394,807.40           |
| <b>Other Projects</b>                                            |                                     |                                 |                      |                        |
| 1) Dagoretti Empowerment Centre                                  | 0.00                                | 6,000,000.00                    | 0.00                 | 6,000,000.00           |
| 2) Two Boda Boda Sheds                                           | 0.00                                | 1,200,000.00                    | 0.00                 | 1,200,000.00           |
| 3) Prefabricated Staff Houses at Dagoretti Sub District Hospital | 0.00                                | 2,241,379.50                    | 0.00                 | 2,241,379.50           |
| 3) Prefabricated Staff Houses at Waithaka Health Centre          | 0.00                                | 2,241,379.50                    | 0.00                 | 2,241,379.50           |
| 4) Landscaping and Septic Tank Project                           | 0.00                                | 50,000.00                       | 0.00                 | 50,000.00              |
| <b>Total Per Return Made to the CDF Board</b>                    | <b>63,811,399.76</b>                | <b>39,471,278.40</b>            | <b>53,098,268.65</b> | <b>50,184,409.51</b>   |

The summation of allocated amount and balances before 2013/2014 financial year was as follows- (63,811,399.76 + 39,471,278.40) equals Ksh 103,282,678.16 less Ksh 53,098,268.65 equals Ksh 50,184,409.51. The under absorption reasons are indicated below-

| Details                                                          | Over/Under Expenditure | Reasons                                                                                                                                                                       |
|------------------------------------------------------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bursary                                                          | (98,348.85)            | The Over Expenditure was due to an avoidable bursary expenses incurred during the process. The amount was later reversed since bursary is an ongoing /statutory fund.         |
| Security                                                         | 17,139,293.00          | The amount was utilized in subsequent Financial years. The reason for the slow implementation was due to the release of funds by the board.                                   |
| Roads                                                            | 16,155,568.50          | The utilization was due to the statutory process involved to ensure compliances with the laid down regulations. The projects were thereafter implemented.                     |
| Sports                                                           | 1,770,389.29           | The under absorption of the sports vote was caused by the lack of cohesion by various club teams and lack of proper planning.                                                 |
| Environment                                                      | 89,941.17              | This balance was later paid as retention.                                                                                                                                     |
| Emergency projects (specify)                                     | 3,394,807.40           | The balance was due to lack of emergency incidence.                                                                                                                           |
| <b>Other projects</b>                                            |                        |                                                                                                                                                                               |
| 1)Dagoretti Empowerment Centre                                   | 6,000,000.00           | The lack of utilization was caused by the withholding of approval by the CDF Board until they verify that the Centre is a public facility. The projects requires reallocation |
| 2) Two Boda Boda Sheds                                           | 1,200,000.00           | The lack of available public land meant the delay was inevitable.                                                                                                             |
| 3) Prefabricated Staff Houses At Dagoretti Sub District Hospital | 2,241,379.50           | The management/committee was awaiting the design/ architectural from the CDF board.                                                                                           |
| 3) Prefabricated Staff Houses At Waithaka Health Centre          | 2,241,379.50           | The management/committee was awaiting the design/ architectural from the CDF board.                                                                                           |
| 4) Landscaping & Septic Tank Project                             | 50,000.00              | The allocation was not utilized due to implementation challenges faced.                                                                                                       |
| <b>Total Per Return Made to the CDF Board</b>                    | <b>50,184,409.51</b>   |                                                                                                                                                                               |

### **Committee Observations**

**The Committee observed that-**

- (i) **The Fund Account Manager had provided sufficient explanations. However, these details ought to have been availed to the Auditor-General, together with supporting documentations at the time of audit. The matter has since been resolved as confirmed by the Auditor-General.**
- (ii) **Some projects were awaiting the NG-CDF Boards approval before implementation.**

### **Committee Recommendation**

**The Committee recommends that-**

- (i) **The Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012; and**



- (ii) **The National Government Constituencies Development Fund Board ensures that there are no delays in approving projects so as to enable Constituencies proceed with their planned projects.**

### **3. REVENUE**

The Committee was informed that the summary statement of appropriation reflects a budget of Kshs 138,276,625, while the statement of receipts and payments reflects an amount of Ksh 100,930,934 as amount realized in the year. The balance of Kshs 37,345,691 comprises of bank balance brought forward of Kshs 7,786,743 and balances due from the Board of Kshs 29,558,948. This is because the Board releases funds based on absorption and upon request.

#### **Management Response**

The Fund Accounts Manager informed the Committee that receipt of funds was as follows:

##### ***Amount Disbursed to NG-CDFC***

FYR. 2013/2014: Ksh. 25,633,370.80

FYR. 2014/2015: Ksh. 100,800,933.80

##### ***Amount Allocated***

FYR: 2013/2014 Ksh. 64,083,427.00

FYR: 2014/2015 Ksh. 91,134,504.00

#### **Committee Observation**

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

#### **Committee Recommendation**

**The National Treasury expedite the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **4. ACCURACY OF FINANCIAL STATEMENTS**

The Committee was informed that the statement of financial assets reflects an opening fund balance of Ksh 7,786,743 however, the expenditure on roads and bursaries had been overstated by Ksh 1,679,098 in the financial year 2013/14. Consequently the accuracy of surplus brought forward of Ksh 7,786,743 could not be ascertained.

The summary statement of appropriation reflects an amount of Ksh 84,830,894 as having been received from the CDF Board, while the statement of receipts and payments reflects an amount of Ksh 100,800,934. The actual amount that was traced to the bank and cashbook was Ksh 100,800,934. In the circumstances, the financial statements do not provide accurate, reliable and understandable information.

#### **Management Response**

The Fund Account Manager informed the Committee that the amount the auditor stated was overstated Ksh 1,679,098.00 was substantiated through a management letter dated 3<sup>rd</sup> March,

2016. The amount quoted by the auditor is actually the total payments made during that financial year as indicted below-

| <b>Details</b>                      | <b>Amount</b>        |
|-------------------------------------|----------------------|
| Compensation of employees           | 1,155,405.00         |
| Use of goods and services           | 2,768,514.00         |
| Committee Expenses                  | 4,714,333.00         |
| Transfers to Other Government Units | 19,818,250.00        |
| Other grants and transfers          | 53,098,268.65        |
| Social Security Benefits            | 24,300.00            |
| Acquisition of Assets               | 3,251,822.90         |
| Other Payments                      | 0.00                 |
| <b>Total</b>                        | <b>84,830,893.55</b> |

Hence the fund's disbursed by the Board in the financial year 2014/2015 is Ksh 100,800,933.80.

#### **Committee Observation**

The Committee observed that the Fund Manager availed relevant documents to the Auditor-General and the matter has since been resolved as confirmed by the

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

### **5. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The Committee was informed that the statement of receipts and payments reflects Ksh 53,098,269 under other grants and payments during the year, which includes an amount of Ksh 15,151,000 disclosed under note 8 to the accounts relating to bursaries to students in secondary and tertiary institutions. However, review of the cashbook and bank reconciliation statements as at 30<sup>th</sup> June 2015 revealed that payments totalling Ksh 4,227,735 on account of bursary cheques some dating March 2014 had not been presented, out of which cheques amounting to Ksh. 185,614 are stale. No justification has been given for this unsatisfactory situation.

#### **Management Response**

The management notes that Ksh. 4,227,735 was under unrepresented bursary cheque(s), those cheques were later presented to the banks by relevant institutions. The stale cheques were reverted to the cash book as receipts.

#### **Committee Observations**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time and acknowledgement for receipts are availed. The matter has since been resolved.



### **Committee Recommendations**

**The Committee recommends that-**

- (i) **The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;**
- (ii) **The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries; and**
- (ii) **The Fund Account Manager ensures that beneficiary institutions issue acknowledgement document upon receipt of bursary cheques.**

### **6. UN-SURRENDERED IMPREST**

The Committee was informed that the statement of receipts and payments reflects expenditure totaling Ksh. 4,714,333 on account of committee expenses which had been issued to officers of the Fund as Imprests. This amount had not been surrendered contrary to financial regulations in place on issuance of imprest. This has the effect of understatement of expenditure for year by an equivalent amount. No justification has been provided by the NG-CDF Management on this anomaly.

#### **Management Response**

The Fund Account Manager informed the Committee that the imprest issued to the fund manager amounting to Ksh. 4,714,333.00 was surrendered hence fully accounted for.

#### **Committee Observation**

**The Committee observed that the management did not avail all the relevant documents to the Auditor-General for verification at the time of audit. However, the matter has since been resolved as the imprest was fully surrendered.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### **7. FAILURE TO REMIT STATUTORY DEDUCTIONS**

The Committee was informed that during the same year of review the Kenya Revenue Authority assigned the District/ Regional Accountant Office to be their agent and directed a deduction of 6% of VAT tax to be submitted by the aforementioned office. By the time of review they were yet to set up the systems required hence the capturing of the amount(s) as un-presented cheque(s). In addition, the total statutory deduction under compensation of employees in the year of review was Ksh. 110,901.

Under statement of receipts and payments reflects an amount of Ksh 1,155,405 under compensation of employees, which includes an amount totaling to Ksh. 672,400 relating to NHIF, NSSF and PAYE Deductions that had not been remitted to the relevant authorities as at 30<sup>th</sup> June 2015. No reason was given for the failure to remit the amount to the authority. In

consequence the fund has not complied with various aspects of the law and non – payment would entail penalties and interest.

### **Management Response**

The Fund Accounts Manager informed the Committee that the delay in remittance of commissioner of domestic tax cheque(s) was due to the changes that Kenya Revenue Authority was executing at that time. The transition to ITAX meant that Dagoretti South CDF needed to obtain its own PIN No. which was granted on April 2015.

### **Committee Observation**

The Committee observed that the Fund Account Manager had availed relevant explanations and the matter has since been resolved as confirmed by the Auditor-General.

### **Committee Recommendation**

The Committee recommends that—

- (i) The Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012;
- (ii) The Fund Account Manager ensures that all statutory deductions are remitted on time to avoid penalties; and
- (iii) Any penalties emanating from delays in remittance of statutory deductions without justifiable cause shall be borne by the Fund Account Manager.





## FINANCIAL YEAR 2015/2016

### 1. UNEXPLAINED AMENDED COMPARATIVE FIGURES

The Committee was informed that the following differences had been noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30<sup>th</sup> June 2016 and the balances shown in the audited financial statements for 2014/2015-

|                           | 2014/2015<br>Comparative<br>Figures<br>Kshs | 2014/2015<br>Audited<br>Balances<br>Kshs | Variance<br>Kshs |
|---------------------------|---------------------------------------------|------------------------------------------|------------------|
| Compensation of employees | 1,179,705                                   | 1,155,405                                | 24,300           |
| Use of goods              | 7,482,847                                   | 2,768,514                                | 4,714,333        |
| Committee expenses        | 4,714,333                                   | (4,714,333)                              |                  |
| Social security benefits  | 24,300                                      | (24,300)                                 |                  |

The auditor notes no explanations were provided for the above differences.

#### Management Response

The Fund Account Manager informed the Committee that there was indeed a variance in compensation of employees. The reason for the variance was due to the change of format used in financial year 2014/2015. In the financial statement of financial year 2015/2016 Ksh 1,179,705 was due to the adding up of compensation of employee's expenditure and social security benefits. In the financial statement of financial year 2014/2015 they were separately accounted for as compensation of employee's Ksh 1,115,405 and Ksh 24,300 as social security benefits. The Committee further heard that the variance was due to the combination of use of goods of Ksh 2,768,514 and committee expenses Ksh 4,714,333 totaling to Ksh 7,482,847 that were separately accounted for in the previous financial year 2014/2015.

#### Committee Observation

The Committee observed that the management did not comply with the basis for preparation of financial statements and disclosure requirements and the accounts did not conform to the format prescribed by the International Public Sector Accounting Standards (IPSAS). However, submissions on the variance in compensation of employees was satisfactory and the matter has since been resolved as confirmed by the Auditor-General.

#### Committee Recommendation

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on financial reporting.

### 2. BUDGET AND BUDGETARY PERFORMANCE

The Committee was informed that during the year under review, Dagoretti South Constituency Fund incurred expenditure totalling Ksh.75,294,484 against an approved budget of Ksh 120,326,371 resulting in under expenditure of Ksh 45,031,887 as shown below:

|                                        | Budgeted Amount<br>Kshs | Actual<br>Expenditure<br>Kshs | Utilization Difference<br>Kshs |
|----------------------------------------|-------------------------|-------------------------------|--------------------------------|
| Compensation of Employees              | 4,044,981               | 1,409,263                     | 2,635,718                      |
| Use of goods and services              | 6,193,188               | 5,829,383                     | 363,804                        |
| Transfers to Other<br>Government Units | 19,300,000              | -                             | 19,300,000                     |
| Other grants and transfers             | 86,440,025              | 66,788,596                    | 19,651,429                     |
| Acquisition of Assets                  | 1,848,177               | 1,267,242                     | 580,935                        |
| Other payments                         | 2,500,000               | -                             | 2,500,000                      |
| Total                                  | 120,326,371             | 75,294,484                    | 45,031,887                     |

The under expenditure is an indication of funds not utilized fully and approved programs not implemented. The budget did not, therefore, fully meet the intended objectives of improving delivery of services to the residents of Dagoretti South Constituency.

| Details                                      | Amount<br>allocated for<br>FY.<br>2014/2015 | Actual<br>expenditure | Over/under<br>expenditure | Reason                                                                                                     |
|----------------------------------------------|---------------------------------------------|-----------------------|---------------------------|------------------------------------------------------------------------------------------------------------|
| Compensation of<br>Employees                 | 4,044,981                                   | 1,409,263             | 2,635,718                 | This amount is reserved to be used to pay employees gratuity and other benefits.                           |
| Use of goods and<br>services                 | 6,193,188                                   | 5,829,383             | 363,804                   | The amount was utilized in subsequent financial year.                                                      |
| Transfers to<br>Other<br>Government<br>Units | 19,300,000                                  | -                     | 19,300,000                | The funds were transferred to project management committee.                                                |
| Other grants and<br>transfers                | 86,440,025                                  | 66,788,596            | 19,651,429                | The committee has sort reallocation on the utilized funds following their devolvment to county government. |
| Acquisition of<br>Assets                     | 1,848,177                                   | 1,267,242             | 580,935                   | The desks were bought and delivered to schools.                                                            |
| Other payments                               | 2,500,000                                   | -                     | 2,500,000                 |                                                                                                            |
| Total Per Return<br>Made to the CDF<br>Board | 120,326,371                                 | 75,294,484            | 45,031,887                |                                                                                                            |

#### **Committee Observation**

The Committee observed that the requisite documents to support expenditure on some purchases were not availed at the time of audit. The documents were availed later matter has since been resolved as confirmed by the Auditor- General.

### Committee Recommendation

The Committee recommends that the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

### *Delay in project implementation*

A review of projects implementation status revealed that twenty projects with a total budget of Kshs.53,388,700 approved between 2013/2014 and 2015/2016 had either not started or had not been completed as at 30<sup>th</sup> June, 2016 as detailed below;

| PROJECT NAME                                    | PROJECT ACTIVITIES                                                                                         | FINANCIAL YEAR | ALLOCATION (KSHS.) | CURRENT STATUS                                                             |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------|----------------|--------------------|----------------------------------------------------------------------------|
| Boda Boda Sheds                                 | Construction of Boda Boda Sheds At Lenana Area                                                             | 2013/2014      | 600,000.00         | Funds transferred to Lenana Boda Boda Shed PMC                             |
| Boda Boda Sheds                                 | Construction Of Boda Boda Sheds At Dagoretti Market                                                        | 2013/2014      | 600,000.00         | Funds transferred to Dagoretti Market Boda Boda Shed PMC                   |
| Dagoretti Empowerment Centre                    | Expansion of Existing Structure by Constructing an Extra Slab For Other Floors at the Top                  | 2013/2014      | 6,000,000.00       | Reallocation to Riruta Juakali Shed PMC                                    |
| Documentary and Recording Equipment's           | Purchase of Pd Camera, Still Camera, Mac Book, Radio Recorder, Television Set, LED Screen and Mobile Phone | 2013/2014      | 630,000.00         | Funds transferred to Nembu Primary School                                  |
| Information Management Equipment's and Software | Purchase of Information Management Equipment And Software                                                  | 2013/2014      | 600,000.00         | Funds transferred to Nembu Primary School                                  |
| Kagondo Road                                    | Excavation of Extra Rocks And Box Culvert Construction                                                     | 2013/2014      | 1,930,000.00       | Funds require reallocation since road projects have devolved.              |
| Kahuho Road                                     | Rehabilitation of Kahuho Road                                                                              | 2013/2014      | 2,987,088.00       | The funds were transferred to Le pic Karuga Road.                          |
| Prefabricated Staff Houses                      | Construction of Medical Health Staff Houses In                                                             | 2013/2014      | 2,241,379.50       | The current committee has reallocated the amount to Waithaka Health Centre |



| PROJECT NAME                    | PROJECT ACTIVITIES                                                     | FINANCIAL YEAR | ALLOCATION (KSHS.) | CURRENT STATUS                                                                     |
|---------------------------------|------------------------------------------------------------------------|----------------|--------------------|------------------------------------------------------------------------------------|
|                                 | Dagoretti Sub District Hospital                                        |                |                    |                                                                                    |
| Prefabricated Staff Houses      | Construction of Medical Health Staff Houses In Waithaka Health Centre  | 2013/2014      | 2,241,379.50       | The project will commence upon the reallocation approval request                   |
| Sports                          | Sports Activities                                                      | 2013/2014      | 1,132,412.69       | The amount was utilized in paying for leagues and other sports related activities  |
| CDF Office                      | Extension of CDF Office to include a file registry and an extra office | 2015/2016      | 2,000,000.00       | The project is in its initial stages of implementation.                            |
| Kagira Primary School           | Renovation of 4 Classrooms                                             | 2015/2016      | 2,000,000.00       | The project undertaken by Kagira Primary School PMC                                |
| Mukarara Primary School         | Renovation of 4 Classrooms and Staff offices/administration block      | 2015/2016      | 3,000,000.00       | The project undertaken by Mukarara Primary School PMC                              |
| Kirigu Primary School           | Construction of a Septic Tank                                          | 2015/2016      | 500,000.00         | The project undertaken by Kirigu Primary School PMC                                |
| Kirigu Primary School           | Renovation of 4 Classrooms and Staff offices/administration block      | 2015/2016      | 3,000,000.00       | The project undertaken by Kirigu Primary School PMC                                |
| Kabiria Primary School          | Construction of a 2 new classrooms and a Septic Tank                   | 2015/2016      | 3,800,000.00       | The project undertaken by Kabiria Primary School PMC                               |
| Riruta Satellite Primary School | Renovation of 4 Classrooms and Staff offices/Administration block      | 2015/2016      | 3,000,000.00       | The project undertaken by Riruta Satellite Primary School PMC                      |
| Nembo Girls High School         | Part funding of classrooms                                             | 2015/2016      | 2,000,000.00       | The project was under taken Nembo Girls High School                                |
| Dagoretti High School           | Part funding of perimeter wall                                         | 2015/2016      | 2,000,000.00       | The project undertaken by Dagoretti High School PMC                                |
| Muthama - Ndwaru Road           | Rehabilitation of the Road                                             | 2015/2016      | 1,500,000.00       | The committee has sort reallocation and is awaiting approval since road sector had |



| PROJECT NAME                               | PROJECT ACTIVITIES                                                                                                | FINANCIAL YEAR | ALLOCATION (KSHS.) | CURRENT STATUS                                                                              |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------|--------------------|---------------------------------------------------------------------------------------------|
|                                            |                                                                                                                   |                |                    | been devolved.                                                                              |
| Renovation of County Commissioner's office | Renovation of the Office                                                                                          | 2015/2016      | 2,000,000.00       | The project was undertaken by County Commissioner Office PMC                                |
| Administration Police Housing              | Construction of Administration Police Houses at Waithaka                                                          | 2015/2016      | 3,000,000.00       | The project is in its initial stages of implementation.                                     |
| Administration Police Housing              | Construction of AP Houses at Ngando                                                                               | 2015/2016      | 3,000,000.00       | The committee has sort reallocation of the funds and is awaiting approval.                  |
| Environment Water Tower                    | Construction of a Water tower stand and purchase of water tank at CDF Office                                      | 2015/2016      | 400,000.00         | The project is in its initial stages of implementation.                                     |
| Environment Water Tower                    | Construction of a Water tower stand and purchase of water tank at Waithaka Assistant county commissioner's ground | 2015/2016      | 400,000.00         | The project is in its initial stages of implementation.                                     |
| Environment Landscaping                    | Landscaping of Beth Mugo high School ground and installation of a new gate                                        | 2015/2016      | 300,000.00         | The project is in its initial stages of implementation.                                     |
| Environment Landscaping                    | Landscaping of Nembu Primary School ground                                                                        | 2015/2016      | 200,000.00         | The project is in its initial stages of implementation.                                     |
| Environment Landscaping                    | Landscaping of Ruthimitu Primary School ground                                                                    | 2015/2016      | 197,648.12         | The project is in its initial stages of implementation.                                     |
| Environment Landscaping                    | Landscaping of Ndururua Primary School ground                                                                     | 2015/2016      | 200,000.00         | The project is in its initial stages of implementation.                                     |
| Sports                                     | Carry out Constituency Sports tournament for registered sports teams and school based teams where                 | 2015/2016      | 1,928,791.76       | The delay was caused by the lack of approval by the Board. The Committee held a tournament. |

| PROJECT NAME | PROJECT ACTIVITIES                                              | FINANCIAL YEAR | ALLOCATION (KSHS.) | CURRENT STATUS |
|--------------|-----------------------------------------------------------------|----------------|--------------------|----------------|
|              | the teams will be awarded with trophies, balls and sports kits. |                |                    |                |
| TOTAL        |                                                                 |                | 53,388,700.00      |                |

Under delayed implementation of the projects the Auditor-General found Ksh 53,388,699 was not absorbed during the financial year.

#### **Management Response**

The Fund Account Manager informed the Committee that the absorption rate of funds had declined compared to previous year but this was occasioned by two factors and which were due to the slow release of fund disbursement by the NG-CDF Board. Following the release of the funds the management had subsequently commenced the implementation of pending projects by disbursing the funds to the project management committees.

#### **Committee Observation**

The Committee observed that the low absorption rate was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

#### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

### **3.3. EMBAKASI CENTRAL CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS FOR EMBAKASI CENTRAL NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Elias Mate, the current Fund Account Manager accompanied by Mr. Onesmus Juma, the previous Fund Account Manager appeared before the Committee on 8<sup>th</sup> June, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. ACCURACY OF THE FINANCIAL STATEMENTS**

The Committee was informed that the CDF did not maintain primary books of account which included ledgers, cashbook, trial balance and other supportive schedules during the financial year. Consequently, the completeness and accuracy of income figures of Ksh 61,819,900 and expenditure of Ksh 42, 637,860 disclosed in the financial statement presented for audit for the year ended 30<sup>th</sup> June, 2014 could not be confirmed.

##### **Management Response**

The Fund Account Manager informed the Committee that the constituency maintained cashbook, vote book and prepared bank reconciliation statements that served as main source of information for preparing financial statements. It is however true that ledgers and trial balance were not prepared mainly due to teething challenges associated with first time adoption of International Public Sector Accounting Standards (IPSAS) cash financial reporting framework. However, annual expenditure return that provides the same information as the ledger was availed to the auditors. The Office of the Auditor General reported the matters as resolved as the Constituency had adequately responded queries and availed relevant documentation for verification.

##### **Committee Observation**

The Committee observed that the management had not complied with the basis for preparation of financial statements and the accounts did not conform to the format prescribed by the International Public Sector Accounting Standards (IPSAS) however, the matter has since been resolved as confirmed by the Auditor-General.

##### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.



## **2. COMPENSATION OF EMPLOYEES**

The Committee was informed that the statement of receipts and payments reflects an amount of Ksh 663,915 under compensation of employees. This amount does not include an amount of Ksh 143,700 to staff relating to commuter and medical allowances.

Further, the CDF employed six(6) members of staff contrary section 17 of the constituency Development Fund Act of 2013 that limits the number of employees to five(5). The additional employee was paid a gross salary of Kshs 21,692 per month which translates to Ksh 108,460 for the five months ending 30<sup>th</sup> June, 2014.

### **Management Response**

The Fund Account Manager informed the Committee that the terms of employment of NG-CDFC staff is determined by the NG-CDFC but taking into account existing laws, regulation and guidelines on employment. The NG-CDFC had not included the specified allowances in the terms of employment. The CDF Act, 2013 was amended via the Constituencies Development Fund (Amendment) Act No. 36 assented on 13<sup>th</sup> September 2013, and one of the amendments is that the previous ceiling of the number of CDFC staff to be employed which stood at 5 employees was scrapped. There is no limit as to the number of CDFC staff at any constituency. This will only be constrained by the amount of resources at the disposal of the CDF Committee.

### **Committee Observation**

**The Committee observed that the Fund Account Manager had complied with the existing laws, regulation and guidelines on employment.**

## **3. FINANCIAL STATEMENT PRESENTATIONS AND DISCLOSURE**

The Committee was informed that significant accounting policy indicates that the figures in the financial statements have been rounded off to the nearest Kshs thousands, while the figures presented in the financial statements are not rounded. Consequently, the notes are misleading.

### **Management Response**

The Fund Account Manager informed the Committee that the error was noted. The correct position was the figures in the financial statements were to be presented to the nearest shilling.

### **Committee Observations**

**The Committee observed that the management had not complied with the basis for preparation of financial statements and the accounts did not conform to the format prescribed by the International Public Sector Accounting Standards (IPSAS) however, the matter has since been resolved with the Auditor- General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.**

#### **4. STATEMENT OF APPROPRIATION**

The Committee was informed that the summary statement of appropriation reflects a consolidated figure of Ksh 4,898,905 under compensation of employees. However, the statement of receipts and payments reflect an amount of Ksh 663,915. The summary statement of appropriation includes additional amount of Ksh 2,155,990, Ksh 2,073,000 and Ksh 6000 under the use of goods and services, Committee meeting allowances and social security benefits respectively, besides the expenditure on compensation of employees. The summary statement of appropriation does not therefore disclose the correct expenditure description.

#### **Management Response**

The Fund Account Manager informed the Committee that this was an error in the preparation of the summary statement of appropriation. The amounts for use of goods and services, committee meeting allowances and social security benefits were erroneously lumped together with amounts for compensation of employees.

#### **Committee Observation**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.



## **FINANCIAL YEAR 2014/2015**

### **1. BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that the statement of appropriation reflects actual expenditures of Ksh. 48,675,096 under Transfers to Other Government Entities against a budgeted figure of Ksh. 60,897,233 resulting to under expenditure of Ksh. 12,222,136 or about 20%. A detailed review of records maintained by the constituency reflects variances between figures in the financial statements and figures appearing in the project proposal report submitted to the CDF Board as indicated in the report. No justification has been provided by management for not initiating the two projects, Mwangaza Sec.3 classrooms and Kayole South 3 classrooms budgeted at Ksh. 7,000,000 and Kshs. 2,000,000 despite having adequate funds.

#### **Management Response**

The Fund Account Manager informed the Committee that the Board disbursed to the Constituency Ksh 21,878,577.40 on 15/6/2015 and Ksh 21,878,577.40 on 2/7/2015 thus accounting for the two projects which had not been initiated. However; the 2 projects have since been implemented.

#### **Committee Observation**

**The Committee observed that the variance was due to late release of funds by the NG-CDF Board and the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **2. IMPLEMENTATION OF PROJECTS**

#### **Transfers to other Government Agencies**

The Committee was informed that two projects, in Thawabu Primary School and Mwangaza Secondary School were awarded and paid during the year Ksh 319,640 and Ksh 1,940,994 respectively, for projects that had not been budgeted for. No evidence was availed to confirm approval of additional funding by the CDF Board.

#### **Management Response**

The Fund Account Manager informed the Committee that the payment for works done at Thawabu Primary School of Ksh 319,640 was retention payment due to contractor as per the certificate of payment availed for audit. This is a project that was approved in financial year 2013/2014 whose retention payment fell due in year 2014/2015.



The payment for Mwangaza Secondary School of Ksh 1,940,994 was additional funding towards completion of Administration Block approved in financial year 2014/2015. The relevant approved project code list was availed for audit.

#### **Committee Observation**

**The Committee observed that the Fund Account Manager had not availed the relevant documents to the Auditor General for verification during the time of audit. The documents were availed and the matter has since been resolved as confirmed by the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends the Fund Account Manager complies with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012**

### **3. OTHER GRANTS AND TRANSFERS**

The Committee was informed that the summary statement of appropriation reflects an amount of Kshs. 34,995,860 as budgeted expenditure for the year under other grants and transfers against actual expenditure of Ksh 20,321,186 resulting to under expenditure of Ksh 14,674,674. A detailed review of records maintained by the constituency reflected variances between figures in the financial statements and figures appearing in the project proposal report submitted to the CDF Board as indicated in the report. The difference of Ksh 5,704,712 between the figures reflected in the summary statement of appropriation and the project proposal document submitted to the CDF Board was not reconciled or explained. Consequently, the accuracy of the budget figures as presented could not be confirmed. The management also failed to provide justification for not initiating five budgeted projects in the year under review despite having adequate funds.

#### **Management Response**

The Fund Account Manager informed the Committee that the difference of Ksh. 5,704,712 was an under-expenditure as follows:

- Bursary – Ksh 2,469,000
- Emergency- Ksh 2,860,359
- Sports- Ksh 49,999
- Environment- Ksh 286
- Balance brought forward 2013/2014- Ksh 325,068.

The under-expenditure was as a result of late disbursement of funds from the CDF Board while the five projects in question were declined by the Board and a resubmission was made towards acquisition of Dr. Mwenje grounds.

#### **Committee Observation**

**The Committee observed that the under-expenditure was due to late release of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedite the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely allocation to constituencies.**

## **4. REVENUE**

The Committee was informed that the summary statement of appropriation reflects a budgeted receipt of Ksh 106,696,348 from Constituency Development Fund, but instead received Kshs. 87,519,309, resulting to underfunding of Ksh 19,177,039, a 22% short fall in receipts. The management did not explain the reasons for non-receipt of funds as budgeted.

### **Management Response**

The Committee heard that the figure of Ksh 19, 177, 039 was an adjustment reflecting the cashbook closing balance as at 30<sup>th</sup> June, 2014 which in turn was the opening balance as at 1<sup>st</sup> July, 2014. It was not an allocation to that financial year.

### **Committee Observation**

**The Committee observed that the fund Account Manager had maintained accurate financial records.**

## **5. LOW ABSORPTION OF FUNDS**

The Committee was informed that the statement of receipts and payments reflects a net surplus of Kshs 11,007,946 in the year under review (2014/2015) and Kshs 19,182,039 in 2013/2014 leading to a fund balance of Kshs 30,189,985, which constituted 28% of the total budget. This reflects a slow and low absorption of funds despite funding, an indication of poor planning on the part of the CDF committee.

### **Management Response**

The Fund Accounts Manager informed the Committee that the under-absorption was due to late disbursement of Ksh 21,878,577.40 which was received on 15/6/2015

### **Committee Observation**

**The Committee observed that the under-absorption was due to late release of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that The National Treasury expedite the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

## **6. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The statement of receipts and payments reflects an amount of Ksh 20,321,186 under other grants and other payments, which includes an amount totalling Ksh. 11,531,000 relating to bursaries to

needy students. Review of bank reconciliation statement as at 30<sup>th</sup> June 2015 revealed that cheques totalling Ksh. 611,068 most of them issued in the month of February 2015 had not been presented as at 30<sup>th</sup> June 2015. No reason was given for the failure by the needy students to present the cheques.

### **Management Response**

The Fund Accounts Manager informed the Committee that bursary cheques totalling to Ksh 611,068 had not been presented as at 30<sup>th</sup> June 2015. The cheques were however still valid and most of them were eventually presented. Stale cheques amounting to Ksh. 200,000 were however cancelled later in the year and replaced.

### **Committee Observations**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time and acknowledgement for receipts are availed.

### **Committee Recommendations**

The Committee recommends that:-

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries; and
- (iii) The Fund Account Manager should ensure that beneficiary institutions issue acknowledgement document upon receipt of bursary cheques.



## **FINANCIAL YEAR 2015/16**

### **1. UNEXPLAINED COMPARATIVE FIGURES**

The Committee was informed that there were differences noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30<sup>th</sup> June, 2016 and the balances shown in the audited financial statements for 2014/2015. However, no explanations have been provided in the notes to the financial statements for the above differences. In addition, the natures of the error and the respective amounts of the corrections for the items have similarly not been disclosed.

#### **Management Response**

The Fund Accounts Manager informed the Committee that there were variations on comparative figures under compensation of employees and use of goods. This was occasioned by the change in reporting framework (template) in 2015/2016 where the Committee Expenses was included under use of goods and services whereas Social Security Benefit was included under compensation of employees. This has been explained to auditors. We note the omission to disclose in the notes to the financial statements.

#### **Committee Observations**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.**

### **1. BANK BALANCES**

The Committee was informed that the statement of financial assets and liabilities reflects a bank balance of Ksh.14, 723,446.64 as at 30<sup>th</sup> June, 2016. However, certificate of bank balance as at 30<sup>th</sup> June, 2016 in support of reconciliation statement for June 2016 has not been provided for audit verification. Consequently, the accuracy and existence of bank balance of Ksh.14,723,446.64 as at 30<sup>th</sup> June, 2016 cannot be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that the certificate of bank balance was not availed at the time of audit. This certificate has however been received from the bank and availed to the auditors for review.

#### **Committee Observation**

**The Committee observed that the management did not avail all the relevant documents to the Auditor-General for verification at the time of Audit. The matter has since been resolved with the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager should ensure strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## **2. DEVELOPMENT OF A STRATEGIC PLAN**

The Committee was informed that the Fund engaged and paid a firm Ksh1,800,000 for development of strategic plan for the Embakasi Central NG-CDF. However, the strategic plan and payment vouchers to support the expenditure were not availed for audit review. Consequently, the propriety of the expenditure amounting to Ksh1,800,000 cannot be ascertained.

### **Management Response**

The Fund Account Manager informed the Committee that the said voucher was not availed at the time of Audit. This was occasioned by misplacement at the sub-county Treasury due to reallocation of office. The voucher and all the attachments were however recovered and have been presented to the Auditor for Audit.

### **Committee Observation**

**The Committee observed that the management did not avail all the relevant documents such as the completion certificates and the payment vouchers to the Auditor General for verification at the time of Audit. The matter has since been resolved.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager should ensure strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## **3. BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that during the year under review, Embakasi Central Constituency Fund incurred expenditure totalling Ksh 61,466,539 against an approved budget of Ksh 122,763,090 resulting in under expenditure of Ksh.61,296,552 as shown in the report. The under expenditure is an indication of funds not utilized fully and approved programs not fully implemented. The budget did not, therefore, fully meet the intended objectives of improving delivery of services to the residents of Embakasi Central Constituency.

### **Management Response**

The Fund Account Manager informed the Committee that there was under expenditure of funds during 2015/2016 financial year, however this was due to the limited operations of the Fund from 19<sup>th</sup> February 2016- May 2016 when new constituency committees were being appointed under NG-CDF Act, 2015.

#### **Committee Observation**

The Committee observed that the under-expenditure was due to limited operations in the NG-CDF that resulted from the transition from the CDF Act, 2013 and the NG-CDF 2015 which commenced in January 2016. The matter has since been resolved as confirmed by the Auditor-General.

#### **4. REVENUE**

The Committee was informed that during the year under review, the Constituency budgeted to receive Ksh 92,573,105 from the Constituency Development Fund Board but only realized Ksh 46,000,000 resulting in underfunding of Ksh.46,573,105, a 50% short fall in receipts from the Constituency Development Fund Board. The underfunding if not addressed could adversely affect delivery of services to the constituents of Embakasi Central Constituency.

#### **Management Response**

The Fund Account Manager informed the Committee that the Board disbursed the balance Ksh 46,573,105 in the subsequent financial year.

#### **Committee Observation**

The Committee observed that the underfunding was due the delay in release of funds by the NG- CDF Board and the National Treasury. The matter not resolved.

#### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.



### **3.4. EMBAKASI EAST CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF EMBAKASI EAST CONSTITUENCY NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Victor Omondi, the current Fund Manager accompanied by, Ms. Susan Nthiri and Mr. Onesmus Juma who were previous Fund Account Managers appeared before the Committee on 8<sup>th</sup> June, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. ACCURACY OF THE FINANCIAL STATEMENTS**

The Committee was informed that the statement of receipts and payments reflects total payments amounting to Ksh 20,148,230.56. It was noted that some of the figures included in the statement of receipts and payments differed with figures in the analysis provided to support the figures as shown in the report. Consequently, the completeness and accuracy of the figures presented for audit could not be ascertained.

##### **Management Response**

The Fund Account Manager informed the Committee that a difference of Ksh 4,000 was an error where employee's contribution to NSSF which was replaced was recorded as a payment hence double counting. The payment vouchers accounting for the difference of ksh 215,140 have been availed for audit review. The difference of Ksh 28,000 was as a result of bursary cheques which were replaced and included in the bursaries figure of Ksh 12,337,000.00. This was an error in double counting.

##### **Committee Observation**

**The Committee the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

##### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.**

##### **2. BURSARIES ALLOCATION AND DISBURSEMENT**

The Committee was informed that the statement of receipts and payments reflects an amount of Ksh15,764,141 which includes an amount of Ksh. 12,337,000 relating to bursaries. However, bursary cheques totaling to Ksh 592,880 had not been presented by 30<sup>th</sup> June, 2014. No reason had been given for the failure to present the cheques.

### **Management Response**

The Fund Account Manager informed the Committee that some beneficiaries of bursaries collect cheques but take long time before presenting them to schools/colleges. In some instances, students/parents give wrong school information leading to cancellation and replacement of cheques. However, the cheques were eventually presented

### **Committee Observations**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time and acknowledgement for receipts are availed. The matter has since been resolved.

### **Committee Recommendations**

The Committee recommends that-

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries; and
- (iii) The Fund Account Manager ensures that beneficiary institutions issue acknowledgement document upon receipt of bursary cheques.

## **FINANCIAL YEAR 2014/2015**

### **1. BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that a summary statement of appropriation for recurrent and development combined reflects from CDF Board budget of Kshs. 130,981,269 against actual receipts of Ksh. 81,733,886 resulting in a variance of Ksh. 49,247,383.04 or about 37.60%. The Fund also had opening fund cash balance of Ksh.4,954,316 hence the available funds during the year amounted to Ksh.86,688,202 of which only Ksh54,970,867 or about 41.97% was utilized as shown in the report

The budgeted amount of Ksh. 130,981,270 differs with the Ksh.88, 586,135 CDF Fund project proposal presented for the year ending 30 June as detailed in the report. The budget as presented in the summary statement of appropriation therefore differs with the project proposal for the year ended 30 June 2015 presented to the constituencies Development Fund (CDF) Board.

### **Management Response**

The Fund Account Manager informed the committee that the low absorption (41.97%) of funds was due to late disbursement of funds from NG-CDF Board as AIE for Kshs. 22,146,534 was released on 13/05/2015.

The approved allocation for the financial year was Ksh 88,586,135.00, the bank balance brought forward for financial year 2013/2014 was Ksh 4,954,316.04 and the amount owing from the board for financial year 2013/2014 received in 2014/2015 AIE NO 750401 Amounted to Ksh 37,440,818.40 giving a total budget of Ksh 130, 981,270.00.

### **Committee Observation**

The Committee observed that the low absorption of funds was due late disbursement of funds by the National Treasury.

### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## **2. IMPLEMENTATION OF PROJECTS**

### ***Transfers to Other Government Entities***

The Committee was informed that the statement of receipts and payments reflects an expenditure of Ksh.21, 460,000 under Transfers to Other Government Entities, against a budget of Kshs.68, 057,075, resulting to under expenditure of Ksh.46, 597,075. This also differs with the Ksh.39, 223,145 project proposal for the constituency amount as presented. No explanation was provided for the differences noted between the proposal, documents retained in the constituency offices and returns submitted to the CDF Board.

### **Management Response**

The Fund Account Manager informed the Committee that the variance was as a result of erroneous entries in schedules that were used to generate financial statements. The analysis of schedules reconciling the figures has been availed for audit review.

### **Committee Observation**

The Committee observed the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.

### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.

### ***Other grants and transfers***

The Committee was informed that out of the Kshs.68, 057,074 budget on projects amounts totalling Ksh.12, 609,795 were not supported with analysis or documentation. Of the remaining budgeted projected amount of Ksh. 55,447,280 only 3 projects costing Ksh. 21,460,000 were undertaken and paid during the year under review but projects worth Ksh. 33,660,000 were not commissioned despite having adequate funding. Management has not provided justification for this unsatisfactory state of affairs.



### **Management Response**

The Committee was informed that transfer to other government units budgeted amounts for financial year 2014/2015 were as follows:-

| NO                              | PROJECT NAME                               | 2014/15 ALLOCATION | TOTALS        |
|---------------------------------|--------------------------------------------|--------------------|---------------|
| 1                               | Mihango Primary School                     | 5,000,000.00       |               |
| 2                               | Embakasi Primary School                    | 1,500,000.00       |               |
| 3                               | Edelvele Primary School                    | 4,080,000.00       |               |
| 4                               | Utawala Primary School                     | 1,000,000.00       |               |
| 5                               | Donholm Primary School                     | 8,000,000.00       |               |
| 6                               | Garrison Primary School                    | 4,080,000.00       |               |
| 7                               | Utawala Secondary School                   | 5,000,000.00       |               |
| 8                               | Maua Primary School                        | 3,000,000.00       |               |
| 9                               | Strategic Plan                             | 2,000,000.00       |               |
|                                 | Sub Totals                                 | 33,660,000.00      | 33,660,000.00 |
|                                 | Reallocations                              |                    |               |
| 9                               | Eldevele Primary Dinning                   | 9,827,280.00       |               |
| 10                              | Embakasi Garrison Sec Sch                  | 6,000,000.00       |               |
| 11                              | Embakasi Maternity                         | 5,960,000.00       | 21,787,280.00 |
|                                 | 2013/14 Projects Done In 2014/2015         |                    |               |
| 12                              | Tassia Health Center                       | 8,000,000.00       |               |
| 13                              | Embakasi Health Center-Refabricated Houses | 4,482,759.00       |               |
| 14                              | Utawala Primary School Desks Balance       | 127,036.00         |               |
|                                 |                                            |                    | 12,609,795.00 |
| Totals As Per The Appropriation |                                            |                    | 68,057,075.00 |

The unsupported balance amounting to Ksh 1,998,060 related to projects for financial year 2013/2014 done in 2014/2015 which relates to bursaries.

### **Committee Observation**

The Committee observed that the management did not avail all the relevant documents to the Auditor-General for verification at the time of Audit.

### **Committee Recommendation**

The Committee recommends that the Fund Account Manager should ensure strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

### **3. REVENUE**

The Committee was informed that the statement of receipts and payments reflects total receipts from the NG-CDF Board amounting to Kshs.81, 733,866 against an approved budget of Kshs.130, 981,269 resulting to underfunding by Kshs.49, 247,383 a 38% short fall in receipts from the Board. The management did not explain the reasons for non-receipt of funds as budgeted.

#### **Management Response**

The Fund Account Manager informed the Committee that this was due to late disbursement of funds by the NG-CDF Board.

#### **Committee Observation**

**The Committee observed that the underfunding was due the delay in release of funds by the NG- CDF Board and the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **4. LOW ABSORPTION OF FUNDS**

The Committee was informed that the summary statement of appropriation reflects a total approved expenditure budget of Ksh.130, 981,269 against Ksh.54, 970,867 actual expenditure resulting to total under-expenditure of Kshs.76, 010,403. At the same time the constituency closed with a cash balance of Ksh.31, 717,336. No justification has been provided for the failure to fund the budget to the extent of funds available.

#### **Management Response**

The Fund Account Manager informed the Committee that the low absorption of funds was due to late disbursement of funds from NG-CDF Board as AIE for Ksh. 22,146,534 was released on 13/05/2015

The Committee observed that the late disbursement of funds affected implementation of projects.

#### **Committee Observation**

**The Committee observed that the low absorption of funds was due late disbursement of funds by the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**



## **5. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The Committee was informed that a statement of receipts and payment reflects an amount of Ksh.23, 479,989 relating to bursaries. Review of the bank reconciliation statements reveal that long outstanding bursary cheques totalling Ksh.8, 148,500(some dating back to March 2014) had not been presented as at 30<sup>th</sup> June, 2015. No reason was given for the failure to present the cheques for payments.

### **Management Response**

The Fund Account Manager informed the Committee that the bulk of above amount relates to bursaries which were issued toward the end of financial year 2014/2015. The cheques were finally presented. Stale cheques were reversed in the cash book and reissued.

### **Committee Observations**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time and acknowledgement for receipts are availed.

### **Committee Recommendations**

The Committee recommends that-

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries; and
- (iii) The Fund Account Manager should ensure that beneficiary institutions issue acknowledgement document upon receipt of bursary cheques.

## **6. ACQUISITION OF ASSETS**

The Committee was informed that the statement of receipts and payments reflect an amount of Ksh.2, 995,069 under acquisition of assets. This amount relates to expenditure on acquisition of ICT equipment and software that were eventually donated to various schools. The treatment of the expenditure on ICT as acquisition of assets is therefore contrary to the requirements of international Public Sector Accounting Standard on presentation of financial statements and discourse.

### **Response**

The Fund Account Manager informed the Committee that Ksh 2,995,069 reflected in the financial statement relates as acquisition of assets relate to computers acquired in various schools. This was an error in categorization. An amended copy of the financial statements including the amount Ksh 2,995,069 as transfers to other government entities was availed for verification.



**Committee Observation**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. And that the matter has since been resolved as confirmed by the Auditor-General.

**Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.

## **FINANCIAL YEAR 2015/16**

### **PRESENTATION AND DISCLOSURES OF THE FINANCIAL STATEMENTS**

The Committee was informed that the statement of compliance and basis of preparation of the financial statements indicates that all values are rounded off to the nearest shilling. However, balances in the financial statements are, therefore not consistent with the basis of preparation and do not conform to the format prescribed by the Public Sector Accounting Standards Board.

#### **Response**

The Fund Account Manager informed the Committee that the figures in the financial statements had not been rounded off as required but were instead presented to the nearest cent. This anomaly is noted and compliance will be enforced in future

#### **Committee Observations**

The Committee observed that the Fund Account Manager did not conform to the format prescribed by the International Public Sector Accounting Standards (IPSAS) in preparation of financial statements.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.

## **2. BANK BALANCE**

The Committee was informed that the statement of assets reflects bank balance of Kshs 14,102,938.28 as at 30<sup>th</sup> June 2016. A review of the bank reconciliation statement for June 2016, however, revealed unpresented cheques totalling to Ksh 16,889,225 out of which cheques totalling Kshs 454,155 were stale and had not been reversed in the cash book as at 30<sup>th</sup> June 2016. Consequently, the accuracy and completeness of the bank balance of the bank balance as at 30 June 2016 cannot be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that un-presented cheques totalling to Kshs 16,889,225 related to bursaries which were issued towards the end of financial year 2015/2016. The cheques were finally presented. Stale cheques were reversed in the cash book and reissued.

#### **Committee Observations**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time and acknowledgement for receipts are availed.

#### **Committee Recommendations**

The Committee recommends that-

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;

- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries; and
- (iii) The Fund Account Manager ensures that beneficiary institutions issue acknowledgement document upon receipt of bursary cheques.

### **3. BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that during the year under review, Embakasi East Constituency Fund incurred expenditure totalling Ksh 107,907,464 against an approved budget of Kshs 166,669,588 resulting in under-expenditure of Ksh 58,762,124 as shown in the report. The under-expenditure indicates allocated funds were not utilized fully and all approved programs were not implemented. The budget did not, therefore, fully meet the objective of improving delivery of services to the residents of Embakasi East Constituency.

#### **Management Response**

The Fund Account Manager informed the Committee that the under expenditure is explained mainly by the period of limited activity from Feb – May 2016 as new Constituency Committee was being constituted following coming into effect of NG-CDF Act 2015 on 18<sup>th</sup> February 2016.

#### **Committee Observation**

The Committee observed that the low absorption rate was due to late disbursement of funds by the National Treasury.

#### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

### **4. BURSARIES TO STUDENTS**

The Committee was informed that as disclosed in the financial statements, other grants and transfers expenditure of Ksh 22,897,282 included bursary to secondary schools of Ksh 3,324,500. However, bursary cheques totalling Ksh 536,194 had not been presented to the intended beneficiaries as at 30<sup>th</sup> June 2016. No explanation has been provided for failure to present the cheques to the beneficiaries.

#### **Management Response**

The Fund Account Manager informed the Committee that some beneficiaries of bursaries collect cheques but take long time before presenting them to schools/colleges. In some instances, students/parents give wrong school information leading to cancellation and replacement of cheques. However, the cheques were eventually presented

#### **Committee Observations**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on



time and acknowledgement for receipts are availed. The matter has since been resolved as confirmed by the Auditor- General.

**Committee Recommendation**

The Committee recommends that-

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries; and
- (iii) The Fund Account Manager ensures that beneficiary institutions issue acknowledgement document upon receipt of bursary cheques.

### **3.5. EMBAKASI NORTH CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR EMBAKASI NORTH NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. George Juma Onesmus, the current Fund Account Manager, accompanied by Ms. Leah Waithira Guchu and Ms. Eleanor M. Githongori who were former Fund Account Managers appeared before the Committee on 18<sup>th</sup> April, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. PURCHASE OF SCHOOL BUS FOR KARIOBANGI NORTH GIRLS SECONDARY SCHOOL**

The Committee was informed that the constituency paid Ksh 1,500,000 for purchase of a school bus for Kariobangi North Girls Secondary School. However, no supporting documents were attached to the payment for audit review and verification. Consequently the completeness and validity of the expenditure could not be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that the Constituency paid Kshs.1, 500,000 being part purchase of a bus for Kariobangi North Girls Secondary School. The payment was made on 30<sup>th</sup> April 2014 through a payment voucher, which was fully processed by Nairobi county accountant as approved by the CDFC in a meeting held on 22<sup>nd</sup> April 2014. The payment voucher and the school's bank statement have since been provided to the auditor for review.

#### **Committee Observation**

The Committee observed that the requisite relevant documents were not availed to the Auditor-General for verification at the time of the Audit. The school's bank statements were submitted to the Auditor-General for verification and the matter has since been resolved.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager should ensure strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## 2. LOW ABSORPTION OF FUNDS

The Committee was informed that the constituency received Kshs. 64,607,566.00 in the 2013/2014 financial year, however by 30<sup>th</sup> June, 2014 projects worth Kshs. 22,539,479.00 had not been implemented. No reason was given for the failure to implement the projects to completion before year end.

### Management Response

The Fund Account Manager informed the Committee that in the financial year 2013/2014, the following projects were not implemented.

| No. | Name Of Project              | Amount               |
|-----|------------------------------|----------------------|
| 1   | Our Lady Of Fatma Sec School | 4,799,499.60         |
| 2   | Dandora Sec School           | 737,689.20           |
| 3   | Dandora Sec Schol            | 1,500,000.00         |
| 4   | Dandora Girls Sec. School    | 4,009,601.30         |
| 5   | Ushirika Sec School          | 2,375,000.00         |
| 6   | Ushirika Sec School          | 34,930.28            |
| 7   | Dandora Primary School       | 3,000,000.00         |
| 8   | Dandora 41 Health Centre     | 4,482,759.00         |
| 9   | Dandora 41 Health Centre     | 1,600,000.00         |
|     | <b>Total</b>                 | <b>22,539,479.38</b> |

Embakasi North Constituency development fund was unable to facilitate the implementation of most of the above projects because Embakasi North was started officially in January 2014, being a new constituency subdivided from the larger Embakasi there was no sufficient time (6 months) to implement all the projects especially due to the procurement process. The funds from NG-CDF board were also disbursed late with the last tranche being received on 28<sup>th</sup> March 2014.

### Committee Observation

The Committee observed that non-implementation of projects was due to the transition after the creation of the Constituency and the late disbursement of funds by the National Treasury.

### Committee Recommendation

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## BURSARY ALLOCATIONS AND DISBURSEMENTS

The Committee was informed that the Constituency had allocated Kshs. 15,031,201.80 to bursaries during the year. However, only Ksh10,636,121.75 had been disbursed to the beneficiaries as at 30 June 2014. Further, examination of reconciliation statements as at 30<sup>th</sup> June,



2014 revealed cheques totalling to Ksh 1,835,000 were unrepresented. At the same time, cheques totalling to Ksh 1,253,878.00 meant for bursaries were cancelled and reversed without any supporting documentation or approval. It is apparent therefore that with undisbursed balance of Ksh 4,345,080.05 the bursaries cheques were not disbursed in time.

### **Management Response**

The Fund Account Manager informed the Committee that bursary cheques were unrepresented to the bank due to the beneficiaries giving wrong information, failure to present the cheques to the bank in due time and the beneficiaries losing the cheques. Bursary cheques amounting to Kshs 1,253,878.25 were cancelled and minuted on 03/02/2014 by the CDFC for Allocation to wrong schools, students transfers and Schools misspellings. Undisbursed balance of Ksh. 4,345,080.05 was due to late disbursement of funds by the NG-CDF- Board.

### **Committee Observation**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time and acknowledgement for receipts are availed. Additionally, delays in disbursement of funds by the NG-CDF Board and the National Treasury meant that bursaries were not released on time. Supporting documentation was submitted for verification and the matter has since been resolved as confirmed by the Auditor-General.

### **Committee Recommendation**

The Committee recommends that-

- (i) The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely allocation to constituencies;
- (ii) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (iii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries; and
- (iv) The Fund Account Manager ensures that beneficiary institutions issue acknowledgement document upon receipt of bursary cheques.

## FINANCIAL YEAR 2014/2015

### 1. BUDGET AND BUDGETARY CONTROLS

The Committee was informed that the summary statement of appropriation reflects a budget totaling to ksh. 119,784,266.00 while records available from the CDF board reflect an amount of ksh. 90,428,589.00 as shown below:

| Item                       | Budget per the summary statement of appropriation Kshs. | Budget per the returns to CDF | Difference Kshs.     |
|----------------------------|---------------------------------------------------------|-------------------------------|----------------------|
| Compensation of employees  | 1,694,720.00                                            | 1,194,720.00                  | 500,000.00           |
| Use of goods and services  | 2,162,310.00                                            | 2,846,186.00                  | (683,876.00)         |
| Committee expenses         | 3,428,934.00                                            | 2,545,058.00                  | 883,876.00           |
| Transfers to other govts   | 31,500,000.00                                           | 26,220,337.00                 | 5,279,663.00         |
| Other grants and transfers | 80,878,302.00                                           | 57,502,288.00                 | 23,375,965.00        |
| Social Security            | 120,000.00                                              | 120,000.00                    | -                    |
| Acquisition of assets      | -                                                       | -                             | -                    |
| Other payments             | -                                                       | -                             | -                    |
| <b>Total</b>               | <b>119,784,266.00</b>                                   | <b>90,428,589.00</b>          | <b>29,355,677.00</b> |

No explanation was provided for the difference between the data maintained by the CDF Board and the summary statement of appropriation.

### Management Response

The Fund Account Manager informed the Committee that the difference between the returns as per the budget for financial year 2014/2015 Ksh 90,428,589.00 and the budget per the summary statement of appropriation of Ksh. 119,784,266.00 equating to Ksh 29,355,677.00 is the balance carried forward from the previous financial year 2013/2014 also resulting to the fact that every project is awarded its own amount which cannot be allocated to any other project without a reallocation letter from the board.

The summary statement of appropriation for recurrent and development vote reflects expenditure totalling to Ksh. 56,498,117.00 compared to the budget for the year of Ksh. 119,784,266.00 resulting in an under expenditure of ksh. 63,286,149.00 as shown:

| ITEM                       | Budget Amount<br>Kshs. | Actual Expenditure<br>Kshs. | Under expenditure<br>Kshs. |
|----------------------------|------------------------|-----------------------------|----------------------------|
| Compensation of employees  | 1,694,720.00           | 1,301,009.00                | 393,711.00                 |
| Use of goods and services  | 2,162,310.00           | 2,041,002.00                | 121,308.00                 |
| Committee allowances       | 3,428,934.00           | 2,666,500.00                | 762,434.00                 |
| Transfers to other govts   | 31,500,000.00          | 28,544,503.00               | 2,955,497.00               |
| Other grants and transfers | 80,878,302.00          | 21,914,363.00               | 58,963,939.00              |
| Social Security            | 120,000.00             | 30,800.00                   | 89,200.00                  |
| Other payments             | -                      | -                           | -                          |
| <b>Total</b>               | <b>119,784,266.00</b>  | <b>56,498,177.00</b>        | <b>63,286,089.00</b>       |

The under-expenditure was therefore 53% of the budgeted amount.

### **Management Response**

The Fund Account Manager informed the Committee that Embakasi North Constituency received all the funds in three instalments. The first allocation amounting to Ksh. 20,982,147.00 AIE NO. A759682 dated 08/01/2015. The second was Kshs. 12,511,487.00 AIE NO. A759747 dated 2/11/2015 and the third was Ksh. 31,952,807.50 AIE NO A790831 was received on 03/09/2015. This was due to delayed disbursement from the CDF board.

### **Committee Observation**

The Committee observed that the Fund Account Manager had not availed supporting documents at the time of audit. In addition, non-implementation of projects was due late disbursement of funds by the NG- CDF Board and the National Treasury.

### **Committee Recommendation**

The Committee recommends that:

- (i) That the Fund Account Manager should ensure strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012; and
- (ii) The National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## **2. IMPLEMENTATION OF PROJECTS**

### ***Transfers to Other Government Entities.***

The Committee was informed that the summary statement of appropriation reflects a budget of Ksh. 31,500,000.00. under transfers to other government entities and an actual expenditure of Ksh. 28,544,503.00 as indicated in the table:



|                                                                                                  | Budget Amount<br>Kshs. | Actual<br>Expenditure<br>Kshs. | Under<br>Expenditure<br>Kshs. | Over<br>Expenditure<br>Kshs. |
|--------------------------------------------------------------------------------------------------|------------------------|--------------------------------|-------------------------------|------------------------------|
| Tom Mboya Primary School                                                                         | 500,000.00             | 365,086.00                     | 134,914.00                    | 0.00                         |
| Dandora Primary School                                                                           | 4,500,000.00           | 3,873,227.00                   | 626,773.00                    | 0.00                         |
| Dandora Girls Secondary School                                                                   | 5,762,311.00           | 11,512,169.00                  | 0.00                          | 5,749,858.00                 |
| Our Lady of Fatima Secondary                                                                     | 10,000,000.00          | 5,970,527.00                   | 4,029,473.00                  | 0.00                         |
| Dandora Secondary School                                                                         | 6,000,000.00           | 3,564,297.00                   | 2,435,703.00                  | 0.00                         |
| Ushirika Secondary School                                                                        | 3,000,000.00           | 3,074,700.00                   | 0.00                          | 74,700.00                    |
| Dandora Secondary School                                                                         | 1,737,689.00           | 184,498.00                     | 1,553,191.00                  | 0.00                         |
| Total as per summary statement of appropriation statement and statement of receipts and payments | 31,500,000.00          | 28,544,503.00                  | 8,780,054.00                  | 5,824,558.00                 |

Dandora Girls Secondary School was allocated an amount of Ksh 11,512,169.00 over and above the budgeted amount of Kshs. 5,762,311.00. No authority was sought from the CDF Board for reallocation.

#### **Management Response**

The Fund Account Manager informed the Committee that Dandora Girls Secondary School was allocated an amount of Ksh. 11,512,169.00 over and above the budgeted amount of Ksh. 5,762,311.00. The school had two ongoing projects IE construction of the Administration block and construction of toilet block plus sewer line. Vouchers to the payments made and a reallocation letter from the board and a code list were subsequently availed for audit verification.

#### **Committee Observation**

The Committee observed that the management did not avail the relevant documents to the Auditor General for verification during the audit period. However, payment vouchers and a reallocation letter from the board were submitted for verification and the matter has since been resolved as confirmed by the Auditor- General.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

#### **Other Grants and Transfers**

The Committee was informed that the summary statement of appropriation for recurrent and development reflects a budget of Ksh. 80,878,302.00 under other grants and transfers and actual expenditure of Ksh. 21,914,363.00 under the same category as shown in the table:

| <b>Project</b>                                                                                 | <b>Budgeted Amount (Kshs.)</b> | <b>Actual Expenditure Kshs.</b> | <b>Under Expenditure (Kshs.)</b> | <b>Over Expenditure (Kshs.)</b> |
|------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Emergency                                                                                      | 8,534,789                      | 3,199,920                       | 5,334,869                        | -                               |
| Bursary Secondary                                                                              | 10,000,000                     | 6,192,500                       | 3,807,500                        | -                               |
| Bursary Tertiary                                                                               | 6,000,000                      | 6,192,500                       | -                                | 192,500.00                      |
| Mock and Cats                                                                                  | 1,982,147                      | 0                               | 1,982,147                        | -                               |
| Sports                                                                                         | 1,000,000                      | 634,853                         | 365,147                          | -                               |
| Roads                                                                                          | 41,523,435                     | 5,694,590                       | 35,828,845                       | -                               |
| Environment                                                                                    | 1,000,000                      | 0                               | 10,000,000                       | -                               |
| Security                                                                                       | 10,000,000                     | 0                               | 10,000,000                       | -                               |
| Rehabilitation                                                                                 | 837,931                        | 0                               | 837,931                          | -                               |
| <b>Total per the Summary Statement of appropriation and statement of receipts and Payments</b> | <b>80,878,302</b>              | <b>21,914,363</b>               | <b>59,156,439</b>                | <b>192,500.00</b>               |

The actual expenditure of Ksh 21, 914,363 represent 27% absorption rate of the budgeted expenditure of Ksh.80, 878, 302. The low absorption rate has denied benefits to its constituents. No reason was given for the failure to implement the projects to the extent of funding. The fund had a closing surplus of Kshs. 18, 861,794 implying that the funds were adequate to implement all the projects that had been planned for the year. Included in the expenditure of Ksh. 8,534,789 and Ksh. 41,523,435 on emergency and roads respectively, are amounts of Kshs. 3,134,530 and Ksh.1,021,147 related to project brought forward from the previous year.

### **Management Response**

The Fund Account Manager informed the Committee that there was low absorption of funds due to the late disbursement of the funds and lengthy procurement processes. The implementation period which lapsed even after the financial although the projects were still ongoing. In the financial year 2014-2015, the following projects were not implemented-

| <b>No.</b> | <b>Name Of Project</b>              | <b>Amount</b>        |
|------------|-------------------------------------|----------------------|
| 1          | Emergency                           | 3,134,530.00         |
| 2          | Bursary                             | 3,706,201.00         |
| 3          | Dandora 41 Health Centre            | 1,600,000.00         |
| 4          | Our Lady of Fatima Secondary School | 10,000,000.00        |
|            | <b>Total</b>                        | <b>18,440,731.00</b> |

### **Committee Observation**

The Committee observed that the low absorption of funds was due non- implementation of projects that was caused by the late disbursement of funds by the National Treasury and lengthy procurement processes



### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **3. REVENUE**

The Committee was informed that the summary statement of appropriation reflects a final budget of Kshs. 119, 784, 266 which included project brought forward from the previous year of Kshs 29,355,676.53. However, the constituency received an amount of Ksh.45,964, 294 and cash balance brought forward of Kshs 29,355,676.53 only, which resulted in an under- funding of Ksh.44,464,295 or 37% of budget. No reason was given for the failure by the CDF Board to fund a budget they had already approved.

### **Management Response**

The Fund Account Manager informed the Committee that Embakasi North Constituency received the funds amounting Kshs 60,446,441.50 in three instalments. The first allocation amounting to Ksh 20,982,147.00 AIE NO. A759682 dated 08/01/2015. The second was kshs. 12,511,487.00 AIE NO. A759747 dated 2/11/2015 and the third was kshs. 31,952,807.50 AIE NO A790831 was received on 03/09/2015. The Constituency requested for the balance of Kshs.44, 464,295.00 from the Board which was not received. The projects were implemented.

### **Committee Observation**

**The Committee observed that the delay in implementation of projects was due late disbursement of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **4. CASH AND CASH EQUIVALENTS**

The Committee was informed that the statement of financial assets reflects an amount of Kshs. 18,861,794. Under cash balances as at 30<sup>th</sup> June, 2015 which includes stale cheques amounting to Kshs. 994,249 mostly relating to bursaries to needy students and statutory deductions .These cheques ought to be written back in these financial statements. Further, the bank reconciliation statements bank balance of Ksh. 21, 822,393.00 differs with the bank balance confirmation certificate balance of Ksh 21, 719,044.00 thus leading to unexplained difference of Kshs. 103,349.00. Consequently the accuracy of the Kshs. 18,861,794 cash and cash equivalents balance cannot be confirmed.



### **Management Response**

It is true that there was a difference of Ksh 103,349.00 between the bank balance Ksh 21,822,393.00 and the bank certificate balance Ksh 21,719,044.00. But the bank statement was as at 24/06/2015 Ksh 21,822,393.00 and as at 30/06/2015 the bank statement balance was at 21,719,044.00. This was brought about by various transactions.

### **Committee Observation**

The Committee observed that the audit query was due to transactions that were yet to be updated in the Constituency book of accounts thus there was no reasonable assurance regarding the reliability of financial reporting. The matter has since been resolved as confirmed by the Auditor- General.

### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.

## **5. LOW ABSORPTION OF FUNDS**

The Committee was informed that the statement of receipts and payments reflects a balance of Kshs. 46,044,294 under receipts for the year and an opening fund balance of Kshs.29,355,677, resulting to total available funds of Kshs. 75,359,971. Total expenditure for the year amounted to Kshs. 56, 998, 177, resulting to net surplus of Kshs. 18,361,794. No reason was given for the failure to complete budgeted projects to the extent of funds available.

### **Management Response**

The Fund Account manager informed the Committee that funds from NG-CDF Board had also been disbursed late with the last tranche being received on 03/09/2015.

### **Committee Observation**

The Committee observed that the delay in implementation of projects was due late disbursement of funds by the National Treasury.

### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## **6. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The Committee was informed that the statement of receipts and payments reflects expenditure totalling Ksh.21,914,363 under other grants and transfers, which includes bursaries disbursed to secondary schools and tertiary institutions amounting Ksh. 12,385,000. Examination of reconciliation statements as at 30 June 2015 revealed cheques totalling Kshs. 1,076,000 meant

for bursaries were unrepresented. No reason was provided for the failure to have the bursary cheques presented.

### **Management Response**

The Fund Account manager informed the Committee that bursary cheques amounting to Ksh. 1,076,000.00 were unrepresented to the bank due to the beneficiaries giving wrong information, failure to present the cheques to the bank in due time and the beneficiaries also losing the cheque. Cheques amounting Ksh 1,076,000 remained unrepresented at the end of the financial year.

### **Committee Observation**

- (i) The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time and acknowledgement for receipts are availed; and
- (ii) Relevant documents to support the reconciliation were not availed to the Auditor at the time of the audit. The documents have since been presented for verification and the matter resolved as confirmed by the Auditor- General.

### **Committee Recommendations**

The Committee recommends that-

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries;
- (iii) The Fund Account Manager ensures that beneficiary institutions issue acknowledgement documents upon receipt of bursary cheques; and
- (iv) The Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## **FINANCIAL YEAR 2015/2016**

### **1. BANK BALANCE**

The Committee was informed that the statement of financial assets reflects a bank balance of Ksh. 25,009,600 as at 30<sup>th</sup> June 2016. A review of the bank reconciliation statement for June 2016 revealed un-presented cheques amounting to Ksh. 6,955,028.00 out of which cheques totalling Ksh. 4,627,472 were stale and had not been reversed in the cashbook as at the time of the audit. Consequently, the accuracy of the bank balance of Ksh. 25,009,600 as at 30<sup>th</sup> June 2016 cannot be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that stale cheques amounting to Kshs 4,627,472 and Kshs.6, 955,028.00 were later adjusted in the cashbook in the month of July 2016 to reflect the correct cash and cash equivalents; the cashbook is available for audit purposes.

#### **Committee Observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.**

### **2. UNSUPPORTED AND UNCONFIRMED PROJECTS**

#### ***Construction Works***

The Committee was informed that Embakasi North constituency Fund paid Kshs.84,115 140 during the year under review to four firms for construction of four roads, namely Cinema Road, Dandora Phase 11, AP Road-Dandora Phase V, Maitu Njeri Road-Dandora Phase 1 and DO Road – Dandora Phase 111. However, supporting documents in respect of the four constructions were not provided for audit verification as they were claimed to be with the Ethics and Anti-corruption Commission pending investigation for alleged fraud.

#### **Management Response**

The Committee heard that the above files, namely: Cinema Road, Dandora Phase 11, AP Road-Dandora Phase V, Maitu Njeri Road-Dandora Phase 1 and DO Road – Dandora Phase 111 were under investigations by the Ethics and Anti-Corruption Commission. This investigation arose as a result of giving two different roads the same names done by KERRA and NG-CDF leading to one community member presenting his complain to the EACC.

The Constituency had no power to recall them for audit, and once the commission was through with the investigations, they would be available for audit purposes.

#### **Committee Observations**

**The Committee observed that:**



- (i) The matter was under investigation by the Ethics and Anti-Corruption Commission.
- (ii) The management did not maintain an inventory of the documents collected by the Ethics and Anti-Corruption Commission (EACC) to aid in their investigations.

### **Committee Recommendation**

**The Committee recommends that –**

- (i) The Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report; and
- (ii) The Fund Account Manager maintains an inventory and copies of documents that are required by other agencies.

### ***Construction of Cardinal Otunga Road***

The Committee was informed that in addition, the fund in 2015/2016 paid Ksh. 1,200,000 to a firm for grading and murraming of Cardinal Otunga Road (0.6Kms). In 2014/2015, the fund made a payment of Ksh. 4,782,349 for tarmacking, drainage and construction of sideways paths in respect of the same road. Physical verification did not however confirm grading and murraming works on the road.

The Committee further heard that the Constituency made a payment of Ksh. 4,782,349 for tarmacking, drainage and construction of sideways paths of Cardinal Otunga Road (0.6Kms) in 2014/2015. A further Ksh 1,200,000 was paid in 2015/16 in respect of the same road on this project was a joint venture between KERRA and NG-CDF and according to them they were constructing a tarmac road of which there was an error in the NG-CDFC minutes that were written grading and murraming. A letter of request for changing from grading and murraming to tarmacking, drainage and construction forwarded to the board in CDF. The said road was therefore tarmacked as opposed to grading and murraming and the road is verifiable and still in good condition. Consequently, the propriety of payments totalling Ksh. 85,315,140 made in 2015/2016 for road construction cannot be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that no documentation was provided for support on confirmation of Ksh. 85,315,140. This is because of the documents requested for by the EACC. The constituency has no power to recall them for audit, once the commission is through with the investigations, they will be available for audit purposes.

### **Committee Observation**

**The Committee observed that the the Fund Account Manager did not avail relevant documents to the Auditor General for verification at the time of Audit given that most of the documents had been confiscated by the EACC.**

### **Committee Recommendation**

**The Committee recommends that Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report**

### ***Education Projects***

The Committee was informed that during the year 2015/2016, the fund paid Ksh. 1,088,870 to a firm for construction of perimeter wall in Ushirika secondary School. Information available indicate that the Fund had transferred to the Project Management Committee account Ksh. 625,000 and Ksh. 3,074,700 in 2013/2014 and 2014/2015 respectively for the same project. Physical verification in 2014/2015 and 2015/2016 however, revealed that there were no notable changes in the construction of the perimeter wall. Further, supporting documents in respect of the payment of Ksh. 1,088,870 were not provided for audit verification.

### **Management Response**

The Fund Account Manager informed the Committee that in the 2015/16 Ksh. 1,088,870.00 was paid for the construction of perimeter wall in Ushirika Secondary School. The project had also been funded in 2013/14 and 2014/15 Ksh. 625,000 and Ksh 3,074,700 respectively. The documents were not provided for audit verification and were still not available for verification as they were still with the EACC who requested for them in their investigations.

### **Committee Observations**

**The Committee observed that:**

- (i) No documents were available at the time of audit having been handed to EACC.
- (ii) The matter was under investigations by the Ethics and Anti-Corruption Commission.

### **Committee Recommendation**

**The Committee the Ethics and Anti-Corruption Commission (EACC) expedites the investigations and furnish a status report on the investigations to the National Assembly within three months of adoption of this report**

### ***Education Projects (Kitchen at Dandora Girls Secondary School)***

The Committee was informed that in addition, the Fund made a payment of Ksh. 1,530,968 to a firm for construction of a kitchen at Dandora Girls Secondary School. No documents in support of the payment were however provided for audit verification. The propriety of the payments totalling to Ksh. 2,619,838 made in 2015/2016 for the two secondary schools projects cannot be ascertained in the absence of supporting documents. It is not possible also under the circumstances to confirm that the public money has been applied lawfully and effectively on these projects.



### Management Response

The Fund Account Manager informed the Committee that in 2015/16 Ksh. 1,530,968.00 was paid for the construction of a kitchen at Dandora Girls Secondary School. The documents were not provided for audit verification and were still not available for verification as they were with the EACC who requested for them in their investigations.

### Committee Observations

The Committee observed that:

- (i) The matter was under investigation by the Ethics and Anti-Corruption Commission.
- (ii) Documents were not provided for audit verification and were still not available for verification as they were with the Ethics and Anti-Corruption Commission.

### Committee Recommendations

**The Committee recommends that the Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report**

### 3. PROCUREMENT WORKS

The Committee was informed that during the year under review, the Fund engaged various contractors to undertake projects under transfers to other government units and grants and transfers. However, the Fund did not provide documents to show how the contractors were sourced as analysed. Consequently, it is not possible to confirm whether the contractors were competitively sourced and whether the constituents of Embakasi North got value for money in respect of the expenditure of Ksh. 55, 344,289.20 incurred on the projects in question.

### Management Response

The Fund Account manager informed the committee that the constituency carried out the procurement procedure according to law but only few contractors were able to present their Bill of Quantities and meet the estimated costs because some had estimated higher and other lower than what was expected.

| PV NO.    | DATE       | Project Name             | Nature of Work          | Amount Kshs.         |
|-----------|------------|--------------------------|-------------------------|----------------------|
| 11.       | 30/11/2015 | Dandora Girls            | Construction of kitchen | 1,448,764.20         |
| 18.       | 31/12/2015 | Kaduna                   | Toilet block            | 2,065,139.50         |
| 4.        | 31/12/2015 | Mutito Road              | Road construction       | 5,689,655.20         |
| 12.       | 30/11/2015 | D.O Road                 | Road construction       | 7,206,896.50         |
| Sub-Total |            |                          |                         | <b>16,410,455.40</b> |
| 16.       | 31/12/2016 | Dandora Secondary School | Construction of hall    | 863,504.45           |
| 104.      | 30/07/2015 | AP Road                  | Road construction       | 4,608,762.20         |
| 5.        | 30/09/2015 | AP Road                  | Road construction       | 6,290,136.50         |



|           |            |                           |                   |                      |
|-----------|------------|---------------------------|-------------------|----------------------|
| 12.       | 30/11/2015 | Maitu Njeri Road          | Road construction | 7,586,206.90         |
| 9.        | 31/05/2016 | Maitu Njeri Road          | Road construction | 5,689,200.00         |
| Sub-Total |            |                           |                   | <b>25,037,810.05</b> |
| 103.      | 30/09/2015 | Cinema Road               | Road construction | 7,111,694.55         |
| 105.      | 30/08/2015 | Ushirika Secondary School | Perimeter Wall    | 1,037,167.20         |
| 17.       | 31/12/2015 | Cardinal Otunga School    | Road construction | 1,137,931.05         |
| 10.       | 30/07/2015 | Cinema Road               | Road construction | 4,609,230.95         |
| Sub-Total |            |                           |                   | <b>13,896,023.75</b> |
| Total     |            |                           |                   | <b>55,344,289.20</b> |

### **Committee Observation**

The Committee observed that requests for quotation as a method of procurement was used instead of open tendering required for projects above Ksh. 4 million. This was in contravention of Section 96(2) of the Public Procurement and Disposal Act, 2005 (now repelled).

### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with provisions of section 96 of the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Asset Disposal Regulations while undertaking procurement.

### **4. PAYMENT FOR UNUTILIZED OFFICE SPACE**

The Committee was informed that included in use of goods and services expenditure of Kshs 5,274,160 is office rent which increased from Ksh. 450,000 in 2014/2015 to Ksh.1,410,000 in 2015/2016 an increase of 213%. The increment was caused by a review of lease agreement on 1<sup>st</sup> April 2015 which required the Fund to occupy double the space it had been occupying at twice the initial cost verification of the extra office space acquired revealed that, it had not been occupied two years after the date of the new lease agreement. A review of rent paid between 1<sup>st</sup> April 2015 and 30<sup>th</sup> June, 2016 revealed that the Fund paid Ksh. 700,000 spent on unoccupied office space.

### **Management Response**

The Fund Account Manager informed the Committee that there was an increment of office rent from Ksh.450,000 to 1,410,000.00 in 2014/2015 and 2015/16 respectively. A further rent of Ksh. 700,000 was paid between 1<sup>st</sup> April 2015 and 30<sup>th</sup> June, 2016 for unoccupied office space. This was because the constituency had planned on moving some staff to the unoccupied office space after procuring furniture.

### **Committee Observation**

The Committee observed that the Fund Account Manager was not prudent in the use of public funds for payment of Kshs. 700, 000 for unoccupied office space which is contrary to Article 201 (d) of the Constitution.

#### **Committee Recommendation**

The NG-CDF Board takes administrative action against the Fund Account Manager for contravening Article 201( d) of the Constitution of Kenya, 2010.

#### **UNREMITTED STATUTORY DEDUCTIONS**

The Committee was informed that a review of payment vouchers and unpresented cheques as at 30<sup>th</sup> June 2016 revealed long outstanding cheques in respect of pay as you earn, VAT, withholding tax and National Hospital Insurance Fund, all totalling ksh.2,912,056, which had not been remitted to the respective statutory bodies as at the time of the audit. No justification has been provided for non- remittance of the cheques thereby exposing the Fund to the risk of incurring penalties.

#### **Management Response**

The Fund Account Manager informed the Committee that withholding tax cheques amounting to Ksh 2,827,582- upon NG-CDF processing payments, its statutory for the constituency to deduct a withholding tax of 6% at source. The Regional Accountant is the agent to paying the companies the withholding tax and he is the only one who can access the E-SLIP. NHIF Cheque no 3995 amounting to kshs 3,000 was reversed and replaced in the cash book. Other cheques for P.A.Y.E amounting to Ksh 74,874 and N.H.I.F kshs 9,600 has been presented for payments and have cleared from the month of July 2016.

#### **Committee Observation**

The Committee observed that delays in remittance of statutory deductions were likely to attract penalties.

#### **Committee Recommendations**

The Committee recommends that—

- (i) The Fund Account Manager ensures that all statutory deductions are remitted on time to avoid penalties; and
- (ii) Any penalties emanating from delays in remittance of statutory deductions without justifiable cause be borne by the Fund Account Manager.

#### **BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that during the year under review, Embakasi North Constituency Development Fund incurred expenditure totaling Ksh. 86,316,488 against an approved budget of Ksh. 139,602,297 resulting in under expenditure of Ksh. 53,285,808 as shown below:

| Item                        | Budgeted Amount | Actual Expenditure | Under/over Expenditure |
|-----------------------------|-----------------|--------------------|------------------------|
|                             | Kshs.           | Kshs.              | Kshs.                  |
| Compensation of Employees   | 1,314,720       | 1,242,570          | 71,150                 |
| Use of goods and services   | 7,629,426       | 5,274,160          | 2,355,266              |
| Transfers to other govnt.   | 25,950,000      | 4,801,664          | 21,148,336             |
| Other Grants and Transfers. | 104,708,150     | 74,998,094         | 29,710,056             |
| Total                       | 139,602,297     | 86,316,488         | 53,285,808             |

The under expenditure is an indication of funds not utilized fully and approved programs not implemented. The budget did not, therefore, fully meet the intended objectives of improving delivery of services to the residents of Embakasi North Constituency.

#### **Management Response**

The Fund Account Manager informed the Committee that the period under review included the transition from the 2013 Act to the 2015 Act. The Constituency did not have a committee until Change of office from CDF to NG-CDF and CDFC to NG-CDFC which delayed payments since there were no committee from February to May 2016 hence no signatories. The funds were disbursed on 29<sup>th</sup> September 2016 making it difficult for the Constituency to absorb.

#### **Committee Observation**

**The Committee observed that the under-absorption was due to the transition from CDF to NG-CDF and CDFC to NG-CDFC under the NGCDF Act, 2015 and the late disbursement of funds by the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **IMPLEMENTATION OF PROJECTS**

#### ***Transfers to Other Government Entities***

The Committee was informed that the Constituency Fund budgeted to spend Ksh. 12,450,000 on six projects under transfers to other government entities during the year as per the records provided but spent Ksh. 4,801,664 resulting in net under expenditure of Ksh. 7,648,336 as detailed below:

| Project           | Year      | Budgeted Amount | Actual Expenditure | Over/Under Expenditure |
|-------------------|-----------|-----------------|--------------------|------------------------|
| Dandora Girls Sec | 2015/2016 | 5,150,000       | 1,462,005          | 3,687,995              |



|                            |           |            |           |             |
|----------------------------|-----------|------------|-----------|-------------|
| school                     |           |            |           |             |
| Ushirika Sec School        | 2015/2016 | 5,000,000  | 1,088,870 | 3,911,130   |
| Dandora secondary School   | 2015/2016 | 1,000,000  | 912,954   | 87,046      |
| Kariobangi North Girls Sec | 2015/2016 | 1,000,000  | 0         | 1,000,000   |
| James Gichuru Pri. School  | 2015/2016 | 300,000    | 0         | 300,000     |
| Tom Mboya Pri. School      |           | 0          | 1,337,835 | (1,337,835) |
| Total                      |           | 12,450,000 | 4,801,664 | 7,648,336   |

Consequently, the constituents of Embakasi North did not obtain benefits for the six projects budgeted but not fully implemented during the year.

### **Management Response**

The Fund Account Manager informed the Committee that the above projects could not be done in time due to the Non- funding from CDF Board since there was no Committee, change of office from CDF to NG-CDF and CDFC to NG-CDFC which delayed payments since there was no committee from February to May 2016 hence no signatories and late disbursement of funds from CDF Board.

### **Committee Observation**

**The Committee observed that the under-absorption was due to the transitional from CDF, 2013 to NG-CDF Act 2015 and the late disbursement of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **3.6. EMBAKASI SOUTH CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF EMBAKASI SOUTH NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Alex Kioko, the current Fund Account Manager, accompanied by Ms. Elvilla Kebaya, the former Fund Accounts Manager appeared before the Committee on 18<sup>th</sup> April, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. ACCURACY OF FINANCIAL STATEMENTS**

The Committee was informed that the statement of receipts and payments reflect total receipts of Ksh.26,314, 733 and total expenditure of Ksh.19,404,338. It was however noted that the Fund had not prepared a trial balance or a general ledger. It was further noted that the cash book was not properly updated. Consequently, the completeness and accuracy of the financial statements could not be confirmed.

##### **Management Response**

The Fund Account Manager informed the Committee that the format provided when preparing the financial statement did not include trial balance. However, later after the audit trial balance was included in the statements the cash book, and other relevant documents for the 2013/14 were not handed over by the preceding fund account managers.

##### **Committee Observations**

**The Committee observed that--**

- (i) The errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General;**
- (ii) Financial records and other source documents for the Constituency had been confiscated by the Ethics and Anti-Corruption Commission (EACC) for ongoing investigation on various allegations including misappropriation of funds for bursaries and projects;**
- (iii) Investigations by the Ethics and Anti-Corruption Commission have been ongoing since 2013/2014;**
- (iv) The evidence submitted to the Committee was incomplete given that the current Fund Account Manager was still revising financial statements from various source documents which included bank statements, payment vouchers and documents in the project files; and**

- (v) The management had not maintained an inventory of the documents collected by the Ethics and Anti-Corruption Commission and had not made copies of the documents.

#### **Committee Recommendation**

**The Committee recommends that:**

- (iii) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework;
- (iv) The Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report;
- (v) The Fund Account Manager maintains an inventory and copies of documents that are required by other agencies; and
- (vi) The Fund Account Manager expedites the process of revising financial statements.



### **3.7. EMBAKASI WEST CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF EMBAKASI WEST NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Alfred Mwangi, the current Fund Account Manager accompanied by Mr. Ellena Githongori, the previous Fund Account Manager appeared before the Committee on 8<sup>th</sup> June, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. DISBURSEMENT OF CDF FUNDS**

The Committee was informed that the summary statements of appropriation reflects an amount of Ksh.17,489,135 as budgeted expenditure during the year. However, the Constituency had an approved budget of Kshs. 61,063,686 for the 2013/2014 financial year, of which only an amount of Ksh. 24,425,474 had been disbursed by 30<sup>th</sup> June 2014, leaving an amount of Ksh 36,638,212 outstanding. As a result, the Constituency's budget could not be implemented. Further, the summary statement of appropriation does not reflect the budgeted amounts.

##### **Management Response**

The Fund Account Manager informed the Committee that the outstanding balance of Ksh. 36,638,212.00 was released to the constituency in the subsequent financial year vide AIE no.s A750181 and A759619.

##### **Committee Observation**

**The Committee observed that the outstanding balance was due late disbursement of funds by the NG- CDF Board and the National Treasury.**

##### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

##### **2. BURSARY ALLOCATIONS AND DISBURSEMENT**

The Committee was informed that the Constituency had allocated Ksh. 6,642,256 to bursaries in the year ending 30th June 2014. At the end of the year, the whole amount of Ksh 6,642,256 was indicated as having been expended. However, review of cash books and the bank statements at year end revealed that cheques totalling Kshs. 309,800 and relating to bursaries had become stale and were reversed without any supporting documentation or approval. The expenditure on bursaries is therefore misstated.

### Management Response

The Fund Account Manager informed the Committee that stale cheques being part of reconciling items in the bank reconciliation statements are required to be reversed in the cash book. These amounts were later reissued to other beneficiaries

### Committee Observation

The Committee observed that:

- (i) The errors arose from failure to comply with IPSAS in financial reporting and the matter has since been resolved as confirmed by the Auditor-General;
- (ii) Non-presentation of bursary cheques on time implies that the beneficiaries did not enjoy the benefits accruing from the bursaries; and
- (iii) There were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time.

### Committee Recommendation

The Committee recommends that-

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework;
- (ii) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and
- (iii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries.

### 3. OTHER PAYMENTS

The Committee hear that the statement of receipts and payments reflect a figure of Kshs. 4,658,739 under other payments. Included in the amount is Kshs. 1,600,000 paid to various contractors as a provisional sum. The amount could not be accounted for. Consequently, the propriety of the expenditure could not be ascertained.

### Management Response

The Fund Account Manager informed the Committee that the Constituency managed to undertake and pay for only two (2) projects by the 30<sup>th</sup> June, 2014 as follows:

| No | Contractor                    | Works                                                     | Contract Sum | Amount Proposed F/Y 2013/14 | As In | Provisional Sum | 5% Retention Amount |
|----|-------------------------------|-----------------------------------------------------------|--------------|-----------------------------|-------|-----------------|---------------------|
| 1. | Hapa na Hapa enterprises Ltd. | Proposed construction of market sheds at Umoja 1 market.  | 1,498,256    | 500,000                     |       | 300,000         | 74,912.80           |
| 2. | Gheri Enterprises Ltd.        | Proposed construction of market sheds at Umoja 2 markets. | 3,593,564    | 1,000,000                   |       | 300,000         | 179,678.20          |

From the table, it therefore means that the contract provisional sum to be accounted for is Kshs. 600,000. The Provisional Sums included in the bill of quantities has been broken down as follows: Contingencies-200,000 and project management fees- 100,000 for each of the projects. Contingencies of Kshs. 200,000 was used to pay additional works instructed by the project manager.

Project management fees- Kshs. 100,000

This amount has been spent by the Project Manager as follows.

|                                                        |              |
|--------------------------------------------------------|--------------|
| • Preparation of Bills of Quantities                   | Kshs. 30,000 |
| • Preparation of Architectural drawings                | Kshs. 20,000 |
| • Preparation of Structural drawings                   | Kshs. 20,000 |
| • Preparation of valuations and final accounts         | Kshs 10,000  |
| • Transport of supervising team during contract period | Kshs 20,000  |

The above tabulation is identical in both projects amounting to a total of Ksh. 600,000.

#### **Committee Observation**

The Committee observed that the Fund Account Manager did not avail relevant documents to the Auditor-General for verification at the time of audit.

#### **Committee Recommendations**

The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.



## **FINANCIAL YEAR 2014/15**

### **1. BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that the summary statement of appropriation reflects a budget totaling Kshs. 132,211,192, while records available from the CDF Board reflects an amount of Kshs. 86,559,518 as shown in the report. No explanation was provided for the variance between the records maintained by the CDF Board and the summary statement of appropriation.

#### **Management Response**

The Fund Account Manager informed the Committee that the amount of Ksh 86,559,518 was the approved constituency allocation for financial year 2014/2015 while the total final budget of Ksh132,211,192 included roll overs from financial year 2013/2014 of Ksh 36,638,221.60 (received in 2014/2015) and Ksh 9,762,270.00 cashbook balance brought forward.

#### **Committee Observation**

**The Committee observed that the variance was due to late disbursement of funds by the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **2. BURSARY ALLOCATION AND DISBURSEMENTS**

The statement of receipts and payments reflect an amount of Ksh. 48,395,298 under other grant and other payments, which includes a figure of Ksh. 9,509,000 relating to bursaries disbursed to various beneficiaries. This amount includes long outstanding unrepresented bursary cheques totalling Ksh. 287,000, of which Kshs. 220,000 are stale. Management have not provided justification as to why bursary cheques for needy students cannot be presented. Further review of the bursaries, reveal that an amount of Ksh. 1,300,000 was paid to Unity College for short term courses. No documentary evidence indicating who the beneficiaries were and courses offered by Unity College were provided for review

#### **Committee Observation**

**The Committee observed that the Fund Account Manager did not avail relevant documents to the Auditor-General for verification at the time of Audit.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensure compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### **3. BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that the summary statement of appropriation for recurrent and development reflects total expenditure budget of Ksh. 132,211,192. Total receipts of Ksh. 79,917,971 and an opening bank balance of Ksh 9,762,270 thus total available funds of Ksh. 89,680,241 for the year under review which represents 67.83% of the budget. No explanation was given for underfunding of Ksh. 56,310,237. However, the C.D.F management spent Kshs. 75,900,955 for the year as shown in the report

#### **Management Response**

The Fund Account manager informed the Committee that the balance of Ksh 56,310,237 was received in the subsequent year 2015/2016 via AIE No A790832 of Ksh. 26,824,759.00, A724037 of Ksh. 13,455,000.00, A759619 of Ksh 5,300,000.00 and A796949 of Ksh. 8,655,951.50

#### **Committee Observation**

**The Committee observed that the underfunding was due late disbursement of funds by the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **4. IMPLEMENTATION OF PROJECTS**

#### **i. Transfer to other Government Entities**

The Committee was informed that the constituency had budgeted to spend Ksh. 20,379,511 on transfers to other Government Entities on the projects summarized below but only spent Kshs. 19,920,425 resulting to under expenditure of Ksh. 459,086. The over expenditure of Ksh. 120,014 on the Kariobangi South Primary School was not approved by the CDF Board.

#### **Management Response**

The Fund Account Manager informed the Committee that the amount Kshs. 120,014 was the amount of retention carried forward from previous year's project.

#### **Committee Observation**

**The Committee observed that the Fund Account Manager incurred expenditure without approval by the NG-CDF Board. In addition, late disbursement of funds by the National Treasury resulted to roll over of funds to the next financial year.**



### **Committee Recommendation**

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board takes administrative action against Fund Account Manager for reallocating funds contrary to the NG-CDF Act, 2015;**
- (ii) The Fund Account Manager should ensure compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015; and**
- (iii) The National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

#### ***ii. Other Grants and Transfers***

The Committee was informed that the summary statement of appropriation reflect a budget of Kshs. 102,198,085 under other grants and transfers and an actual expenditure of Kshs. 48,395,298 as detailed in the report: No reason was given for the failure by CDF Board to fund the entire budget.

### **MANAGEMENT RESPONSE**

The Fund Account Manager informed the Committee that the difference was released in the subsequent year 2015/2016.

### **Committee Observation**

**The Committee observed that there was a delay in disbursement of funds by the NG-CDF Board and the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

#### **iii. Failure to implement projects**

The Committee was informed that as at 30<sup>th</sup> June, 2015, three projects, which had been budgeted to cost Ksh. 15,000,000 and were to be implemented over a period exceeding one year, were not financed in the year.

| Project Name                                              | Budget Amount Kshs. |
|-----------------------------------------------------------|---------------------|
| Umoja 1 Primary School                                    | 10,000,000          |
| Kariobangi South ward Jua Kali open air sheds and markets | 2,000,000           |
| Uhuru Ward open air market sheds                          | 3,000,000           |

### **Management Response**

The Fund Account Manager informed the Committee that the funds were not yet disbursed from the board as at the time of presentation of the financial statements.



- (i) Umoja 1 primary school swimming pool project phase 1-construction works commenced on 30<sup>th</sup> August 2016 by issues of award letter and local service order. Phase 1 of the project was completed on 14 February 2017 at a cost of Ksh 18,983,516.00. Phase 2 was initialized on the 27<sup>th</sup> October 2017 by the reallocation of Ksh 5,767,647.00 2015/2016 emergency. Phase 2 was completed on the 4<sup>th</sup> of April, 2018. The entire project is now complete.
- (ii) Kariobangi South ward Jua Kali open air sheds and markets-construction works began on the 30<sup>th</sup> August, 2016 by issue of Award letter. The project was completed 30, September 2016 at a sum of Ksh. 1,998,622.00.
- (iii) Uhuru Ward open air market sheds-construction works commenced on the 30<sup>th</sup> August, 2016 by issue of award letter. The project was completed on the 31<sup>st</sup> September, 2016 by issue of certificate of practical completion. Find attached award letter and completion certificate of the project.

#### **Committee Observation**

**The Committee observed that the non-implementation of projects was due to late disbursement of funds by the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **5. COMPENSATION OF EMPLOYEES**

The Committee was informed that the statement of receipts and payments reflect an expenditure of Kshs. 1,175,800 under compensation of employees. This is an increase of Ksh. 863,601, or 276% over the last year's amount of Ksh. 312,199. The approved budget for 2014/15 year was Kshs. 700,000, which resulted to an over expenditure by the CDF Board.

#### **Management Response**

The Committee was informed that during the financial year 2014/2015 the CDFC approved the employment of two additional staff in a meeting dated 18<sup>th</sup> August, 2014. On the same meeting the CDFC member agreed to review the salaries of two existing members of staff.

#### **Committee Observation**

**The Committee observed that the Fund Account Manager did not avail relevant supporting documents for verification during the audit.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## **FINANCIAL YEAR 2015/16**

### **1. PRESENTATION AND DISCLOSURES**

#### **Failure to Disclose Reasons for Material Variances**

The Committee was informed that the summary statement of appropriation on page 8 reflects material budget utilization differences both for receipts and expenditure items. However, no explanations have been provided for the material variances between the approved budget and the actual receipts and expenditure, respectively contrary to the requirement under Paragraph 1.9.8 of International Public Sector Accounting Standards cash basis of Accounting Reporting Framework.

#### **Management Response**

The Fund Account Manager informed the Committee that the constituency did not provide explanations for material variances as required by the standard. However, the variance is explained by the funds not released by the Board to the constituency by the end of the financial year.

#### **Committee Observations**

The Committee observed that the management had not complied with the basis for preparation of financial statements and the accounts did not conform to the format prescribed by the International Public Sector Accounting Standards (IPSAS).

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.

### **2. FAILURE TO DISCLOSE OTHER PENDING PAYABLES**

The Committee was informed that contrary to the guidelines issued by the Public Sector Accounting Standards Board pursuant to Section 194 of the Public Finance Management Act, 2012 retention money totaling Ksh. 923,907 for some projects completed in 2014/2015 and paid to the contractors in 2015/2016 have not been disclosed. Similarly, retention money for projects completed in the financial year under review have not been disclosed. Consequently, the financial statements as prepared and presented are not fully IPSAS Cash Basis compliant.

#### **Management Response**

The Fund Account Manager informed the Committee that the constituency did not disclose pending retention payable in the two financial years as required by the standard. This was an omission, we however note that the then pending retention payable have since all been paid to the contractors.

#### **Committee Observations**

The Committee observed that the management did not make full disclosure of retention moneys contrary to the Public Sector Accounting Standards basis for accounting.

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.**

### **3. USE OF GOODS AND SERVICES**

The Committee was informed that the statement of receipts and payments reflects expenditure of Ksh 5,526,958 on use of goods and services for the year ended 30<sup>th</sup> June, 2016 and as disclosed under Note 5 to the financial statements. However, no detailed ledger has been provided in support of the expenditure. Consequently, the completeness, validity and accuracy of the expenditure of Ksh. 5,526,958 cannot be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that an annual expenditure return detailing the payment vouchers, cheques and amounts amounting to Kshs 5,526, 958 for use of goods and services was availed for audit review.

### **Committee Observation**

**The Committee observed that the management did not avail supporting documents to the Auditor-General for verification at the time of Audit. The documents have since been availed and the matter resolved as confirmed by the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### **4. NON-CURRENT ASSETS**

The Committee was informed that the financial statement reflects non-current assets balance of Ksh. 680,164 as at 30<sup>th</sup> June 2016 (Year 2014/2015-Ksh 680,164). However, the fixed assets register maintained by the management and made available for audit shows a balance of Kshs. 598,415. Consequently, the completeness and accuracy of the reported non-current assets balance of Ksh. 680,164 as at 30<sup>th</sup> June 2016 cannot be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that the financial statements and the fixed asset register have since been reconciled and availed to the auditors for review.

### **Committee Observation**

**The Committee observed that the Fund Account Manager failed to maintain an updated record of non-current assets.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework.**



## **5. DISCREPANCY IN BUDGET FIGURES**

The Committee was informed that the summary statement of appropriation for the year ended 30<sup>th</sup> June 2016 reflects under receipts original budget of Ksh.91,553,359 being transfers from National Government Constituencies Development fund (NG-CDF) Board. However, the Board's budget dated 7<sup>th</sup> December,2015 indicates an amount of Ksh. 72,053,359 resulting in an unexplained variance of Ksh. 19,500,000.

### **Management Response**

The Committee was informed that the budgeted funds for financial year 2014/2015 was Ksh. 86,559,518.00. The approved budget was Ksh 67,059,518.00. The difference Ksh. 19,500,000.00 was approved on the F/Y 2015/2016 explaining the difference in the variance.

### **Committee Observation**

**The Committee observed that the variance was due to late approvals by the NG- CDF Board as a result of late disbursement of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely to constituencies.**

## **6. PROCUREMENT OF GOODS AND SERVICES**

The Committee was informed that the Contracts for the three construction projects and youth training undertaken by the fund during the year under review were procured using restricted tendering method. However, no documentary evidence has been made available to confirm that conditions for use of restricted tendering were satisfied as required under section 102 of the Public Procurement and Asset Disposal Act, 2015. The details of the contracts are analyzed in the audit report.

Umoja 1 Primary School swimming pool and Super Loaf Primary School classrooms construction projects were awarded after 30<sup>th</sup> June, 2016 despite the payments having been made during the year under review. No explanation has been provided for these anomalies. From the foregoing, it has not been possible to confirm whether value for money has been realized from the contracts valued at Ksh. 41,544,427.

### **Management Response**

The Fund Account Manager informed the Committee that the above contracts amounting to Ksh 41,544,427.00 were advertised locally through inviting bidders and the qualified contractors are the ones considered in the project implementation. Funds were transferred to Umoja I Primary School swimming pool PMC account, first transfer being on the 22/06/2016 and Supa Loaf Primary School 3 classrooms PMC on 26/06/2016 hence treated as expenditure for the year under review. However, tendering for these projects was done in August 2016.

### **Committee Observation**

The Committee observed that the Fund Account Manager did not use open tendering as a method of procurement, hence acted in contravention of Section 96(2) of the Public Procurement and Disposal Act, 2005 (now repealed).

**Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with provisions of section 96 of the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Asset Disposal Regulations while undertaking procurement.

### **3.8. KAMUKUNJI CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KAMUKUNJI NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Farah Keinan, the current Fund Account Manager who was deployed to the Constituency since January 2014 appeared before the Committee on 8<sup>th</sup> June, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. BURSARY ALLOCATION AND DISBURSEMENT**

The Committee was informed that the statement of receipts and payments reflects an amount of Ksh. 37,233,431 under other grants and other payments, which includes an amount of Ksh. 15,721,000 that relates to bursaries issued to needy students. Review of the bank statement and reconciliation statement revealed that cheques amounting to Ksh. 7,527,950 relating to bursary had not been presented and out of these, bursary cheques worth Ksh. 604,457 were stale. It is not clear and management has not explained how needy students would fail to present bursary cheques.

##### **Management Response**

The Fund Account Manager informed the Committee that cheques amounting to Ksh 604,457 were stale as at 30<sup>th</sup> June, 2014 as stated in the audit report. However, all the stale cheques in the reconciliation were reversed and credited back to the cash book as required.

##### **Committee Observation**

The Committee observed there were no proper mechanisms put in place to ensure that bursary cheques issued are acknowledged by the intended beneficiaries or institutions on time.



### **Committee Recommendation**

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;**
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries; and**
- (iii) The Fund Account Manager ensures that beneficiary institutions issue acknowledgement document upon receipt of bursaries.**

### **2. IRREGULAR PAYMENT FOR CONSTRUCTION OF SHEDS AT MAZIWA CHICKEN AND VEGETABLE MARKET**

The Committee was informed that the statement of receipts and payment reflects an amount of Kshs. 42,861,234 under transfers to other Government Units. Review of the available records indicate that an amount of Ksh. 14,990,664 was transferred in the year 2009/2010 for the construction of Maziwa Sheds. Records further indicate that the sheds were brought down. It would therefore appear that the expenditure of Kshs. 14,990,664 in 2009/2010 was a nugatory expenditure.

### **Management Response**

The Fund Account Manager informed the Committee that during the financial year 2009/2010 and 2010/2011 the CDF Board allocated Maziwa Chicken Market an amount of Ksh 10,000,000 and 9,250,528.00 respectively. Records available indicate that Ksh. 9,992,660 was paid to Comroad Construction and Equipment Ltd, additionally Ksh. 5,000,000 was paid Focircle Construction Company. However, no further documents are available. The matter was pending before EACC.

### **Committee Observation**

**The Committee observed that-**

- (i) The previous Fund Account Manager, Mr. Kenneth Njonjo who was no longer working for the Board had not handed over important documents when he left office; and**
- (ii) The Ethics and Anti-Corruption Commission had commenced investigations into the matter.**

### **Committee Recommendation**

**The Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report;**

## **FINANCIAL YEAR 2014/2015**

### **1. BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that the summary statement of appropriation reflects a receipts and payments budget of Kshs 127,882,854 and actual receipts of Ksh 109,324,549 for the year 2014/2015. The total available funds in the year amounted to Ksh 132,055,581 including opening cash balance of Ksh 22,731,032 hence the constituency was therefore fully funded. Despite, the constituency having received adequate funding its only utilized 83% of the available fund. No reason was given for the failure by the constituency to fund all the budgeted projects.

#### **Management Response**

The Fund Account Manager informed the Committee that the under expenditure was as a result of funds being received from the Board towards the end of the financial year. The Committee received Ksh. 31,435,592 on 11<sup>th</sup> June 2015.

#### **Committee Observation**

**The Committee observed that the under expenditure was as a result of late disbursement of funds by the NG-CDF Board and the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **2. TRANSFER TO OTHER GOVERNMENT ENTITIES**

#### ***Implementation of Projects***

The Committee was informed that the statement of receipts and payments reflects a budget of Ksh. 43,236,282 under transfer to other Government Entities but spent an amount of Ksh. 40,342,962 during the financial year under review, resulting to an under expenditure of Kshs. 2,893,320. No reason was given for the failure by the CDF to Fund projects as budgeted.

#### **Management Response**

The Fund Account Manager informed the Committee that the constituency received Ksh. 54,889,586.50 one month towards the end of the financial year .It was therefore not possible to implement all projects on time.

#### **Committee Observation**

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

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### ***Other Grants and Transfers***

The Committee was informed that the summary statement of appropriation also reflects a budget of Ksh. 67,624,130 under Other Grants and Transfers but only spent Kh. 53,364,684 resulting to under expenditure of Ksh. 14,259,446 or about 21%. No reason was given for the failure by the CDF to Fund projects especially the education bursaries in accordance with budget.

### **Management Response**

The Fund Account Manager informed the Committee that the constituency received Ksh. 54,889,586.50 one month towards the end of the financial year .It was therefore not possible to implement all projects on time. but upon availability of fund all approved projects in the code list were implemented to the benefit of the constituents.

### **Committee Observation**

**The Committee observed that the failure to implement projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

## **3. ACCURACY OF THE FINANCIAL STATEMENTS**

The Committee was informed that the statement of receipts and payment reflects an amount of Ksh. 743,854.20 as the receipts for year from CDF Board, which differs with the Ksh. 109,324,549 amount reflected in the summary statement of appropriation by an unexplained amount of Ksh. 18,419,304.82. Records available indicated that the CDF actually received Ksh. 127,822,854 in the year hence the summary of appropriation being therefore incorrect

### **Response**

The Fund Account Manager informed the Committee that this was a typing error. Hence the financial statement has been amended and submitted for audit review.

### **Committee Observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting.**

## **4. BURSARY ALLOCATION AND DISBURSEMENTS**

The Committee was informed that the statement of receipts and payments further reflect an amount of Ksh. 53,364,684 under other grants and other payments, which include an amount of Ksh. 20,614,500 reflected under note to the account that relates to bursaries issued to need



student. The amount includes unpresented bursaries cheques amounting to Ksh. 8,863,022 that are stale at the time of audit. It was further observed that cheques amounting to Ksh. 8,179,500 were all issued on the same day of 22 June 2015 and management has not explained how needy students would fail to present bursary cheques.

#### **Management Response**

The Fund Account Manager informed the Committee that bursary cheques amounting to Ksh. 8,179,500 were issued on 22nd June 2015. The cheques were issued to beneficiaries on 29<sup>th</sup> June, 2015. However, the issued cheques were presented by the beneficiaries in the following months and have since cleared. as for the stale cheques they were reversed in the cashbook as required.

#### **Committee Observation**

**The Committee observed that:**

- (i) Non-presentation of bursary cheques on time unjustifiably denies the beneficiaries the benefits accruing from the bursaries; and**
- (ii) There were no proper mechanisms put in place to ensure that once issued the bursary cheques reach the intended beneficiaries or institutions on time.**

#### **Committee Recommendation**

**The Committee recommends that-**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;**
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries; and**
- (iii) The Fund Account Manager should ensure that beneficiary institutions issue acknowledgement document upon receipt of bursaries.**

### **5. IRREGULAR PAYMENT FOR THE CONSTRUCTION OF SHEDS AT MAZIWA CHICKEN AND VEGETABLE MARKET**

The Committee was informed that as reported in the previous year an amount of Ksh. 14,990,664 was irregularly used in the construction of sheds at Maziwa chicken and Vegetable Market in the year 2009/2010. The sheds were subsequently demolished by then City Council of Nairobi as there was no approval for the construction. No action has been taken by the management to hold accountable the individuals culpable to the irregular loss of public funds.

#### **Management Response**

The Fund Account Manager informed the Committee that the matter has remained unresolved since 2010. The current committee has been unable to take any meaningful actions because the matter is pending before EACC.

### **Committee Observation**

The Committee observed that-

- (i) The previous office holders did not hand over any documents on the expenditure from the financial year 2009/2010;
- (ii) A physical verification by the Auditor- General revealed that the market is non-existent; and
- (iii) The Ethics and Anti-Corruption Commission (EACC) commenced investigations.

### **Committee Recommendation**

The Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report.

## FINANCIAL YEAR 2015/15

### 1. DIFFERENCES IN COMPARATIVE FIGURES

The Committee was informed that the following differences have been noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30<sup>th</sup> June, 2016 and the balances shown in the audited financial statements for 2014/2015.

|                           | 2014/2015 comparative figures in 2015/2016 Kshs. | 2014/2015 audited balances kshs. | Variance    |
|---------------------------|--------------------------------------------------|----------------------------------|-------------|
| Compensation of employees | 1,044,557                                        | 1,030,157                        | 14,400      |
| Use of goods              | 8,250,904                                        | 4,093,904                        | 4,257,000   |
| Committee allowance       |                                                  | 4,257,000                        | (4,257,000) |
| Social Security Benefits  |                                                  | 14,400                           | (14,400)    |

However, no explanation has been provided for these differences. Similarly, the nature of the errors and respective amounts of the corrections in these comparative figures have not been disclosed in the notes to the financial statements.

#### Management Response

The Fund Account Manager informed the Committee that there was a compensating difference of Ksh 4,257,000 in the comparative figures (2014/2015) reflected in the financial statements for the year ended 30th June 2016 and the balances shown in the audited Financial Statements for 2014/15.

This was brought about by the change of vote's classification where use of goods and services and committee allowances were combined in 2015/2016 whereas they were separate in 2014/2015 in the reporting format issued by the National Treasury. Additionally, Social security benefits were combined with compensation of employees in 2015/2016 while in 2014/2015 it was a separate item.

#### Committee Observation

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. and the matter has since been resolved as confirmed by the Auditor-General.

#### Committee Recommendation

The Committee recommends that The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting.



## **1. BUDGET AND BUDGETARY PERFORMANCE**

The Committee was informed that during the year under review, Kamukunji Constituency Development Fund incurred expenditure totalling Kshs 81,491,117 against an approved budget of Kshs 115,673,597 resulting to under expenditure of Kshs 34,182,480.00

### **Management Response**

The Fund Account Manager informed the Committee that the under expenditure was as a result of funds being received from the Board towards the end of the financial year. The committee received Ksh 45,924, 564 on 23<sup>rd</sup> May, 2016 as per the AIEs attached. Hence it was not possible to utilize all available funds on time. However, all projects were implemented in the subsequent months.

### **Committee Observation**

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

### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## **2. IRREGULAR PAYMENT FOR THE CONSTRUCTION OF SHEDS AT MAZIWA CHICKEN AND VEGETABLE MARKET**

As reported in the previous year an amount of Kshs. 14,990,664 was irregularly used in the construction of sheds at Maziwa Chicken and Vegetable Market in the year 2009/2010. The sheds were subsequently demolished by then City Council of Nairobi as there was no approval for the construction. No action has been taken by the management to hold accountable the individuals culpable to the irregular loss of public fund.

### **Management Response**

The above matter has remained unresolved since 2010. The current committee is unable to take any meaningful actions because the matter is pending before EACC.

The Committee observed that this matter was carried over from the 2013/2014 Financial Year and that the previous holders of the office did not hand over any documents on the expenditure. The market in question was also is non-existent.

### **Committee Observations**

The Committee observed that-

- (i) A physical verification by the Auditor- General revealed that the market is non-existent because they were demolished by the then City Council of Nairobi due to lack of approvals;
- (ii) The issue has remained recurring audit issue since the 2009/2010 financial year; and

(iii) The Ethics and Anti-Corruption Commission (EACC) commenced investigations into this issue in 2010.

**Committee Recommendation**

The Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report.

### **3.9. KASARANI CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR KASARANI NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Elias M. Mate , the current Fund Account Manager, accompanied by Mr. Hassan K. Kassim and Mr. Ayaan Mahadhi who were former Fund Account Managers appeared before the Committee on 17<sup>th</sup> April, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **SUBMISSIONS FOR THE FINANCIAL YEAR 2013/2014**

##### **1. OPENING BALANCES**

The Committee was informed that Kasarani CDF was divided into additional other electoral areas of Roysambu, Ruaraka and Mathare following the general elections of 2013. However, no opening cash balances or assets appear to have been inherited from the original constituency of Kasarani. Consequently the receipts figure of Kshs. 63,933,229 does not include any balances related to previous years.

##### **Management Response**

The Fund Account Manager informed the Committee that Kasarani constituency was split from the larger Kasarani and there was no bank account or bank balances left to the new Kasarani constituency. The constituency opened a new CDF Account A/C No 1180261612372 Name: Kasarani Constituency Development Fund Bank: Equity Bank Limited Branch: Kasarani and the CDF Board allocated the constituency its first administrative disbursement of Ksh. 2,000,000 which was effected by the bank on 11<sup>th</sup> December, 2013. The Constituency did not inherit any balances from the old Kasarani Constituency.

The Fund Manager further submitted that the former bank account for the larger Kasarani Constituency was taken over by the Ruaraka Constituency since most ongoing projects fell under the newly created Ruaraka Constituency hence the account was left there.

##### **Committee Observation**

The Committee observed that the Fund Account Manager of the larger Kasarani constituency opened a new bank account following the split of the constituency which created Ruaraka, Roysambu and Mathare constituencies. This was contrary to NG-CDF Board guidelines that provides the domicile constituency prior to split retain the bank account that was operated prior to the split.



### **Committee Recommendation**

**The Committee recommends that:**

- (i) The Fund Account Manager complies with the NG-CDF guidelines on opening of new bank accounts; and**
- (ii) Within three months of adoption of this report by the House, the NG-CDF Board provides a status report to the National Assembly on transfer of assets and liabilities amongst constituencies following delimitation of constituency boundaries that resulted in creation of the 290 constituencies.**

## SUBMISSIONS FOR THE FINANCIAL YEAR 2014/2015

### 1. BUDGET AND BUDGETARY CONTROLS

The Committee was informed that the summary statement of appropriation reflects a total budget of Ksh.114,332,663 which differs with the project proposal document held by the CDF Board amount of Kshs. 90,906,955 by Ksh. 23,425,698 as indicated below:

| Item                         | Budgeted<br>Amount<br>Ksh | Actual<br>Expenditure<br>Ksh. | Under/Over<br>Expenditure<br>Ksh. |
|------------------------------|---------------------------|-------------------------------|-----------------------------------|
| Compensation of Employees    | 2,076,400                 | 2,019,840                     | 56,560                            |
| Use of goods and Services    | 5,566,261                 | 2,184,642                     | 3,381,619                         |
| Committee Allowances         | 2,734,455                 | 3,549,767                     | (815,312)                         |
| Transfers to Other Entities. | 67,711,255                | 35,349,767                    | 32,361,322                        |
| Other Grants and Transfers   | 35,873,075                | 47,375,572                    | (11,502,497)                      |
| Social Security Benefits     | 21,600                    | 77,760                        | (56,160)                          |
| Acquisition of Assets        | 349,617                   | 349,617                       | --                                |
| <b>Total</b>                 | <b>114,332,663</b>        | <b>90,906,955</b>             | <b>23,425,698</b>                 |

#### Management Response

The Fund Account Manager informed the Committee that the statement of appropriation recurrent and development had a final budget of Ksh.114, 332, 663.00. Budget utilization was at 79% of Ksh.90, 906,955 resulting to underutilization of 21% due to late disbursement of funds from the NG-CDF Board which affected the implementation of projects as the first disbursement was received during the 2<sup>nd</sup> quarter of the financial year 2014/15. As at 30<sup>th</sup> June 2015, Ksh 2,000,000 was still due to be received from the NG-CDF Board.

#### Committee Observation

The Committee observed that the failure to implement projects was due to late disbursement of funds by the NG- CDF Board and the National Treasury.

#### Committee Recommendation

The Committee recommends that the National Treasury expedites the quarterly release of funds to the National Government Constituencies Development Fund Board for timely release to constituencies to finance the intended projects.

### 2. COMPENSATION OF EMPLOYEES

The Committee was informed that the Constituency Development Fund spent Ksh. 2,073,915 towards compensation of employees compared to Ksh.584, 200 in 2013/2014 resulting in an increase of Ksh. 1,489,715 or about 72%, the increase has not been justified.

## Management Response

The Fund Account Manager informed the Committee that during the FY: 2013/14, there were two (2) contractual employees in November 2014, where one resigned in December 2014, there was also one casual employee from November to February 2014. During the month of March 2015 four (4) more employees were recruited and the casual worker was adopted as a contract employee resulting to a total number of six (6) contract staff from March to June 2014.

The staff payroll for the FY: 2013/2014 was as follows:

| No     | Name             | Gross  | Nssf   | Months           | Net *Months               |
|--------|------------------|--------|--------|------------------|---------------------------|
|        | Joshua Ambayo    | 10,000 | 200    | November 2014    | $(10200-200)*1 = 9,800$   |
|        | Joseph Ogolla    | 20,000 | 200    | Nov.- Feb. 2014  | $(20000-200)*4 = 79,200$  |
|        |                  | 22,000 | 200    | March- June 2014 | $(22000-200)*4 = 87,200$  |
|        | Joseph Ng'ang'a  | 15,000 | Casual | Nov.- Feb. 2014  | $(15000*4) = 60,000$      |
|        |                  | 15,000 | 200    | March- June 2014 | $(15000-200)*4 = 59,200$  |
|        | Lilian Waweru    | 28,000 | 200    | March- June 2014 | $(28000-200)*4 = 111,200$ |
|        | Boniface Ndung'u | 18,000 | 200    | March- June 2014 | $(18000-200)*4 = 71,200$  |
|        | Samuel Mwirigi   | 15,000 | 200    | March- June 2014 | $(15000-200)*4 = 59,200$  |
|        | Zipporah Morah   | 12,000 | 200    | March- June 2014 | $(12000-200)*4 = 47,200$  |
| Totals |                  |        |        |                  | 584,200                   |

During the FY: 2014/15, the staff establishment increased in August 2014 to nine (9) employees through the recruitment of three additional employees. The staff payroll for the FY: 2014/2015 was as follows:

| No.    | NAME             | GROSS  | TOTAL= Gross*12 |
|--------|------------------|--------|-----------------|
|        | Joseph Ogolla    | 22,000 | 264,000         |
|        | Lilian Waweru    | 28,000 | 336,000         |
|        | Boniface Ndung'u | 18,000 | 216,000         |
|        | Samuel Mwirigi   | 15,000 | 180,000         |
|        | Joseph Ng'ang'a  | 15,000 | 180,000         |
|        | Zipporah Moraa   | 14,000 | 166,000         |
|        | Benson Kega      | 23,000 | 276,000         |
|        | Sophia Wangare   | 12,000 | 144,000         |
|        | James Mbugua     | 15,000 | 180,000         |
| Totals |                  |        | 1,942,000       |

## Committee Observation

The Committee observed that the Fund Account Manager has since provided the justifications and relevant documents for the increased spending on compensation of employees and the matter has since been resolved as confirmed by the Auditor-General.



### **Committee Recommendation**

**The Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### **3. CASH AND CASH EQUIVALENTS**

The Committee was informed that the statement of financial assets and liabilities reflects an amount of Ksh. 21,654,692 as at 30<sup>th</sup> June, 2015. However, as was reported in the previous year 2013/2014, the Fund did not provide any information on any funds that may have been inherited from the former Kasarani constituency. Consequently, the completeness of the cash and cash equivalents could not be ascertained.

### **Management Response**

The Fund Account Manager informed the Committee that Kasarani constituency was split from the larger Kasarani and there was no bank account or bank balances left to the new Kasarani constituency. The constituency opened a new CDF Account A/C No 1180261612372 Name: Kasarani Constituency Development Fund Bank: Equity Bank Limited Branch: Kasarani and the CDF Board allocated the constituency its first administrative disbursement of Ksh. 2,000,000 which was effected by the bank on 11<sup>th</sup> December 2013. The Constituency did not inherit any balances from the old Kasarani Constituency.

### **Committee Observation**

**The Committee observed that the Constituency did not avail supporting documents indicating that the constituency did not inherit any bank balances from the old Kasarani Constituency bank account at the time of audit. The matter has since been resolved as confirmed by the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that:**

- (i) The Fund Account Manager ensures strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012; and**
- (ii) The Fund Account Manager complies with the NG-CDF guidelines on opening of new bank accounts.**

### **4. SUBSTANDARD TOILET WORKS AT ATHI PRIMARY SCHOOL**

The Committee heard that the Constituency during the financial year allocated Ksh. 837,000 for the proposed construction of toilets at Athi Primary School in Ruai Ward, however, a visit to the site revealed that the works were substandard and not commensurate with the amount spent.

### **Management Response**

The Fund Account Manager informed the committee that Ksh 837,000 was budgeted for rehabilitation of eight (8) closet toilets and a urinal. The old pit latrines were to be renovated but six new 6-door pit latrines were constructed after deliberations with the school management committee. As at the time of audit the construction works were on going and the project has since been completed and successfully handed over for use.

### **Committee Observation**

**The Committee observed that the quality of the final project was the subject of the audit query.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures that relevant government departments are involved during project implementation in line with the provisions of Section 36(1) of the NG-CDF Act, 2015.**

## **5. INACCURACIES OF ACCOUNTS**

The Committee was informed that as reported in the previous year the Kasarani CDF was divided into additional other electoral areas of Roysambu, Ruaraka and Mathare following the general elections of 2013. Information and records availed show that no opening cash balances and assets were inherited and accounted for in the books of accounts from the original Kasarani Constituency. Consequently, the accuracy and propriety of the opening and closing bank balances of Kshs. 23,425,712 and Ksh. 21,654,691.93, respectively cannot be ascertained.

### **Management Response**

The Fund Account Manager informed the Committee that the Constituency opened a new CDF Account A/C No 1180261612372 Name: Kasarani Constituency Development Fund Bank: Equity Bank Limited Branch: Kasarani and the CDF Board allocated the constituency its first administrative disbursement of Ksh. 2,000,000 which was effected by the bank on 11<sup>th</sup> December 2013.

### **Committee Observation**

**The Committee observed that the Constituency did not inherit any balances from the old Kasarani Constituency and that the Fund Account Manager.**

### **Committee Recommendation**

- (i) The Fund Account Manager should ensure strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012: and**
- (ii) The Fund Account Manager complies with the NG-CDF guidelines on opening of new bank accounts.**

## 6. IMPLEMENTATION OF PROJECTS

### *Transfers to other government agencies*

The Committee was informed that the Constituency budgeted to spend Ksh. 67,711,255 on Transfers to Other Government Entities but only spent Ksh.49, 071,289 resulting in under expenditure of Ksh. 18,640,725 as shown:

| Project                            | Budgeted<br>Amount<br>Kshs. | Actual<br>Expenditure<br>Kshs | Under/Over<br>Expenditure |
|------------------------------------|-----------------------------|-------------------------------|---------------------------|
| Gituamba Primary School            | 3,000,000                   | 3,000,000                     | -                         |
| Athi Primary School                | 837,931                     | 837,000                       | 931                       |
| Manyatta Primary School            | -                           | 600,000                       | (600,000)                 |
| Clay City Secondary School         | 5,711,822                   | 11,551,530                    | (5,839,708)               |
| John Njoroge Secondary School      | 8,500,000                   | 8,500,000                     | -                         |
| Mwiki Secondary School             | 6,600,000                   | 6,600,000                     | -                         |
| Jehovah Jireh Secondary School     | 600,000                     | 600,000                       | -                         |
| Ruai Girls Secondary School        | 3,400,000                   | 3,400,000                     | -                         |
| Njiru Health Centre                | -                           | 1,500,000                     | (1,500,000)               |
| Kasarani Health Centre             | -                           | 4,482,000                     | (4,482,000)               |
| Mwiki Health Centre                | 8,500,000                   | 4,500,000                     | 4,000,000                 |
| Maili Saba Health Centre           | 5,000,000                   | 3,500,000                     | 1,500,000                 |
| Njiru Secondary School             | 5,200,000                   | -                             | 5,200,000                 |
| Mwengenye Youth Resource<br>Centre | 3,000,000                   | -                             | 3,000,000                 |
| Kamulu Polytechnic                 | 4,939,035                   | -                             | 4,939,035                 |
| <b>Total</b>                       | <b>67,711,255</b>           | <b>49,070,530</b>             | <b>18,640,725</b>         |

From the above explanation it is clear that no authority was sought from the CDF Board for the reallocation of expenditure.

### *Other Grants and Transfers*

The Committee was informed that the Constituency budgeted to spend Ksh.35, 873,075.05 on Other Grants and Transfers but only spent Ksh.31, 148,250 resulting to under expenditure of Ksh.4, 724,825. The programs approved for funding under this category and successfully implemented were-



| Project                       | Budgeted<br>Amount<br>Kshs | Actual<br>Expenditure<br>Kshs. | Under/Over<br>Expenditure<br>Kshs |
|-------------------------------|----------------------------|--------------------------------|-----------------------------------|
| Bursary Secondary Schools     | 10,650,000                 | 10,605,000                     | 45,000                            |
| Bursary Tertiary Institutions | 2,980,000                  | 2,980,000                      | -                                 |
| Water/Sanitation              | 4,600,000                  | 4,579,390                      | 20,610                            |
| Security                      | 3,400,000                  | 3,400,000                      | -                                 |
| Emergency Ruai Fire           | 1,589,000                  | 1,580,660                      | 8,340                             |
| Emergency Chokaa Road         | 2,400,000                  | 2,400,000                      | -                                 |
| Emergency Milimani Road       | 1,900,000                  | 1,900,000                      | -                                 |
| <b>Total</b>                  | <b>31,269,000</b>          | <b>31,148,250</b>              | <b>120,750</b>                    |

### ***Failure to Implement Projects***

The Committee was informed that as at the 30th June 2015 three projects with a budget of Kshs.11, 200,000 as detailed below had not been implemented:

| Project                            | Budgeted<br>Amount<br>Kshs | Actual<br>Expenditure<br>Kshs. | Under/Over<br>Expenditure<br>Kshs |
|------------------------------------|----------------------------|--------------------------------|-----------------------------------|
| Njiru Secondary School             | 5,200,000                  | -                              | 5,200,000                         |
| Mwengenyi Youth Resource<br>Centre | 3,000,000                  | -                              | 3,000,000                         |
| Kamulu Market Sheds                | 3,000,000                  | -                              | 3,000,000                         |
| <b>Total</b>                       | <b>11,200,000</b>          | <b>-</b>                       | <b>11,200,000</b>                 |

### **Management Response**

The Fund Account Manager informed the Committee as follows:

#### **(a) Njiru Secondary School**

The project had a total allocation of Ksh.5, 200,000, the delay in implementation was due to land ownership disputes and the project has since been implemented.

#### **(b) Mwengenyi Youth Resource Centre**

The project has since been implemented and handed over to the end users.

#### **(c) Kamulu Market Sheds**

This project was not approved by the Board during the FY: 2013/14 .The Kasarani CDFC resubmitted Gituamba–Dan bull Road (Grading and Gravelling of 1.2 km stretch) in place of the disapproved Kamulu Market sheds on 25<sup>th</sup> June 2015, REF: KSN/PRP/2014-2015/Vol.2 which was later approved by the Board and funds disbursed AIE NO 796239 on August 2015 and disbursed to the project on October 2015 when it was successfully completed.

### **Committee Observation**

**The Committee observed that the under expenditure was due to the delays in disbursement of funds from the board. The project was approved by the NG-CDF Board and relevant**

documents had been availed to the Auditor General for verification and the matter has been resolved as confirmed by the Auditor-General.

**Committee Recommendation**

**The Committee Recommends that:**

- (i) The Fund Account Manager ensures strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012: The Fund Account Manager ensures compliance to section 6(2) of the NG-CDF Act during implementation of projects; and**
- (ii) That the National Treasury expedites the quarterly release of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

## SUBMISSIONS FOR THE FINANCIAL YEAR 2015/2016

### 1. PRESENTATION OF FINANCIAL STATEMENTS

The Committee was informed that Pages 9 to 23 of the financial statements were missing. In addition, the statement of compliance and basis of preparation at page 25 of the financial statements indicate that all values are rounded off to the nearest shilling. However, the balances reflected in the financial statements have not been rounded off to the nearest shilling. The financial statements are, therefore, not consistent with the declared basis of their preparation and have not been properly identified and therefore do not conform to the format prescribed by the Public Sector Accounting Standard Board.

#### Management Response

The Fund Account Manager informed the Committee that with regard to the missing pages on the financial statements, the paging was corrected for flow purposes. It was noted that some values in the financial statements were rounded off while the others were not. This has been corrected for uniformity purposes.

#### Committee Observation

The Committee observed that the Fund Account Manager did not comply with IPSAS during preparation of financial statements.

#### Committee Recommendation

The Fund Account Manager complies with International Public Sector Accounting Standards framework on reporting and disclosure of financial information.

### 1. COMPARATIVE BALANCES

The Committee was informed that the following differences had been noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30 June 2016 and the balances shown in the audited financial statements for 2014/2015:

| Item                      | 2014/2015<br>Figures<br>Kshs. | Comparative | 2014/2015<br>Audited<br>Balance<br>Kshs. | Variance<br>Kshs. |
|---------------------------|-------------------------------|-------------|------------------------------------------|-------------------|
| Compensation<br>Employees | 2,094,915                     |             | 2,073,955                                | 20,960            |
| Use of goods              | 8,013,900                     |             | 6,283,900                                | 1,730,000         |
| Committee expenses        | -                             |             | 1,730,000                                | (1,730,000)       |
| Social Security benefi    | -                             |             | 21,000                                   | (21,000)          |

However, contrary to the requirements of paragraphs 1.4.19 and 1.5 of the IPSAS Cash Basis reporting framework, no disclosures had been made in the notes to the financial statements to indicate that comparative information relating to these specific items is restated. In addition, the nature of the error and the respective amounts of the corrections for the items had not been disclosed.



### **Management Response**

The Fund Account Manager informed the Committee that the inaccuracies were as a result of the new reporting format of the financial statement in 2015/2016. The template issued by the National Treasury on preparation of financial statements for financial year 2015/2016 was different from the one used in the preparation of financial statements for financial year 2014/2015. In the new template compensation of employees includes both the compensation of employees and social security benefits while the use of goods and services includes both the use of goods and services and the payment of committee expenses. We note the omission of an explanatory note in the financial statements. From the analysis below, the variances are balancing i.e. for the use of goods and services included both the goods and services and the payment of committee of expenses ( $6,382,900 + 1,730,000 = 8,013,900$ ) while the social security benefits was classified separately in the F/Y 2014/2015 while in the F/Y 2015/2016, the items were combined with compensation to employees ( $2,073,955 + 21,000 = 2,094,915$ ).

### **Committee Observation**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. and the matter had been resolved as confirmed by the Auditor-General.

### **Committee Recommendations**

The Committee recommends that:

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information; and
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for staff at the constituency.

## **2. STATEMENT OF CASH FLOW**

The Committee was informed that the statement of cash flow of the financial statements did not reflect operating receipts of Ksh.99, 260,554 for the year ended 30 June 2016. However, the net cash flow from operating activities balance of Kshs.6, 648,566 was net of the operating receipts balance.

### **Management Response**

The Fund Account Manager informed the Committee that according to the handing over report and the bank statement for New Kasarani Constituency, there were no funds inherited from the old Kasarani constituency.

### **Committee Observation**

The Committee observed that the Constituency did not inherit any balances from the old Kasarani Constituency. However, closing balances of the old Kasarani constituency prior to the split and all documents on resolutions touching on how the transfer of assets was done were not availed to the auditors for verification.

### **Committee Recommendation**

The Committee Recommends that:

- (i) The Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and section 68 of the Public Finance Management Act, No. 18 of 2012; and
- (ii) The NG-CDF Board provides a status report to the National Assembly on transfer of assets and liabilities amongst constituencies following delimitation of constituency boundaries that resulted in creation of the 290 constituencies.

## **3. OPENING ACCOUNT BALANCES**

The Committee was informed that as reported in the previous year, the Kasarani Constituency was divided into two additional other electoral areas of Roysambu and Ruaraka shortly before the general elections of 2013. Information and records available indicated that no opening cash balances and assets were inherited and accounted for in the books of account from the original Kasarani Constituency Development Fund. Consequently, the accuracy and propriety of the opening and closing bank balances of Ksh. 21,654,692 and Ksh. 24, 921,253 respectively could not be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that according to the handing over report and the bank statement for New Kasarani Constituency, there were no funds inherited from the old Kasarani Constituency.

### **Committee Observation**

The Committee observed that the Constituency did not inherit any balances from the old Kasarani Constituency. However, no documents were availed on resolutions touching on how the transfer of assets was done to the auditors for verification.

### **Committee Recommendation**

The Committee Recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and section 68 of the Public Finance Management Act, No. 18 of 2012; and

## **4. CASH AND CASH EQUIVALENTS**

The Committee was informed that the statement of assets reflects bank balance of Kshs.24, 921,253 as at 30 June 2016. A review of the bank reconciliation statement for June 2016 indicated that

unpresented cheques amounted to Ksh.4, 113,187 out of which cheques totalling Ksh.304, 760 and some dating back to 2014 were stale but had not been reversed in the cashbook as at 30 June 2016. In addition, the bank confirmation certificate in support of the bank balance has not been provided for audit verification. Consequently, the accuracy of the cash and cash equivalents balance of Ksh.24, 921,253 as at 30 June 2016 could not be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that Bank reconciliation and bank certificate was availed for verification.

#### **Committee Observation**

The Committee observed that the management has since reversed the stale cheques in the cash book and that the relevant documents had been availed to the Auditor General for verification. The matter has since been resolved as confirmed by the Auditor-General.

#### **Committee Recommendation**

The Committee recommends that:

- (i) The Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and section 68 of the Public Finance Management Act, No. 18 of 2012
- (ii) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and
- (iii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries.

### **5. OTHER GRANTS AND TRANSFERS**

The Committee was informed that as disclosed at Note 7 to the financial statements, other grants and transfers balance of Ksh.35,310,545 includes bursaries to secondary schools and tertiary institutions of Ksh.10,548,000 and Kshs.3,520,000 respectively. However, bursary cheques totalling Ksh.857, 500 had not been presented to the intended beneficiaries as at 30 June 2016. No explanation has been provided for failure to disburse the amount to the respective beneficiaries.

#### **Management Response**

The Fund Account Manager informed the Committee that unpresented cheques worth Ksh.857, 500 had been issued to the beneficiaries and respective institutions for presentation. However, by the time of audit, the cheques had not been presented but were still valid. The cheques were later presented in the subsequent months. Bank reconciliations for the subsequent months were presented.

#### **Committee Observation**

The Committee observed that bursary cheques which had not been issued had not been cleared at the time of audit and the Fund Account Manager had availed the relevant



supporting documents to the Auditor-General for verification. The matter has since been resolved as confirmed by the Auditor-General.

### **Committee Recommendation**

**The Committee Recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (ii) The National Government Constituencies Development Fund Board should fast-track the adoption of electronic funds transfer in disbursement of bursaries; and
- (iii) The Fund Account Managers should ensure that beneficiary institutions issue acknowledgement document upon receipt of the bursaries.

## **6. BUDGET AND BUDGETARY CONTROLS**

The Committee was informed that during the year under review, Kasarani Constituency Fund incurred expenditure totalling Ksh.95,993,992 against an approved budget of Ksh.119,851,246 or approximately 80% of the budget resulting in under expenditure of Ksh.23,857,254 as shown below:

| <b>Item</b>                      | <b>Budgeted Amount<br/>Kshs.</b> | <b>Actual Expenditure<br/>Kshs.</b> | <b>Under/Over<br/>Expenditure Kshs.</b> |
|----------------------------------|----------------------------------|-------------------------------------|-----------------------------------------|
| Compensation<br>Employees        | 2,271,085                        | 2,268,003                           | 3,082                                   |
| Use of Goods and Services        | 6,240,712                        | 6,569,314                           | (328,602)                               |
| Transfers to<br>Government Units | 62,864,966                       | 48,464,125                          | 14,400,841                              |
| Other Grants and Transfers       | 44,538,689                       | 35,310,545                          | 9,228,144                               |
| Acquisition of Assets            | 3,935,793                        | 3,382,005                           | 553,788                                 |
| <b>Total</b>                     | <b>119,851,245</b>               | <b>95,993,992</b>                   | <b>23,857,254</b>                       |

The under-expenditure is an indication of funds not utilized fully and approved programs not implemented. The budget did not, therefore, fully meet the intended objectives of improving delivery of services to the residents of Kasarani Constituency.

### **Management Response**

The Fund Account Manager informed the Committee that the under expenditure was occasioned by the fact that on February 2016, the NG-CDF Board was tasked by the ruling of the high court to reconstitute new NG-CDFC across the country. The NG-CDF Board had been given 12 months to justify their existence or be declared null and void. Within that period, NG-CDFC was supposed to be reconstituted within the new guideline. The process delayed and so project implementation. However,

after constitution of new committees was done, the constituency fast tracked the progress and the said projects were implemented.

#### **Committee Observation**

The Committee observed that the court ruling directing reconstitution of NG-CDF Committees delayed implementation of projects. The projects were however implemented after the new NG-Constituency Development Committees were formed and the matter has since been resolved as confirmed with the Auditor-General.

#### **The Committee Recommendation**

The Committee recommends that the National Treasury expedites quarterly release of funds to the National Government Constituencies Development Fund Board for timely release to constituencies to finance the intended projects.

### **7. PROJECT IMPLEMENTATION**

#### ***Non implementation of Projects***

The Committee was informed that as at the 30<sup>th</sup> June, 2016, projects with a total budget of Ksh.21,335,793 as detailed below had not been implemented.

| <b>Project</b>           | <b>Budgeted Amount Ksh.</b> | <b>Actual Expenditure Ksh.</b> | <b>Over/Under Ksh.</b> |
|--------------------------|-----------------------------|--------------------------------|------------------------|
| Purchase of equipments   | 935,793                     | -                              | 935,793                |
| Drumvale Primary School  | 1,839,035                   | -                              | 1,839,035              |
| Njiru Secondary School   | 7,500,000                   | -                              | 7,500,000              |
| Kamulu Polytechnic       | 5,060,965                   | -                              | 5,060,965              |
| Kamunyonge AP Camp       | 3,000,000                   | -                              | 3,000,000              |
| Mwengeny Resource Centre | 3,000,000                   | -                              | 3,000,000              |
| <b>Total</b>             | <b>21,335,793</b>           | <b>-</b>                       | <b>21,335,793</b>      |

Consequently, the constituents of Kasarani did not obtain the intended services from the six projects that were not implemented during the year.

#### **Management Response**

The Fund Account Manager informed the Committee that according to the auditor's report, there was under expenditure of Ksh. 21,335,793 as at 30<sup>th</sup> June 2016. The under expenditure was as a result high court ruling which indicated that the NG-CDF Board had up to February 2016 to justify their existence. From February 2016, the NG-CDFC was to be reconstituted within the new regulation. This caused delay in project implementation until June 2016 since the process was long. The office resumed on July 2016, which marked the subsequent financial year.

### **Committee Observation**

The Committee observed that the under-expenditure was due to high court ruling which indicated that the CDF Committees had up to February 2016 to be reconstituted and align with the new NG-CDF Act, 2015.

The Committee agreed with the ruling of the Court that the National Government Development Fund Committees had to be reconstituted to align with the National Government Development Fund Act, 2015 and the National Government Constituencies Development Fund Regulations, 2016.

### **8. ENVIRONMENTAL IMPACT ASSESSMENT (AIE) ON NJIRU SECONDARY SCHOOL**

The Committee was informed that during the year under review, the Fund allocated Ksh.7, 500,000 towards construction of Njiru Secondary School. It was, however, noted that the school is located about 100 metres from the Njiru sewer outfall and just 200 metres from the Njiru quarry. Construction of phase one of the classrooms was about 60 % by the time of audit. Management did not however present for audit review environmental impact assessment report of the project given its location next to the two facilities. In the absence of the environmental impact assessment report, it is not possible to confirm the extent to which the school will be impacted by the two facilities.

### **Committee Observations**

The Committee observed that Management of Njiru Secondary School did not undertake environmental impact assessment, hence it is not possible to confirm the extent to which the school will be impacted by the sewer and the quarry.

### **Committee Recommendations**

The Committee recommends that the Board of Njiru Secondary School undertakes an Environmental Impact Assessment (EIA) of the Njiru Secondary School in consultation with the National Environment Management Authority (NEMA) and advice the Cabinet Secretary in-charge of education matters on the viability of the school.



### **3.10. KIBRA CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KIBRA NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Jimnah Macharia, Fund Account Manager, appeared before the Committee accompanied by Mr. Aziz Juma, former Fund Account Manager, Kibra Constituency on 22<sup>nd</sup> March, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. ACCURACY OF THE FINANCIAL STATEMENTS**

The Committee was informed that the statement of receipts and payments reflected payments totalling Ksh.29, 047,004. However, these financial statements were not prepared from primary books of account like the cash book, the ledgers or trial balance. Further, included in the total expenditure figure of Kshs.29, 047,004 is Ksh.5, 866,400 which was neither analysed nor supported with documentary evidence. Consequently, the accuracy and validity of the expenditure could not be ascertained.

##### **Management Response**

The Fund Account Manager informed the Committee that the statement of receipt and payments, reflected payments totalling Kshs 29,047,004. The statement was prepared from the primary books as it is good practice. The cash book extracts, ledgers and trial balance were provided for verification.

It is also true that in Ksh 20,047,004 expenditure, Kshs 5,866,400 had not been analysed. This expenditure was incurred for purchase of a constituency vehicle for Kshs 4,500,000 and Ksh 1,366,400 for Paying CDFC Allowances, Bursary Expenses, Office Expenses and Monitoring and Evaluation Expenses as analysed below.

The copy of the minutes, payment voucher and log book for the purchase of the vehicle and imprest surrender documents were availed.

| PAYEE          | AMOUNT              | ANALYSIS                                               |
|----------------|---------------------|--------------------------------------------------------|
| D.T Dobbie     | 2,250,000.00        | Acquisition of Asset                                   |
| D.T Dobbie     | 2,250,000.00        | Acquisition of Asset                                   |
| Chrispin Ngugi | 867,400.00          | Use of Goods & Services & Committee meeting allowances |
| Peter Mukhaji  | 199,000.00          | Committee meeting allowances                           |
| Peter Mukhaji  | 100,000.00          | Use of Goods & Services                                |
| Peter Mukhaji  | 100,000.00          | Use of Goods & Services                                |
| Peter Mukhaji  | 100,000.00          | Use of Goods & Services                                |
| <b>TOTAL</b>   | <b>5,866,400.00</b> |                                                        |

#### **Committee Observation**

The Committee observed that the Fund Account Manager had not availed the relevant documents at the time of the audit. The matter has been resolved as confirmed by the Auditor- General.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## **2. CASH AND CASH EQUIVALENTS**

The Committee was informed that the statement of financial assets and liabilities reflect an amount of Ksh.4, 944,766 under cash and cash equivalents which agree to the surplus for the year. However, the Fund did not provide any information on funds that may have been inherited from the former Lan'gata Constituency. Consequently, the completeness of the cash and cash equivalents cannot be ascertained

#### **Management Response**

The Fund Account Manager informed the Committee that as per the Auditor-General report, the closing balance for Kibra CDF as at 30<sup>th</sup> June 2014 was Ksh 4,944,766. These being a new constituency by then, no funds were inherited from former Lang'ata Constituency. The Constituency therefore, confirms that cash equivalents of Ksh 4,944,766 were the unspent balance at the end of the financial year 2013/14.

#### **Committee Observation**

The Committee observed that it was not possible to confirm whether funds were inherited from the former Lang'ata Constituency since supporting documentary as evidence were not availed for verification to the Auditor-General.

**Committee Recommendation**

The Committee recommends that the National Government Constituencies Development Fund Board provides a status report to the National Assembly on transfer of assets and liabilities following the creation of Kibra Constituency from the larger Lang'ata Constituency.



## FINANCIAL YEAR 2014/15

### 1. BUDGET AND BUDGETARY CONTROLS

The Committee was informed that the summary statement of appropriation for recurrent and development combined reflect a total budget of Ksh.119,213,163.40, which differs with the budget proposal document approved budget of Ksh.96,876,627 by a variance of Ksh.22,336,536 as detailed below-

| Item                       | Budget As Per Summary Statement Kshs. | Budget As Per Returns To CDF Kshs. | Variance Kshs |
|----------------------------|---------------------------------------|------------------------------------|---------------|
| Compensation Of Employees  | 2,136,120                             | 1,598,520                          | 537,600       |
| Use Of Goods And Services  | 3,234,062                             | 4,089,177                          | (855,115)     |
| Committee Allowances       | 4,676,888                             | 2,750,000                          | 1,926,888     |
| Transfers To Other Govt    | 48,373,826                            | 32,163,250                         | 16,210,576    |
| Other Grants And Transfers | 60,250,272                            | 55,494,481                         | 4,755,791     |
| Social Security Benefits   | 42,000                                | 31,200                             | 10,800        |
| Other Payments             | 500,000                               | 750,000                            | (250,000)     |
| Total                      | 119,213,168                           | 96,876,628                         | 22,336,540    |

The figures presented in the summary statement of appropriation are therefore incorrect.

#### Management Response

The Fund Account Manager informed the Committee that that the statements reflected a variance of Ksh 22,336,540.00 between the summary statement of appropriation for recurrent and development combined and the budget proposal document approved budget. There was also an error in posting of the figures in the originally submitted financial statements. The statements were subsequently corrected and the correct figures as below.

| Item                       | Budget as Per Summary Statement Kshs. | Budget As Per Returns To NG-CDF Kshs. | Variance Kshs        |
|----------------------------|---------------------------------------|---------------------------------------|----------------------|
| Compensation Of Employees  | 2,136,120.00                          | 1,617,720.00                          | 518,400.00           |
| Use Of Goods And Services  | 3,234,062.00                          | 2,932,877.62                          | 301,184.38           |
| Committee Allowances       | 4,676,888.00                          | 4,156,298.81                          | 520,589.19           |
| Transfers To Other Govt    | 55,373,825.74                         | 37,163,249.74                         | 18,210,576.00        |
| Other Grants And Transfers | 69,740,267.66                         | 50,494,480.83                         | 19,245,786.83        |
| Social Security Benefits   | 42,000.00                             | 12,000.00                             | 30,000.00            |
| Other Payments             | 500,000.00                            | 500,000.00                            |                      |
| <b>Total</b>               | <b>135,703,163.40</b>                 | <b>96,876,627.00</b>                  | <b>38,826,536.40</b> |

The variance of Ksh 38,826,536.40 was the sum of the Fund balance brought forward from the previous year of Ksh 4,889,765.90 and amounts due from the Board Ksh 38,826,536.40 analysed as follows-

| <b>PARTICULARS</b>                                        | <b>AMOUNT</b>        |
|-----------------------------------------------------------|----------------------|
| Budget (2013/14 Proposal)                                 | 67,873,541.00        |
| Receipts from Board                                       | 33,936,770.50        |
| <b>Outstanding balance as at 30/10/2014</b>               | <b>33,936,770.50</b> |
| Receipts from Board                                       | 33,936,770.50        |
| Expenditure for the year                                  | 29,047,004.60        |
| <b>Unspent funds received from Board as at 30/06/2014</b> | <b>4,889,765.90</b>  |
| Unspent funds received from Board as at 30/06/2014        | 4,889,765.90         |
| Balance due from the Board                                | 33,936,770.50        |
| <b>Adjustments Balance for the F/Y 2015/16</b>            | <b>38,826,536.40</b> |

The statement of Assets and Liabilities and the revised summary of appropriation was subsequently availed for audit review. The error did not affect other statements.

#### **Committee Observation**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Managers complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.

### **1. STATEMENT OF APPROPRIATION**

The Committee was informed that Recurrent and Development combined did not reflect the revenue budget of Ksh.88,114,550. The fund had an opening cash balance of Ksh.4,944,766 and transfers from the CDF Board amounting to Ksh.82,375,084 and miscellaneous receipts of Ksh.794,700, hence total funds available for the year of kshs.88,114,550 of which the fund only utilized kshs.61,205,755 or about 69.4 as shown in the table below:-

| Item                       | Budget<br>Amount Kshs. | Actual Expenditure<br>Kshs | Under Expenditure<br>Kshs |
|----------------------------|------------------------|----------------------------|---------------------------|
| Compensation Of Employees  | 2,136,120              | 1,630,144.80               | 505,975.00                |
| Use Of Goods And Services  | 3,234,062.12           | 1,618,000                  | 1,616,062.12              |
| Committee Allowances       | 4,676,888.31           | 3,455,700                  | 1,221,183.31              |
| Transfers To Other Govt    | 48,373,825.74          | 69,053.24                  | 24,104,772.50             |
| Other Grants And Transfers | 60,250,271.83          | 30,208,857.00              | 30,041,414.83             |
| Social Security Benefits   | 42,000.00              | 24,000.00                  | 18,000.00                 |
| Other Payments             | 500,000.00             | -                          | 500,000.00                |



|              |                       |                      |                      |
|--------------|-----------------------|----------------------|----------------------|
| <b>Total</b> | <b>119,213,163.40</b> | <b>61,205,755.04</b> | <b>58,007,408.36</b> |
|--------------|-----------------------|----------------------|----------------------|

No justification was given by the CDF Board for the failure to finance the projects to the tune of available funds.

### **Management Response**

The Fund Account Manager informed the Committee that Kibra CDF received the funds almost to the end of the financial year. This is the reason why the funds had not been released to the project but has been released and all projects implemented.

### **Committee Observation**

The Committee observed that the under-expenditure was due to the delay in disbursement of funds by the NG-CDF Board. The projects were however implemented after the new Constituency Committees were formed. The matter has since been resolved as confirmed by the Auditor- General.

### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## **2. FAILURE TO IMPLEMENT PROJECTS**

The Committee was informed that as at the 30<sup>th</sup> June 2015 sixteen projects detailed below worth Ksh.49, 482,759 had not been implemented although they were budgeted for

| <b>Project</b>                            | <b>Budget Amount<br/>Kshs</b> | <b>Actual<br/>Expenditure Kshs</b> | <b>Under/Over<br/>Expenditure Kshs</b> |
|-------------------------------------------|-------------------------------|------------------------------------|----------------------------------------|
| Mbagathi Hospital                         | 4,482,759                     | -                                  | 4,482,759                              |
| Kibera Health Centre                      | 5,000,000                     | -                                  | 5,000,000                              |
| Joseph Kangethe Pr.School                 | 3,000,000                     | -                                  | 3,000,000                              |
| Desks To Primary School                   | 1,500,000                     | -                                  | 1,500,000                              |
| Computers To Primary<br>Schools           | 5,000,000                     | -                                  | 5,000,000                              |
| Printers /Projectors To<br>Primary School | 1,000,000                     | -                                  | 1,000,000                              |
| Mbagathi Secondary School                 | 5,000,000                     | -                                  | 5,000,000                              |
| Desks To Secondary Schools                | 1,500,000                     | -                                  | 1,500,000                              |
| Computers To Secondary<br>School          | 5,000,000                     | -                                  | 5,000,000                              |
| Printers/Projector To<br>Secondary School | 1,000,000                     | -                                  | 1,000,000                              |
| Security-Lindi Police Post                | 2,000,000                     | -                                  | 2,000,000                              |



|                                |                   |   |                   |
|--------------------------------|-------------------|---|-------------------|
| Security-Shimo La Tewa Station | 2,000,000         | - | 2,000,000         |
| Security-Lighting              | 5,000,000         | - | 5,000,000         |
| Laini Saba Water Project       | 3,000,000         | - | 3,000,000         |
| Lindi- Mashimoni Bridge        | 2,000,000         | - | 2,000,000         |
| Market Sheds                   | 3,000,000         | - | 3,000,000         |
| <b>Total</b>                   | <b>49,482,759</b> | - | <b>49,482,759</b> |

No justification was given for the failure to implement the projects to the extent of the funding despite the CDF closing with a surplus of Ksh.26, 963,795 implying that the funds were available to implement at least 54% of the projects. This has resulted in the denying constituents of the benefits have been derived from implementation of the above projects.

### Management Response

The Fund Account Manager informed the Committee that the Kibra CDF had surplus funds in the account amounting to Ksh 26,963,795 which had not been paid since most of the projects were on the procurement stage having received the funds late. The project status was as per the schedule below-

| PROJECT NAME                                 | AMOUNT               | STATUS                                                                                            |
|----------------------------------------------|----------------------|---------------------------------------------------------------------------------------------------|
| Mbagathi Hospital                            | 4,482,759.00         | Re-allocated to Raila Education Centre Secondary school.                                          |
| Kibera Health Centre                         | 5,000,000.00         | Re-allocated to Raila Education Centre Secondary School.                                          |
| Joseph Kangethe Primary School               | 3,000,000.00         | Complete and Handed Over                                                                          |
| Desks to primary schools                     | 1,500,000.00         | Complete and Handed Over                                                                          |
| Computers to Primary Schools                 | 5,000,000.00         | Complete and Handed Over                                                                          |
| Printers and Projectors to Primary Schools   | 1,000,000.00         | Complete and Handed Over                                                                          |
| Mbagathi Secondary Schools                   | 5,000,000.00         | Complete and Handed Over                                                                          |
| Desks to Secondary Schools                   | 1,500,000.00         | Complete and Handed Over                                                                          |
| Computers to Secondary Schools               | 5,000,000.00         | Complete and Handed Over                                                                          |
| Printers and projectors to Secondary Schools | 1,000,000.00         | Complete and Handed Over                                                                          |
| Lindi Police Post                            | 2,000,000.00         | Project Implementation is on hold due to land issues.                                             |
| Shimo la tewa police post                    | 2,000,000.00         | Re-allocated to Joseph Kang'ethe primary School for rehabilitation of the school.                 |
| Security Lighting                            | 5,000,000.00         | Re-allocated to Raila Education Centre Secondary School.                                          |
| Laini Saba Water Project                     | 3,000,000.00         | Re-allocated to chief's office construction.                                                      |
| Lindi Mashimoni Bridge                       | 2,000,000.00         | Re-allocated to Joseph Kang'ethe primary School for rehabilitation of the school.                 |
| Market Shades                                | 3,000,000.00         | Re-allocated to Kibera primary school completion and renovation of works in 4 storied classrooms. |
| <b>TOTAL</b>                                 | <b>49,482,759.00</b> |                                                                                                   |

### **Committee Observation**

The Committee observed that the delay in project implementation was occasioned by late disbursement of funds by the National Treasury.

### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

## **3. CASH AND CASH EQUIVALENTS**

The Committee was informed that the statement of financial assets and liabilities reflects a bank balance of Kshs.26, 908,795 as at 30<sup>th</sup> June, 2015. However, as was reported in the previous year 2013/2014, the Fund did not provide any information on any funds that may have been inherited from the former Lang'ata Constituency. Consequently, the completeness of the cash and cash equivalents could not be ascertained.

### **Management Response**

The Fund Account Manager informed the Committee that this being a new constituency by then, no funds was inherited from former Lang'ata Constituency. Therefore, completeness of the cash and cash equivalents are ascertained.

### **Committee Observation**

The Committee observed that it was not possible to confirm whether funds were inherited from the former Lang'ata Constituency since supporting documentary evidence were not availed for verification.

### **Committee Recommendation**

The Committee recommends that the NG-CDF Board provides a status report to the National Assembly on transfer of assets and liabilities following the creation of Kibra Constituency from the larger Lang'ata Constituency.

## **4. INACCURACIES OF THE FINANCIAL STATEMENTS**

The Committee was informed that as reported in the previous year, the financial statements for the year ended 30 June 2014 had not been prepared from primary books of account including the cash book, ledgers and trial balance. Further, the expenditure totalling Kshs.5, 866,400 had not been supported with analysis and documentation. Consequently, the accuracy and validity of the Funds opening balance should not be confirmed.



### **Management Response**

The Committee was informed that as per the response to the last year Auditor General's report, the Constituency has proved that the financial statement has been prepared from the primary books of account.

Further the expenditure amounting to Ksh 5,866,400 in the previous year have also been sorted as per the response as follows: This expenditure was incurred for purchase of a constituency vehicle for Ksh 4,500,000 and Ksh 1,366,400 for Paying CDFC Allowances, Bursary Expenses, office expenses and monitoring Expenses as analysed below. The copy of the minutes, payment voucher and log book for the purchase of the vehicle and imprest surrender documents were availed.

| <b>PAYEE</b>   | <b>AMOUNT</b>       | <b>ANALYSIS</b>                                        |
|----------------|---------------------|--------------------------------------------------------|
| D.T Dobbie     | 2,250,000.00        | Acquisition of Asset                                   |
| D.T Dobbie     | 2,250,000.00        | Acquisition of Asset                                   |
| Chrispin Ngugi | 867,400.00          | Use of Goods & Services & Committee meeting allowances |
| Peter Mukhaji  | 199,000.00          | Committee meeting allowances                           |
| Peter Mukhaji  | 100,000.00          | Use of Goods & Services                                |
| Peter Mukhaji  | 100,000.00          | Use of Goods & Services                                |
| Peter Mukhaji  | 100,000.00          | Use of Goods & Services                                |
| <b>TOTAL</b>   | <b>5,866,400.00</b> |                                                        |

### **Committee Observation**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General

### **Committee Recommendation**

The Committee recommends that the Fund Account Managers complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.

## **5. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The Committee was informed that the fund allocated Kshs.22, 613,100 to bursaries during the year. However, out of this, cheques amounting Kshs.2, 612,902 with some relating to March 2014 had not been presented as at June 30 2015. At the same time, cheques totalling Ksh.1,037,000 meant for bursaries were cancelled and new cheques were issued to other beneficiaries without any supporting documents or approval. In the absence of proper explanations and supporting documentation, the accuracy and validity of Ksh. 22, 613,100 relating to expenditure of bursaries could not be confirmed.



### **Management Response**

The Fund Account Manager informed the Committee that the fund allocated Ksh.22, 613,100 to bursaries during the year out of which cheques amounting Ksh.2, 612,902 with some relating to March 2014 had not been presented as at June 30 2015. The unrepresented bursary cheques amounting to Ksh 2,262,902 had been written on 5<sup>th</sup> March, 2015 as amounting to Ksh 15,897,000 which was disbursed to the beneficiaries in the month of April during the holidays. The un-presented cheques extract and bank statement was availed. Additionally, cheques totalling Ksh.1, 037,000 meant for bursaries were cancelled and new cheques were issued to other beneficiaries upon committee authority.

### **Committee Observation**

**The Committee observed that there were no proper mechanisms in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time.**

### **Committee Recommendation**

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and**
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries.**

## **6. NUGATORY EXPENDITURE**

The Committee was informed that a consultant was contracted on 8<sup>th</sup> May 2014 to assist in the development of a strategic plan for the remainder of the electoral period for the constituency at a contract sum of Ksh. 720,000 of which the strategy document was to be ready within sixty (60) days. The document had however not been provided to the constituency as at the conclusion of the audit. It would therefore appear that the expenditure of Ksh.720,000 is nugatory expenditure

### **Management Response**

The Fund Account Manager informed the Committee that a consultant was contracted on 8 May 2014 to assist in the development of a strategic plan for the constituency at a contract sum Ksh 720,000. The Strategic plan was duly finalised and the consultant paid Ksh 720,000.

### **Committee Observation**

**The Committee observed that the strategic plan was subsequently availed to the Auditor-General for verification. The matter has since been resolved as confirmed by the Auditor-General.**

### **Committee Recommendation**

The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## FINANCIAL YEAR 2015/2016

### 1. UNEXPLAINED COMPARATIVE FIGURES

The Committee was informed that the following differences had been noted between comparative figures (2014/2015) reflected in the financial statements for the year that ended 30 June 2016 and the balances shown in the audited financial statements for 2014/2015:

|                           | 2014/2015<br>Comparative Figures<br>Kshs | 2014/2015 Audited<br>Balances Kshs | Variance Kshs. |
|---------------------------|------------------------------------------|------------------------------------|----------------|
| Compensation of Employees | 1,654,144                                | 1,630,144                          | 24,000         |
| Use of Goods              | 5,073,700                                | 1,618,000                          | 3,455,700      |
| Committee Allowances      | -                                        | 3,455,700                          | (3,455,700)    |
| Social Security Benefits  | -                                        | 24,000                             | (24,000)       |

However, no explanation has been provided for these differences. In addition, the nature of the errors and respective amounts of the corrections in these comparative figures has not been disclosed in the notes to the financial statements.

#### **Management Response**

The Fund Account Manager informed the Committee that there are unexplained differences between the audited figures and the comparative figures for the financial year 2014-15. They arose because the Social Security Benefits is part of the Compensation of employees which has been combined to one expenditure category in the reporting format issued by the National Treasury for the financial year 2015/16. The Committee Allowances were also collapsed in to use of goods thus the complementary difference of Ksh 24,000 and 3,455,700 respectively.

#### **Committee Observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting and the matter has since been resolved as confirmed with the Auditor-General.**

#### **Committee Recommendations**

**The Committee recommends that the Fund Account Managers complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.**



## 2. BANK BALANCE

The Committee was informed that the statement of assets reflected bank balance of Ksh.46, 774,476.35 as at June 30 2016. A review of the bank reconciliation statement for June 2016 however revealed unpresented cheques totalling to Ksh.8, 154,737.50 out of which cheques totalling o Ksh.3, 274,006.95 were stale but had not been reversed in the cashbook as at 30<sup>th</sup> June 2016. Consequently, the accuracy and completeness of bank balance of Ksh.46, 774,476.35 as at 30<sup>th</sup> June cannot be confirmed.

### Management Response

The Fund Account Manager informed the Committee that there were un-presented cheques amounting to Ksh 8,154,737.50 by the time of audit. This was due to the un-presented bursary cheques which were issued during the April holiday and the beneficiaries had not presented them in the schools. A copy of the payment voucher and minutes were availed. As revealed in the report, among them, there are Ksh 3,274,006.95 cheques that were stale and which had been reversed in the cash book.

### Committee Observation

The Committee observed that there were no proper mechanisms in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time.

### Committee Recommendation

The Committee recommends that:

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries.

## 3. BUDGET AND BUDGETARY PERFORMANCE

During the year under review, Kibra Constituency Fund incurred expenditure totalling Ksh.130,644,629 against an approved budget of Ksh,180,340,081 resulting in under expenditure of Ksh.49,695,542 as shown below

| Item                               | Budgeted Amount | Actual Expenditure | Utilization Difference |
|------------------------------------|-----------------|--------------------|------------------------|
|                                    | Kshs.           | Kshs.              | Kshs.                  |
| Compensation of Employees          | 4,884,356       | 2,557,127          | 2,327,229              |
| Use of Goods and Services          | 10,614,880      | 5,993,500          | 4,621,381              |
| Transfer to Other Government Units | 100,000,000     | 77,206,548         | 22,793,452             |
| Other Grants and                   | 64,840,844      | 44,887,454         | 19,953,390             |

|           |             |             |            |
|-----------|-------------|-------------|------------|
| Transfers |             |             |            |
| Totals    | 180,340,081 | 130,644,629 | 49,695,452 |

The under-expenditure is an indication of funds not utilized fully and approved programs not implemented. The budget did not; therefore, fully meet the intended objectives of improving delivery of services to the residents of Kibra Constituency.

### **Management Response**

The Fund Account Manager informed the Committee that during the year under review, the budgeted amount was Ksh 180,340,081 while the actual expenditure was Ksh 130,644,629. This interprets that there was utilization difference of Ksh 49,695,452. This arose due to the fact that there was a change from CDF Act of 2013 to NG-CDF Act of 2015. During the transition period, Kibra NG-CDF Committee did not exist hence leading delay of implementation of the project. In addition, funds were received on 29<sup>th</sup> June, 2016 and the projects have now been implemented as per the photos attached below.

### **Committee Observation**

**The Committee observed that the delay in project implementation was occasioned by late disbursement of funds by the NG- CDF Board and the National Treasury. The Committee further observed that the transition from the CDF Act of 2013 to NG-CDF Act of 2015 also occasioned some delays in implementation of projects.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

## **4. BURSARIES TO STUDENTS**

The Committee heard that other grants and transfers balance of Ksh.44, 887,453.95 includes bursary to secondary schools and tertiary institutions of Ksh.28, 228,016. However, bursary cheques totalling to Ksh.5, 242,998 had not been presented to the intended beneficiaries as at 30<sup>th</sup> June, 2016.No explanation has been provided for failure to present these cheques to the beneficiaries.

### **Management Response**

The Fund Account Manager informed the Committee that at the time of audit, there were bursary cheques amounting to Ksh 5,242,998 that had been presented to the intended beneficiaries and brought back for correction. They were subsequently disbursed again to the beneficiaries after correction.

### **Committee Observations**

The Committee observed that there were errors made while capturing beneficiaries details in the cheques hence the delay in presentation to the beneficiary institutions. The matter has since been resolved as confirmed by the Auditor-General.

**Committee Recommendation s**

The Committee recommends that:

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries.



### **3.11. LANG'ATA CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LANG'ATA NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Ms. Phyliss Chibayi, the current Fund Account Manager, accompanied by Mr. Benjamin Mayenga, former Fund Account Manager appeared before the Committee on 17<sup>th</sup> April, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. CASH AND CASH EQUIVALENTS**

The Committee was informed that the statement of receipts and payments reflects an amount of Kshs.29, 250,597 under cash and cash equivalents which agrees to the statement of receipts surplus figure of Ksh.29, 250,597 however the following have been observed:-

- (i) The bank reconciliation statement reflects stale cheques amounting to Ksh.10, 826,708 some of which relate to 2011/2012.
- (ii) The reconciliation statement shows further receipts in the bank statement amounting to Kshs.5,025,483 which their source have not been established
- (iii) In addition the bank reconciliation statement reflects payments amounting to Kshs.26, 006,800.57 in the bank statement not recorded in the cashbook. Included in the payments is an unauthorized payment totaling to Ksh.21, 439,997 paid to construction companies each paid of Ksh.11, 927,400, Ksh.8, 590,923 and Ksh.921, 674 respectively. Further an amount of Kshs.4, 566,803.57 did not have the payee details and the purpose for which the amount was paid could not be confirmed.

Consequently, the cashbook does not appear to be updated regularly and therefore the cash and cash equivalent figure disclosed in the financial statement may be misstated.

##### **Management Response**

The Fund Account Manager informed the Committee that that during the year 2012, there was a fraud case that involved the Fund and Co-operative bank which lead to the opening of a bank account with Equity Bank. The stale cheques were ordinarily supposed to be reversed in the cashbook, but this was not done at that time because the cashbook and bank reconciliations could not be traced in the office.

The fund no longer operates the Co-operative bank account since there is an ongoing court case against the bank. The current status is that reconciliation statements are up to date.

The fund has been contacting the Bank (Co-operative Bank) for statements but has been unable to have a Management Response on this. What is reconciling as receipts in the bank statement is overs, reversals, AIEs, overcast which essentially should not be a reconciling item. Without the

bank statement, it has not been possible to tell the composition of the receipts. The receipts on the reconciliation statement as at 30<sup>th</sup> June in bank statements not in cash book of Ksh 5,025,483.64 are as shown below-

| Receipts in Bank Statement not in Cash book |              |
|---------------------------------------------|--------------|
| CHQ DEPOSIT                                 | 350,000.00   |
| AIE OVERCASTED                              | 727,169.00   |
| BANK STATEMENT OVER                         | 1,275,500.00 |
| BANK CHARGES NOV                            | 501.00       |
| CHQ DEPOSIT MAY                             | 5,000.00     |
| CHQ DEPOSIT                                 | 435,317.80   |
| REVERSED CHQ                                | 1,500,000.00 |
| CHEQUE DEPOSIT                              | 702,435.00   |
| REVERSED CHQ                                | 29,560.84    |
| Total                                       | 5,025,483.64 |

The payments could not be confirmed as payable to Langata CDF operations.

The Committee was further informed that Langata CDF filed a case on the issue. The last mention of this case was on 17<sup>th</sup> November, 2017 and the next hearing will be on 11<sup>th</sup> May 2018. Measures have been taken to curb and prevent such cases in future.

Besides verified copies of bank statements that the bank gives monthly, the bank also sends soft copies of bank statements so that the two can be verified. Efforts have been made to ensure that for every payment to go through, it must be accompanied by a cheque confirmation schedule signed by the mandatory signatories. The Constituency has since ensured that the cashbook is always updated upon every transaction regarding the CDF account.

### **Committee Observation**

**The Committee observed that money was fraudulently lost through transactions that happened in Cooperative Bank of Kenya and that the matter is active in court.**

## **2. BURSARY ALLOCATION AND DISBURSEMENTS**

The Committee was informed that the statement of receipts and payments reflects an amount of Kshs.13, 779,636 under transfers to other Government units which include an amount of Ksh.1, 279,582 related to bursaries whose cheques were stale and related to 2011/2012. No reason was given for failure to replace the cheques. Further the statement of receipts and payments reflects other grants and transfers amounting to Ksh.29, 122, 244 which includes an amount of Ksh.16, 526,060 relating to bursaries. It was noted that the bursary cheques had not been cleared as at year end. No reason was given for the un-presented cheques.



### **Management Response**

The Fund Account Manager informed the Committee that stale cheques were ordinarily supposed to be reversed in the cashbook, but as mentioned in our previous Management Response, this involves an ongoing court case where the fund sued Co-operative Bank. To mitigate such from happening, a communication system has also been developed whereby all beneficiaries are well informed via text messages or phone call to ensure that cheques drawn in their favor are collected in time, in the event that the office cannot deliver them to the institutions.

### **Committee Observation**

**The Committee observed that-**

- (i) The stale cheques of Kshs.1, 279,582 related to bursaries for the 2011/2012 financial year were part of the funds fraudulently lost through transactions that happened in Cooperative Bank of Kenya and the matter is active in court.**
- (ii) The Fund Account Manager had taken adequate steps to ensure that bursary cheques once issued reach the beneficiaries in time.**

### **Committee Recommendations**

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and**
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries.**

### **3. FRAUD CASE**

The Committee heard that fraud involving Cooperative Bank of Kenya and three (3) other companies led to a loss of Ksh. 21,000,000 from Lang'ata CDF. This was perpetrated by one of the CDF employees between January 2011 and April 2012. No internal controls to prevent and detect such cases which may recur in the future have been instituted.

### **Management Response**

The Fund Account Manager informed the Committee that the Langata CDF filed a case on the issue. The last mention of this case was on 17<sup>th</sup> November 2017 and the next hearing will be on 11<sup>th</sup> May 2018, however, measures have been taken to prevent such cases in future. Lang'ata NG CDF no longer banks with Cooperative Bank, the Fund opened its accounts with Equity Bank which, besides verified copies of bank statements that the bank gives monthly, it also sends soft copies of bank statements so that the two can be verified. The fund has also ensured that for every payment to go through it must be accompanied by a cheque confirmation schedule signed by the mandatory signatories.



### **Committee Observation**

The Committee observed that funds were fraudulently lost through transactions that took place in Cooperative Bank of Kenya and the matter is active in court.

## FINANCIAL YEAR 2014/2015

### 1. BUDGET AND BUDGETARY CONTROL

The Committee was informed that the summary statement of appropriation reflects a budget of Ksh. 118,965,030 while the project proposal document with the CDF Board reflects a budget of Ksh. 89, 714,432 as detailed below-

| Item                       | Budgeted Amount<br>as per Statements<br>of Appropriation | Budgeted Amount<br>as per project<br>Proposal | Difference               |
|----------------------------|----------------------------------------------------------|-----------------------------------------------|--------------------------|
| Compensation of Employees  | 1,756,800                                                | 1,756,800                                     | -                        |
| Use of goods and services  | 7,551,432                                                | 1,751,432                                     | 5,800,000                |
| Committee Expenses         | 7,551,432                                                | 1,751,432                                     | 2,000,000                |
| Transfers to other Govts   | 35,106,789                                               | 21,337,921                                    | 13,768,868               |
| Other Grants and Transfers | 58,003,144                                               | 54,823,144                                    | 3,180,000                |
| Social Security Benefits   | 24,000                                                   | 43,200                                        | 19,200                   |
| Acquisition of Assets      | 10,000,000                                               | 4,000,000                                     | 6,000,000                |
| Other payments             | -                                                        | 1,479,070                                     | (1,479,070)              |
|                            | <b><u>118,965,030</u></b>                                | <b><u>89,714,432</u></b>                      | <b><u>29,250,598</u></b> |

No explanation was provided for the differences between the two sets of records. Consequently, the accuracy of the budget figures reflected in the summary statement of appropriation could not be confirmed.

#### Management Response

The Fund Account Manager informed the Committee that the difference between the budgeted amount as per statement of appropriation and the budgeted amount as per the project proposal was brought by the amount in the adjustment column of the statement of appropriation.

The adjustments represent the opening balance for the year. The opening balance is available for expenditure in the new financial year and thus added to the approved budget to arrive at a final budget in line with section 6(2) of the NG-CDF Act, 2015 which states that once funds are allocated for a particular project, they shall remain allocated for that project. As it can be noted from the analysis, the difference is Ksh. 29,250,598 which is the same figure as the opening balance of the year as stated in the statement of assets and liabilities.

#### Committee Observation

The Committee observed that the management did not provide sufficient explanations nor avail relevant documents to the Auditor-General for verification at the time of Audit. The supporting documents were subsequently availed and the matter has since been resolved as confirmed by the Auditor-General.

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012.**

### **2. BUDGET VERSUS ACTUAL EXPENDITURE IN THE YEAR**

The Committee was informed that summary statement of appropriation reflects a budget of Ksh. 118,965,030 while the total receipts for the year from the CDF Board were Ksh. 121,287,483. At the same time, the Fund opened with a balance of Ksh. 18,210,198. It therefore had an amount of Ksh. 139,497,681 available for utilization but the Fund utilized Kshs. 133,299,287 as detailed below: -

| <b>Item</b>               | <b>Budgeted Amount</b> | <b>Actual Expenditure</b> | <b>Under/Expenditure</b> |
|---------------------------|------------------------|---------------------------|--------------------------|
| Compensation of Employees | 1,756,800              | 1,727,000                 | 29,800                   |
| Use of goods and services | 7,551,432              | 7,088,775                 | 462,657                  |
| Committee Allowances      | 6,522,865              | 5,910,000                 | 612,865                  |
| Transfers to other Govt   | 23,337,921             | 48,667,535                | (25,329,614)             |
| Other Grants and Transf.  | 69,772,012             | 57,423,756                | 14,262,861               |
| Social Security Benefits  | 24,000                 | 24,000                    | -                        |
| Acquisition of Assets     | 10,000,000             | 9,458,221                 | 541,779                  |
| Other Payments            | -                      | 3,000,000                 | (3,000,000)              |
|                           | 118,965,030            | 133,299,287               | (12,419,652)             |

It was noted that the Constituency spent an additional Ksh. 25,329,614 and Ksh. 3,000,000 on Transfers to other Government units and other payments respectively, without the approval of the CDF Board. No explanations were provided for this breach of the law.

### **Management Response**

The Fund Account Manager informed the Committee that funds available for utilization in the financial year was the final budget (the opening balance Ksh. 29,250,598 & the approved budget of Ksh.89, 174,432 plus the money owed by the CDF Board at the beginning of the year Ksh. 31,573,050 giving at total of ksh.150, 538, 080, however late disbursement of funds meant that there would not have been a 100% utilization by the year end.

The final budget of Kshs. 118,965,030 represents the summation of the approved budget Kshs. 89,714,432 and the opening balance which was Kshs. 29,250,598, however there was Ksh. 31,573,050 owed by CDF Board meant for the previous year. These funds were received in October 2014. By this it meant that the actual expenditure was to be above the final budget for the year, therefore the over expenditure in this question is not an over expenditure per se, it was



caused by previous financial year funds owed by the CDF board received during the current financial year.

It is true that Ksh. 3,000,000 was expensed as other payments as per the statement of payments and receipts. This was to facilitate for an out of court settlement between Langata CDF and Metascope Enterprises LTD which had been contracted by Langata CDF for the construction of Lindi-Lainisaba Bridge, which was successively executed by 28<sup>th</sup> August 2009. The out of court settlement amounted to Ksh. 3,000,000 which was paid to the contractor. By the nature of this matter it was not a pre-planned budget, and therefore not provided for in the initial project proposal. The CDF Board was however in the know of the same and its legal office had recommended for the payment of the same.

### **Committee Observation**

**The Committee observed that:-**

- (i) **The Fund Account Manager did not avail Bank statements from the Constituency for verification at the time of audit;**
- (ii) **The amount of Three Million Shillings (Ksh. 3,000,000) which was paid from the Emergency kitty for an out of Court settlement did not qualify as emergency expense; and**
- (iii) **Mr. Chrispine Ngungi Njuguna, the former Fund Account Manager who authorised Ksh. 3,000,000 payment under audit query had deserted duty and the NG-CDF Board had not been able to trace him to date.**

### **Committee Recommendation**

**The Committee recommends that:**

- (i) **Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012; and**
- (ii) **The National Government Constituencies Development Fund Board reports the matter on the payment of Ksh. 3,000,000 to the Director of Criminal Investigations for further investigations.**

### **3. TRANSFER TO OTHER GOVERNMENT AGENCIES**

The Committee was informed that the summary statement of appropriation reflects an amount of Ksh. 48,667,535 under transfers to other government entities, which exceeded the budget by Ksh. 25,329,614 as shown in the table below: -

| Project                 | Budgeted Amount Kshs | Actual Expenditure Kshs | Under/Over Expenditure Kshs |
|-------------------------|----------------------|-------------------------|-----------------------------|
| Madaraka Primary School | 12,000,000           | 21,563,613              | (9,563,613)                 |
| Nyayo Highrise Primary  | 4,500,000            | -                       | 4,500,000                   |
| Karen C. Sec School     | 6,000,000            | 27,103,922              | (21,103,922)                |

|                                    |            |            |              |
|------------------------------------|------------|------------|--------------|
| Conditional Grant (Rehabilitation) | 837,921    | -          | 837,921      |
| Total                              | 23,337,921 | 48,667,535 | (25,329,614) |

No reason was given for the failure to finance Nyayo Highrise Primary School. In addition there was no authority from the CDF Board for the over-expenditure on Madaraka Primary School and Karen C. Secondary School

### **Management Response**

The Fund Account Manager informed the Committee that:

**Nyayo Highrise Primary School.:** The project was not implemented, yet Ksh. 4,500,000 was available. The allocation was not enough considering the project involved the construction of a new primary school and thus required more funding. The project was however funded in the successive two financial years which was enough to kick start the project and thus the project was implemented.

**Kongoni Primary. School.:** The delay in the disbursement of funds from the Board meant that not all projects would have been implemented as at the year end. Kongoni primary school-renovation of classrooms (conditional grant) was later implemented and the classrooms are already in use.

It is also true that a surplus of Ksh. 21,103,922 was spent to implement Karen C Secondary and Ksh. 9,563,613 for Madaraka primary projects. This was because the projects required huge financing that was done in different financial years as evidenced by the approved code list from the CDF Board, this however was not sufficient for the implementation.

In addition to that, during implementation of the projects, there were various variations that were approved by the project manager and thus the projects needed more funding than the proposed budgets, with this there were some reallocations from other projects. This was done without the approval of the NG CDF board.

### **Committee Observation**

**The Committee observed that the Fund Account Manager did not seek approvals for the additional funding from the NG-CDF Board as provided under section 31 of the NG-CDF Act, 2015.**

### **Committee Recommendation**

**The Committee recommends that:-**

- (i) The National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocated funds contrary to the NG-CDF Act, 2015; and**



- (ii) The Fund Account Manager ensure compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015.

#### 4. OTHER GRANTS AND TRANSFERS

The Committee was informed that the summary statement of appropriation reflects an expenditure of Ksh. 57,423,756 under other grants and transfers while the budget for the same was Ksh. 58,003,144 as detailed below: -

| Project/Item                 | Budgeted Amount Kshs | Actual Expenditure Kshs | Under/Over Expenditure Kshs |
|------------------------------|----------------------|-------------------------|-----------------------------|
| Bursary Sec/Tertiary Sch     | 14,354,309           | 21,569,000              | (7,214,691)                 |
| Sports                       | 1,794,288            | 1,516,250               | 278,038                     |
| Environment                  | 1,794,288            | 1,000,000               | 794,288                     |
| Emergency Projects           | 5,400,259            | 5,026,650               | 373,609                     |
| Water and Sewers             |                      |                         |                             |
| Highrise Ablution Block      | 3,000,000            | 1,355,313               | 1,644,687                   |
| Southland Ablution Block     | 3,000,000            | 2,621,940               | 378,060                     |
| Wilson Ablution Block        | 3,000,000            | 3,750,930               | (750,930)                   |
| Kambi Kisii Ablution Block   | 3,000,000            | 1,110,183               | 1,889,817                   |
| Manyatta Ablution Block      | 3,000,000            | 2,643,338               | 356,660                     |
| Madaraka Ablution Block      | 3,000,000            | -                       | 3,000,000                   |
| Raila Village Ablution Block | 2,000,000            | 2,561,840               | (561,840)                   |
| South C Ablution Block       | 2,000,000            | -                       | 2,000,000                   |
| Bus Shelters                 |                      |                         |                             |
| Hardy Bus Shelter            | 996,666              | 998,650                 | (1,984)                     |
| CUEA Bus Shelter             | 996,666              | 999,650                 | (2,984)                     |
| Highrise Bus Shelter         | 996,666              | 999,650                 | (2,984)                     |
| Wilson Bus Shelter           | 996,666              | 999,650                 | (2,984)                     |
| Karen Bus Shelter            | 996,666              | 879,650                 | 117,016                     |
| Security                     |                      |                         |                             |
| Silanga Chiefs Camp          | 5,445,538            | 6,915,802               | (1,470,264)                 |
| Raila Village Chief Office   | 5,000,000            | -                       | 5,000,000                   |
| South C Chief Office         | 5,000,000            | -                       | 5,000,000                   |
| Karen Chief Office           | 4,000,000            | -                       | 4,000,000                   |
| Wilson AP/Chief Camp         | -                    | 1,746,000               | (1,746,000)                 |
| Bomas AP/Chief Camp          | -                    | 174,600                 | (174,600)                   |
| Mugumoini A?/Chief Camp      | -                    | 554,760                 | (554,760)                   |
| Total                        | 69,772,012           | 57,423,856              | 12,348,156                  |

No reason was given for the failure to fund the budgeted projects. No authority was sought from the NG CDF Board for the reallocation of the expenditure, and over expenditure on some of the projects



### **Management Response**

The Fund Account Manager informed the Committee that there were over/under expenditures which were caused by two main reasons;

First, that Part of previous funds delayed and was received in the financial year 2014/2015. In this case it meant that some projects /activities funded in the financial year 2013/2014 had to be implemented the financial year 2014/2015. Langata CDF received Ksh.121, 287,483 during the financial year which represents an extra Ksh.31, 573,050 above what had been approved.

Another reason for the perceived over expenditures in some projects was the opening balance of Ksh.29, 250,598 , and the 2013/2014 approved code list which was the case for the following projects funded in previous years.

- (i) Wilson ablution block
- (ii) Raila village ablution block
- (iii) Silanga Chief's Camp

In addition to this, the below projects were reallocated due to unavailability of land and the approval for reallocation was received.

- (i) Karen Chief's office,
- (ii) South C Chief's office,
- (iii) South C ablution block

Raila village chief's camp project required more funds but was later funded in the two successive years. The project was however implemented into completion.

The below projects were also funded in the previous financial year, however during implementation the projects required more funding for successful completion. The additional expenditure was however not communicated to the CDF Board.

- (i) Wilson Chiefs camp
- (ii) Bomas Chiefs camp
- (iii) Mugumoini Chiefs camp

### **Committee Observation**

**The Committee observed that:-**

- (i) Funds were reallocated to projects without the necessary approvals from the NG-CDF Board contrary to section 6 (2) of the NG-CDF Act, 2015; and**
- (ii) The delay in implementation of projects was due to late disbursement of funds by the NG- CDF Board.**

### **Committee Recommendation**

**The Committee recommends that:-**

- (i) The National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocated funds contrary to the National Government Constituencies Development Fund Act, 2015;**

- (ii) **The Fund Account Managers ensures compliance with Section 6(2) and Section 31 of the National Government Constituencies Development Fund Act, 2015; and**
- (iii) **The National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

## **5. UNACCOUNTED FOR IMPRESTS**

The Committee was informed that the statement of receipts and payments reflects an expenditure of Ksh. 57,423,756 under other grants and transfers, which include an amount of Kshs. 5,209,700 issued as imprest to the Fund Account Manager and which had not been accounted for as at 30<sup>th</sup> June 2015.

In addition, the statement of receipts and payments balance of Ksh. 7,088,775 under use of goods and services includes an amount of Ksh. 6,284,550 issued as imprest but had not been accounted for as at 30<sup>th</sup> June, 2015. Consequently, the expenditure of Ksh. 57, 423,756 on other grants and transfers and Ksh. 7,088,775 on use of goods and services had been over-stated with the imprest amounts.

### **Management Response**

The Fund Account Manager informed the Committee that at the year end, imprests of Ksh. 5,209,700 and 6,284,550 respectively had not been surrendered. However, the imprests were later surrendered but not in totality.

### **Committee Observation**

**The Committee observed that the imprests of Ksh. 5,209,700 and 6,284,550 respectively had not been surrendered in totality contrary to section 71(2) of the Public Finance Management Act, 2012, and Regulation 93 of the Public Finance Management (National Government) Regulations, 2015 on surrender of imprest.**

### **Committee Recommendation**

**The Committee recommends that the National Government Constituencies Development Fund Board recovers outstanding imprest from the defaulting officers with an interest at the prevailing Central Bank Rate in accordance with Article 226(5) of the Constitution of Kenya, 2010**

## **6. CASH AND CASH EQUIVALENTS**

The Committee was informed that statement of assets and liabilities reflects an amount of Ksh. 4,828,988 as at 30<sup>th</sup> June, 2015. Review of bank reconciliation statements revealed that un-presented cheques amounted to Ksh. 13,129,811 out of which cheques totalling to Ksh. 3,682,439 were stale. No effort was made to reverse the stale cheques in the cash book.

In addition, the fund did not disclose the bank account held at the Cooperative Bank of Kenya Limited A/C No. 01120011171900, whose last known balance as at 28 February 2015 was Ksh 10,613,382. Consequently, the cash and cash equivalents balance of Kshs. 4,828,988 disclosed in the financial statements could not be confirmed.

### **Management Response**

The Fund Account Managers informed the Committee that cheques amounting to Ksh. 3,682,439 were stale. The stale cheques were later lapsed /reversed in the cashbook. Improvements on the same had been implemented and stale cheques were lapsed as at the time they became stale. The issue of Cooperative Bank account was a Fraud whose case is in court hence unable access any details regarding the account.

### **Committee Observations**

**The Committee observed that:**

- (i) The issue of Bank Balances at the Cooperative Bank involved funds lost fraudulently, a matter which is active in Court; and**
- (ii) The Committee further observed that documentary evidence was not provided at the time of audit to support reversals of stale cheques in the cashbook. The same was subsequently availed for audit verification and the matter resolved with the Auditor- General.**

### **Committee Recommendations**

**The Committee recommends that:**

- (i) The Director of Public Prosecutions expedites determination of the matter (CC 453 of 2013) with a view to having persons found culpable convicted for contravening section 37 (b) of the Public Audit Act, No.12 of 2003 and any other relevant law; and**
- (ii) The Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**



## FINANCIAL YEAR 2015/2016

### 1. UNEXPLAINED COMPARATIVE FIGURES

The Committee was informed that the following differences had been noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30<sup>th</sup> June 2016 and the balances shown in the audited financial statements for 2014/2015.

| Item                      | 2014/2015 Comparative<br>Figures Kshs. | 2014/2015<br>Audited Balances<br>Khs | Variance    |
|---------------------------|----------------------------------------|--------------------------------------|-------------|
| Compensation of employees | 1,751,000                              | 1,727,000                            | 24,000      |
| Use of goods and services | 12,998,775                             | 7,088,775                            | 5,910,000   |
| Committee expenses        |                                        | 5,910,000                            | (5,910,000) |
| Social security benefits  |                                        | 24,000                               | (24,000)    |

However, the differences had not been explained in the notes to the financial statements. In addition, the nature of the errors and the respective amounts of the corrections for the items had not been disclosed or explained.

### Management Response

The Fund Account Manager informed the Committee the template issued by the National Treasury on preparation of financial statements for financial year 2015/2016 was different from the one used in the preparation of financial statements for financial year 2014/2015. In the new template compensation of employees includes both the compensation of employees and social security benefits while the use of goods and services includes both the use of goods and services and the payment of committee expenses. We note the omission of an explanatory note in the financial statements. As it can be seen from the below analysis the variances are self-balancing i.e for the compensation of employees it included both the direct compensation and the social security benefits (1,727,000+24,000) while the use of goods and services included both the goods and services and the payment of committee of expenses (7,088,775+5,910,000).

| Payments                  | 2015/2016 comparative for 2014/15 | 2014/2015    |
|---------------------------|-----------------------------------|--------------|
| Compensation of employees | 1,751,000                         | 1,727,000.00 |
| Social security benefits  | -                                 | 24,000       |
| Use of goods and services | 12,998,775                        | 7,098,775    |
| Committee expenses        | -                                 | 5,910,000    |

### Committee Observations

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.

### Committee Recommendation

The Committee recommends that:-

- (i) **The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff; and**
- (ii) **The Fund Account Manager ensures compliance with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.**

## **2. BANK BALANCE**

The Committee heard that the statement of assets and liabilities reflects a balance of Ksh. 2,843,279.24 as at 30 June, 2016 however, the cashbook as at that date reflects a negative balance of Ksh. 5,989,526.48 resulting in an unexplained difference of Kshs. 8,832,805.72. Further, although the trial balance as at 30 June 2016 provided by the fund management reflects a balance of Ksh. 12,409,805.75 in the account maintained at the Co-operative bank, the balance has been excluded from the financial statements for unexplained reasons. In the circumstances, the accuracy of bank balance of Ksh. 2,843,279 as at June 2016 cannot be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that (Ksh 5,989,526.48) cashbook balance was caused by the non-reversal of stale cheques in the cashbook. This was later done and thus increased the cashbook balance to ksh 2,843,279.24) which was reported in the financial statements. As for the exclusion of the Co-operative bank balance, we did not have the information because we cannot access the account statements, besides it is an ongoing court case whose mention has been done in the 2013/2014 and 2014/2015 financial years.

### **Committee observation**

**The Committee observed that the fraud case which took place in the Financial Year 2012/2013 when the Constituency lost Ksh. 21,439,997 involving a Fund Account Manager is still in court since 2013. This issue has resulted in irregularities in the constituencies accounts.**

### **Committee Recommendation**

**The Committee recommends that the Director of Public Prosecutions expedites determination of the matter (CC 453 of 2013) with a view to having persons found culpable convicted for contravening section 37 (b) of the Public Audit Act, No.12 of 2003 and any other law.**

## **3. BUDGETARY PERFORMANCES**

The Committee heard that the summary statement of appropriation reflects a final budget figure of Ksh. 112,161,700 against actual expenditure of Ksh. 61,395,515 resulting in an under-expenditure of Ksh. 50,766,185.



| Item                               | Final budget<br>Kshs. | Actual<br>expenditure Kshs. | Utilization<br>difference Kshs. | %<br>utilization |
|------------------------------------|-----------------------|-----------------------------|---------------------------------|------------------|
| Compensation of employees          | 2,027,424             | 1,893,845                   | 133,579                         | 93               |
| Use of goods and services          | 7,015,632             | 2,481,620                   | 4,543,012                       | 35               |
| Transfer to other government units | 25,128,988            | 3,828,000                   | 21,300,988                      | 15               |
| Other grants and transfers         | 74,805,096            | 51,692,050                  | 23,113,046                      | 69               |
| Acquisition of assets              | 3,184,559             | 1,500,000                   | 1,684,559                       | 47               |
| Total                              | 112,161,700           | 61,395,515                  | 50,766,185                      | 55               |

The under-expenditure is an indication of funds not utilized fully and approved programs not implemented. The budget did not, therefore, fully meet its objectives of improving delivery of services to the residents of Langat constituency.

### **Management Response**

The Fund Account Manager Committee that the Under expenditure of the approved budgets was caused by the nature by which the Board disbursed funds; the constituency received nearly half of the allocation for the financial year, and thus could not meet the budget as at the year end. As it can be noted from the statement of receipts and payments, Lang'ata CDF only received Ksh. 47,000,000 out of an approved budget of Ksh. 94,922,906 within the financial year in question. The constituency was only in a position to spend what had been received as at the year end. The other disbursement was received some time in the next financial year as per the attached AIEs no.A825872 dated 23/08/2016 and AIE no. A855682 dated 21/03/2017.

During the year under review there was a period when there was no CDF Committee and thus the constituency could not have performed as per the budget. This was caused by the expiry of contract for the former committee and it took some months before they were replaced by the then new committee.

### **Committee Observation**

The Committee observed that the delay in project implementation was occasioned by transitional hiccups from the CDF Act, 2013 to the NG-CDF Act, 2015. Additionally, late disbursement of funds by the NG-CDF Board and the National Treasury contributed to delays in project implementation.

### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.

## **4. NON-IMPLEMENTATION OF PROJECTS**



The Committee heard that as at the 30<sup>th</sup> June 2016, six projects detailed below budgeted for at Kshs.20,300, 000 had not been implemented.

| <b>Project</b>                           | <b>Budgeted amount Kshs</b> |
|------------------------------------------|-----------------------------|
| Ngong Forest Primary School              | 2,000,000                   |
| Highrise Primary School                  | 5,500,000                   |
| Conditional Grant Kongoni Primary School | 800,000                     |
| Madaraka Secondary School                | 5,000,000                   |
| Karen Secondary School-Computer Lab      | 4,000,000                   |
| Karen Secondary School                   | 3,000,000                   |
| <b>Total</b>                             | <b>20,300,000</b>           |

Consequently, the residents of Lang'ata Constituency did not obtain the benefits due from these six projects that were budgeted for but not implemented.

### **Management Response**

The Fund Account Manager informed the Committee that this was occasioned by:

- (i) Lang'ata NG-CDF received part i.e (kshs 47,000,000) of the total Ksh 94,922,906 during the financial year 2015/2016, with this regard therefore, the constituency could not have implemented all projects during the financial year. The balance was received later during 2016/2017 financial year.
- (ii) Ngong Forest Primary & Kongoni primary school projects:-the projects were awarded a conditional approval pending some additional information. This was done and the NG-CDF Board approved. With the projects via letter ref no: NG-CDFB/LANGATA/VOL.1/028 dated 15<sup>th</sup> August 2016 the letter coming in the financial year 2016/2017, it meant that the projects could not be implemented as earlier budgeted for. The projects were later implemented and are already in use.
- (iii) Highrise primary school project: - The delay in the implementation of the project was caused by the fact that the project required a huge financing and thus financed in different financial year .The funding in 2015/2016 was not enough to start the project. The project was however funded in the financial year 2016/2017 and implemented in the same financial year and is already in use.
- (iv) Madaraka secondary project: - funds for this project were reallocated due to resistance from community. The reallocation approval schedule from the NG-CDF Board dated 19<sup>th</sup> April 2017 was provided.
- (v) Karen C Secondary (computer lab) school project:-funds for this project were reallocated due to change in school priorities. The reallocation approval schedule from the NG-CDF Board dated 11<sup>th</sup> August, 2016 was provided.

### **Committee Observations**

**The Committee observed that:**

- (i) **The Fund Account Manager did not avail relevant document for verification at the time of audit; and**

- (ii) The delay in project implementation was occasioned by late disbursement of funds by the National Treasury.

**Committee Recommendations**

**The Committee recommends that:**

- (i) The Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012; and
- (ii) The National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.

### 3.12. MAKADARA CONSTITUENCY

#### EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MAKADARA NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

Mr. Job Mutini, Fund Account Manager, appeared before the Committee on 27<sup>th</sup> March, 2018 accompanied by Ms. Agnes Mwangi, member of staff, Makadara Constituency, to adduce evidence on the audited accounts of the Makadara Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### FINANCIAL YEAR 2013/2014

##### 1. ACCURACY OF THE FINANCIAL STATEMENTS

The Committee was informed that the statement of receipts and payments reflects total payments of Kshs 139,310,846 which include an amount of Kshs 108,536,254 that was not analysed and supported with documentary evidence as shown below.

| NO | EXPENDITURE ITEM                   | AMOUNT KSHS        |
|----|------------------------------------|--------------------|
| 1  | Compensation to employees          | 1,084,336          |
| 2  | Use of goods and services          | 5,014,335          |
| 3  | Committee expenses                 | 2,486,000          |
| 4  | Transfer to other government units | 54,675,942         |
| 5  | Other grants and transfers         | 44,577,041         |
| 6  | Social benefits                    | 9,800              |
| 7  | Other payments                     | 688,800            |
|    | <b>Totals</b>                      | <b>108,536,254</b> |

Consequently, the accuracy and validity of the expenditure items could not be ascertained.

#### Management Response

The Fund Account Manager informed the Committee that the statement of receipts and payments reflects total payments of Kshs 139,310,846. The analysis of the Kshs 108,536,254 was availed.

#### Committee Observation

The Committee observed that relevant supporting documents were not availed for verification by the Auditor General at the time of Audit. However, the information was subsequently availed and the matter has been resolved as confirmed by the Auditor-General.

#### The Committee recommends-

The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.



## **2. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The Committee heard that the statement of receipts and payments reflects an expenditure of Kshs 72,719,321 under other grants and transfers. Included in the amount is Ksh 17,879,300 relating to bursaries for needy students. Examination of records available as at 30<sup>th</sup> June revealed cheques totalling Ksh 1,025,000 meant for bursaries that were cancelled and reversed without any supporting documentation or approval. Consequently, the grants figure of Ksh 72,719,321 as presented in the financial statements is misstated.

### **Management Response**

The Fund Account Manager informed the Committee that the statement of receipts and payments reflects an expenditure of Ksh 72,719,321 under other grants and transfers. Included in the amount is Ksh 17,879,300 relating to bursaries for needy students. The reversed cheques totalling to Ksh 1,025,000 resulted from errors in names of institutions as indicated on the bursary forms as compared to the institutions correct names as captured in their bank account details. The CDFC committee sat and found that problem and resolved to reverse those cheques as per the minuted resolution No. 05/05/2014 of May 20<sup>th</sup> 2014.

### **Committee Observation**

**The Committee observed that reversed cheques totalling to Kshs 1,025,000 resulted from errors in names of institutions as indicated on the bursary forms as compared to the institutions correct names as captured in their bank account details.**

### **Committee Recommendations**

**The Committee recommends that:-**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and**
- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries**

## **3. CASH AND CASH EQUIVALENTS**

The Committee was informed that the statement of financial assets and liabilities reflect an amount of Ksh 41,474,440 on cash and cash equivalents, while the fund balance reflects an amount of 40,842,087. The difference of Ksh 632,353 was attributed to balances brought forward from previous year. However the bank statement reflected an amount Ksh 41,025,709 resulting in a difference of Ksh 448,731 between the cash and cash equivalents and the bank statement which was not reconciled or explained. The cash book was not availed for audit review. Consequently, the accuracy and the validity of the figure presented could not be ascertained.

### **Management Response**

The Fund Account Manager informed the Committee that the statement of Financial Assets and Liabilities reflect an amount of Ksh 41,474,440 on cash and cash equivalents, while the fund balance reflects an amount of Ksh 41,474,440 comprising of Ksh 40,842,087 surplus for the year

and Ksh 632,353 the balance brought forward from previous year. The cash and cash equivalent figure of Kshs 41,474,440 figure on the financial statements is a summation of cash book balances on both cash books maintained by the constituency at the time (Kshs 36,710,702 [*coop bank account cash book*] and Ksh 4,763,738 [*Equity Bank account cash book*]). The correct bank statement balance was Kshs 47,286,245.71 the total of amounts Kshs 41,025,709.36 *coop bank account* and Kshs 6,260,536.35 *Equity Bank account*. The difference between cash and cash equivalent Kshs 41,474,440 and the total bank statement balances Ksh 47,286,245.71 is Ksh 5,811,805.71 which represents the unpresented cheques as at 30<sup>th</sup> June.

### **Committee Observations**

**The Committee observed that:**

- (i) **The discrepancies in the books arose when the constituency changed its bank account from Cooperative Bank to Equity Bank. During this period, the two accounts had cash and the amounts were eventually reconciled;**
- (ii) **There exist a provision of a six months transition period allowed for clearance of any outstanding cheques; and**
- (iii) **The Fund Account Manager did not avail supporting documents to the Auditor-General during the audit for verification. The same were subsequently availed and the matter has since been resolved with the Auditor- General.**

### **Committee Recommendations**

**The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

#### **4. DELAYED PROJECT IMPLEMENTATION**

The Committee was informed that the statement of receipts and payments reflects an amount of Kshs 54,675,942 and Kshs 72,719,321 under transfer to other government entities and other grants and other payments respectively. Included in this amounts are projects' expenditure totalling Kshs 16,235,289 that were not implemented during the period as shown:-

| <b>NO</b> | <b>PROJECT NAME</b>                                    | <b>AMOUNT ALLOCATED</b> |
|-----------|--------------------------------------------------------|-------------------------|
| 1         | Road works for buruburu phase III                      | 4,752,530               |
| 2         | Purchase of Constituency bus                           | 7,000,000               |
| 3         | Construction of prefabricated houses at Maringo clinic | 4,482,759               |
|           | <b>Total</b>                                           | <b>16,235,289</b>       |

### **Management Response**

The Fund Account Manager informed the Committee that the statement of receipts and payments reflects an amount of Ksh 54,675,942 and Ksh 72,719,321 under transfer to other government



entities and other grants and other payments respectively. However the stated projects amounts were not included in the payments for that year.

| <b>N<br/>O</b> | <b>PROJECT</b>                             | <b>ALLOCATI<br/>ON</b> | <b>YEAR</b> | <b>PV<br/>N<br/>O</b>         | <b>AMOUN<br/>T</b>                  | <b>DATE</b>                        | <b>STATUS</b>                                                                                                             |
|----------------|--------------------------------------------|------------------------|-------------|-------------------------------|-------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| 1              | Road works for buruburu phase III          | 5,000,000              | 14/15       | -                             | 4,751,038                           | 11/02/2015                         | Compete                                                                                                                   |
| 2              | Huruma girls Purchase of school bus        | 6,000,000              | 12/13       | -                             | Nil                                 | -                                  | Reallocated to Rabai primary school fence                                                                                 |
| 3              | Rabai Primary school Perimeter fence       | 6,000,000              | 12/13       | 05<br>2<br>06<br>0<br>07<br>9 | 2,397,764<br>2,255,084<br>1,072,004 | 18/11/2014<br>5/1/2015<br>5/3/2015 | Complete                                                                                                                  |
| 4              | Construction of prefabricated staff houses | 4,482,759              | 13/14       | -                             | Nil                                 | -                                  | Not yet done Constituency to apply for change of activity (from prefabricated staff houses to renovation of staff houses) |

### **Committee Observations**

The Fund Account manager did not provide evidence to support the reallocation of funds and the evidence of approval of the request for the change of activity for the construction of prefabricated staff houses project at the time of the audit.

### **Committee Recommendations**

The Committee recommends that:-

- (i) The Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012; and
- (ii) The Fund Account Managers ensures compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015.



## FINANCIAL YEAR 2014/2015

### 1. UNSUPPORTED EXPENDITURE

The Committee was informed that the statement of receipts and payments reflect total expenditure relating to use of goods amounting to Kshs 3,484,439. However, included in the total expenditure is an expense amounting to Kshs 2,462,693 which is not supported

Further, included in the transfers to other government units and as disclosed in note 7 to the accounts is expenditure totalling Kshs 4,531,293 in respect of transfers to health institutions. Included in this amount is expenses totalling to Ksh 2,399,635 that has not been supported. Consequently, the accuracy of the expenditure on the transfers to other government units of Ksh 4,531,293 could not be ascertained.

#### Management Response

The Fund Account Manager informed the Committee that the statement of receipts and payments reflect total expenditure relating to use of goods amounting to Ksh 3,484,439. However, included in the total expenditure is an expense amounting to Ksh 2,462,693.

Further the statement of receipts and payments reflect total expenditure relating to transfers to other government units amounting to Ksh 4,531,293 in respect of transfers to health institutions. Included in this amount are expenses totalling to Ksh. 2,399,635.

#### Committee Observation

**The Committee observed that the management did not avail supporting documents for the expenditure relating to transfers to other government agencies to the Auditor-General for verification at the time of Audit.**

#### Committee Recommendation

**The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### 2. TRANSFERS TO OTHER GOVERNMENT ENTITIES

The Committee was informed that the Constituency had budgeted to spend Kshs 120,322,099 on transfers to other government entities but spent Kshs 108,673,404 resulting to an overall under expenditure of Kshs 11,949,476 as detailed below-

|   | Item                               | Budgeted Amount | Actual Expenditure | Over Expenditure | Under Expenditure |
|---|------------------------------------|-----------------|--------------------|------------------|-------------------|
| 1 | Kaloleni primary school fence      | 7,600,000       | 2,540,374          |                  | 5,059,626         |
| 2 | Bidii primary school fence         | 3,835,261       | 120,000            |                  | 3,715,261         |
| 3 | Canon Apollo school fence          | 7,900,000       | 12,828,668         | -4,928,668       | -                 |
| 4 | Rabai primary school swimming pool | 6,327,000       | 6,260,260          |                  | 66,740            |

|    |                                             |                    |                    |                   |                  |
|----|---------------------------------------------|--------------------|--------------------|-------------------|------------------|
| 5  | Ofafa Jericho primary school classes        | 6,340,380          | 6,326,130          |                   | 14,250           |
| 6  | Rabai primary school- desks                 | 1,200,000          | 1,200,000          |                   | -                |
| 7  | Martin Luther primary school- desks         | 1,200,000          | 1,200,000          |                   | -                |
| 8  | Huruma girls sec school-water tank          | 3,864,680          | 3,800,112          |                   | 64,568           |
| 9  | Aquinas High school - lib/classes           | 3,429,612          | 3,288,297          |                   | 141,315          |
| 10 | Makongeni sec school -bus                   | 1,000,000          | 1,000,000          |                   | -                |
| 11 | St Patrick sec -school toilet               | 2,955,739          | 2,886,217          |                   | 69,522           |
| 12 | Star of hope sec school desks               | 1,665,260          | 1,661,986          |                   | 3,274            |
| 13 | Star of good hope sec school Perimeter wall | -                  | 3,049,985          | -3,049,985        | -                |
| 14 | Star of good hope sec school- desks         | 2,400,000          | 2,068,160          |                   | 331,840          |
| 15 | Jericho playground-artificial turf          | 46,000,000         | 43,674,951         |                   | 2,321,049        |
| 16 | Jericho stadium – changing rooms            | 8,100,000          | 8,794,180          | -694,180          | -                |
| 17 | Jericho playground-perimeter wall           | 11,300,000         | 5,433,477          |                   | 5,866,523        |
| 18 | Hamza health toilet block                   | 4,700,000          | 2,131,659          |                   | 2,568,341        |
| 19 | Mareba clinic                               | 400,000            | -                  |                   | 400,000          |
|    | <b>Totals</b>                               | <b>120,217,932</b> | <b>108,268,456</b> | <b>-8,672,833</b> | <b>8,834,864</b> |

As is evident from the above, there is an over expenditure of Kshs 4,928,668 or about 62.3% on one project and payment of Kshs 3,049,985 for a project that was not budgeted for. There was no evidence to indicate the over-expenditure in the three cited projects was approved by the CDF board. Management has not provided justification for these irregularities.

### Management Response

The Fund Account Manager informed the Committee that the Status of the projects is as follows-

|   | Item                          | Budgeted Amount | Actual Expenditure | Over Expenditure | Under Expenditure | Status as at 30 June 2015 | Current status as at march 2018 |
|---|-------------------------------|-----------------|--------------------|------------------|-------------------|---------------------------|---------------------------------|
| 1 | Kaloleni primary school fence | 7,600,000       | 2,540,374          |                  | 5,059,626         | Project was still ongoing | 100% Complete and in use        |
| 2 | Bidii primary                 | 3,835,261       | 120,000            |                  | 3,715,261         | Project had not Yet       | 100% Complete and               |



|    |                                      |           |            |             |         |                           |                          |
|----|--------------------------------------|-----------|------------|-------------|---------|---------------------------|--------------------------|
|    | school fence                         |           |            |             |         | started                   | in use                   |
| 3  | Canon Apollo school fence            | 7,900,000 | 12,828,668 | - 4,928,668 | -       | Project was still ongoing | 100% Complete and in use |
| 4  | Rabai primary school swimming pool   | 6,327,000 | 6,260,260  |             | 66,740  | Project was still ongoing | 100% Complete and in use |
| 5  | Ofafa Jericho primary school classes | 6,340,380 | 6,326,130  |             | 14,250  | Complete                  | 100% Complete and in use |
| 6  | Rabai primary school-desks           | 1,200,000 | 1,200,000  |             | -       | Complete                  | 100% Complete and in use |
| 7  | Martin Luther primary school-desks   | 1,200,000 | 1,200,000  |             | -       | Complete                  | 100% Complete and in use |
| 8  | Huruma girls sec school-water tank   | 3,864,680 | 3,800,112  |             | 64,568  | Complete                  | 100% Complete and in use |
| 9  | Aquinas High school - lib/classes    | 3,429,612 | 3,288,297  |             | 141,315 | Complete                  | 100% Complete and in use |
| 10 | Makongeni sec school - bus           | 1,000,000 | 1,000,000  |             | -       | Complete                  | 100% Complete and in use |
| 11 | St Patrick sec school toilet         | 2,955,739 | 2,886,217  |             | 69,522  | Complete                  | 100% Complete and in use |
| 12 | Star of                              | 1,665,260 | 1,661,986  |             | 3,274   | Complete                  | 100%                     |



|    |                                             |                    |                    |                    |                  |                           |                          |
|----|---------------------------------------------|--------------------|--------------------|--------------------|------------------|---------------------------|--------------------------|
|    | hope sec school desks                       |                    |                    |                    |                  |                           | Complete and in use      |
| 13 | Star of good hope sec school Perimeter wall | -                  | 3,049,985          | - 3,049,985        | -                | Project was still ongoing | 100% Complete and in use |
| 14 | Star of good hope sec school-desks          | 2,400,000          | 2,068,160          |                    | 331,840          | Complete                  | 100% Complete and in use |
| 15 | Jericho playground-artificial turf          | 46,000,000         | 43,674,951         |                    | 2,321,049        | Project was still ongoing | 100% Complete and in use |
| 16 | Jericho stadium – changing rooms            | 8,100,000          | 8,794,180          | -694,180           | -                | Project was still ongoing | 100% Complete and in use |
| 17 | Jericho playground-perimeter wall           | 11,300,000         | 5,433,477          |                    | 5,866,523        | Project was still ongoing | 100% Complete and in use |
| 18 | Hamza health toilet block                   | 4,700,000          | 2,131,659          |                    | 2,568,341        | Project was still ongoing | 100% Complete and in use |
| 19 | Mareba clinic                               | 400,000            | -                  |                    | 400,000          | Project was still ongoing | 100% Complete and in use |
|    | <b>Totals</b>                               | <b>120,217,932</b> | <b>108,268,456</b> | <b>- 8,672,833</b> | <b>8,834,864</b> |                           |                          |

There was over expenditure of Ksh 4,928,668 or about 62.3% on one project and payment of Kshs 3,049,985 for a project that was not budgeted for. Management noted the lack of provision of adequate project funds in the said year and made adequate provision in the following financial year 2015/16,

(a) Canon Apollo perimeter wall Kshs 4,535,000 was allocated in 2015/2016.

- (b) Star Of Hope Secondary School Perimeter Wall Ksh 6,540,000 Was Allocated 2015/2016  
 (c) Jericho Playground Perimeter Wall Ksh 1,070,000 Was Allocated 2015/2016

### **Committee Observation**

The Committee observed that the Fund Account Manager implemented reallocated money for implementation of projects without approval of the NG-CDF Board.

### **Committee Recommendation**

- (i) The National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocated funds contrary to the National Government Constituencies Development Fund Act, 2015; and
- (ii) The Fund Account Manager ensures compliance with Section 6(2) and Section 31 of the National Government Constituencies Development Fund Act, 2015 and ensure that due process is followed and relevant approvals are sought from the National Government Constituencies Development Fund Board before implementing the projects.

### **3. OTHER GRANTS AND TRANSFERS**

The Committee was informed that the summary statement of appropriation reflects a budget of Kshs 33,728,789 under other grants and transfers which differs with amount of Kshs 30,943,785 reflected under the constituency Development Fund project proposal. The difference of Kshs 2,785,004 between the two sets of records, have not been reconciled. In addition the expenditures on bursaries were not approved by the CDF board.

| Item                | Budgeted Amount | Actual Expenditure | Over Expenditure | Under Expenditure |
|---------------------|-----------------|--------------------|------------------|-------------------|
|                     | Kshs.           | Kshs.              | Kshs.            | Kshs.             |
| Bursary - secondary | 8,970,700       | 10,550,000         | (1,579,300)      | -                 |
| Bursary – Tertiary  | 4,000,000       | 3,714,800          | -                | 285,200           |
| Roads               | 4,760,000       | 4,762,530          | (2,530)          | -                 |
| Security            | 1,980,000       | 0                  | -                | 1,980,000         |
| Sports              | 3,214,062       | 3,211,312          | -                | -                 |
| Environment         | 2,017,561       | 1,976,170          | -                | 41,391            |
| Emergency           | 6,001,462       | 5,977,318          | -                | 24,144            |
| Total               | 30,943,785      | 30,192,130         | 1,581,830        | 2,333,485         |

### **Management Response**

The Fund Account Manager informed the Committee there was over expenditure of Kshs 1,579,000. The over expenditure was caused release of more forms by the CDF committee than the allocation available.



### **Committee Observation**

The Committee observed that that the Fund Account Manager allocated expenditure of Kshs 1,579,000 towards bursaries without approval of the NG-CDF Board

### **Committee Recommendation**

The Committee recommends that:

- (i) The National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocated funds contrary to the National Government Constituencies Development Fund Act, 2015; and
- (ii) The Fund Account Manager ensures compliance with Section 6(2) of the National Government Constituencies Development Fund Act, 2015.

### **4. FAILURE TO IMPLEMENT PROJECTS**

The Committee was informed that as at 30 June 2015, three projects brought forward from previous periods shown below with projected cost of Kshs 6,815,261 were not implemented:-

| Item                       | Budgeted Amount  | Actual Expenditure | Under Expenditure |
|----------------------------|------------------|--------------------|-------------------|
|                            | Kshs.            | Kshs.              | Kshs.             |
| Bidii primary school fence | 3,835,261        | 120,000            | 3,715,261         |
| Nile road sec school bus   | 1,000,000        | -                  | 1,000,000         |
| Security                   | 1,980,000        | -                  | 1,980,000         |
|                            | <b>6,815,261</b> | <b>120,000</b>     | <b>6,695,261</b>  |

No timelines had been given for their implementation

### **Management Response**

The Fund Account Manager informed the Committee that there were three projects brought forward from previous periods which were not implemented at the end of the financial year. The reason and status is as tabulated below with projected cost of Kshs 6,815,261 were not implemented.

| NO | PROJECT                        | AMOUNT    | REASON FOR NON IMPLEMENTATION                                                                                                                                                   | CURRENT STATUS           |
|----|--------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| 1  | Bidii primary school fence     | 3,835,261 | The project estimated cost was Kshs 14,000,000 and the CDF committee wanted to make available more money in the following financial year so as to undertake the project at once | Complete and in use      |
| 2  | Nile road secondary school bus | 1,000,000 | The amount was co-funding for purchase of bus and was paid in full IN 2015/16 financial year                                                                                    | Complete and handed over |
| 3  | SecFurity                      | 1,980,000 | The Amount comprises retention and project balances for installation of 30Highmast streetlights yet to be claimed by the contractor.                                            | Complete and in use      |



#### **Committee Observation**

The Committee observed that relevant supporting documents were not availed at the time of audit. the documents were subsequently availed and the matter has since been resolved as confirmed with the Auditor- General.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012.

## FINANCIAL YEAR 2015/2016

### 1. UNEXPLAINED AMENDED COMPARATIVE FIGURES

The Committee heard that the following differences have been noted between comparative figures (2014/2015) reflected in the financial statement for the year ended 30 June 2016 and the balances shown in the audited financial statements for 2014/2015:-

| Item                      | 2014/2015<br>Comparative<br>Figures<br>Ksh | 2014/2015<br>Audited<br>Balances<br>Ksh | Variance<br>Ksh. |
|---------------------------|--------------------------------------------|-----------------------------------------|------------------|
| Compensation of employees | 2,209,746                                  | 2,192,946                               | 16,800           |
| Committee expenses        | -                                          | 2,683,000                               | (2,683,000)      |
| Use of goods and services | 6,167,439                                  | 3,484,439                               | 2,683,000        |
| Social security           |                                            | 16,800                                  | (16,800)         |

However, the above differences have not been explained. In addition, the nature of the error and respective amounts of the corrections in the comparative figures have a similarity not been disclosed in the notes to the financial statements.

#### Management Response

The Fund Account Manager informed the Committee that there was differences noted between comparative figures (2014/2015) reflected in the financial statement for the year ended 30 June 2016 and the balances shown in the audited financial statements for 2014/2015

The difference was brought about by change of vote classification where Kshs 2,683,000 previously under committee expenses (other committee allowances and committee allowances) in 2014/2015 audited balances has now been reclassified to fall under use of goods and services, further social security benefits Ksh 16,800 is now under Compensation of employees as opposed to an independent item as reported in 2014/2015. This is in adherence to new reporting format issued by the National treasury

#### Committee Observations

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting and the matter has since been resolved as confirmed by the Auditor-General.

#### Committee Recommendation

The Committee recommends that:-

- (i) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board (PSASB) conducts continuous capacity building on financial reporting standards to constituency staff; and

- (ii) **The Fund Account Manager ensures compliance with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.**

## **2. BUDGET PERFORMANCE**

The Committee heard that during the year under review, Makadara constituency fund incurred totalling Ksh 75,069,568 against an approved budget of Ksh 100,080,848 and thus recorded approximately 75% budget absorption rate and under expenditure of Ksh 24,011,280 or 25% as shown below:-

| Item                                | Budgeted Amount | Actual Expenditure | Under Expenditure |
|-------------------------------------|-----------------|--------------------|-------------------|
|                                     | Kshs.           | Kshs.              | Kshs.             |
| Compensation of Employees           | 2,644,848       | 2,330,088          | 314,760           |
| Use of Goods and Services           | 6,086,786       | 6,088,744          | (1,988)           |
| Transfers to Other Government Units | 58,546,240      | 51,830,314         | 6,715,926         |
| Other Grants and Transfers          | 31,633,974      | 14,151,392         | 17,482,582        |
| Acquisition of Assets               | 169,000         | 169,000            | -                 |
| Other Payments                      | 1,000,000       | 500,000            | 500,000           |
| Total                               | 100,080,848     | 75,069,538         | 25,011,280        |

The under expenditure is an indication of funds not utilized and programs not implemented. The budget did not, therefore, fully meet the intended objective of improving delivery of services to the residents of Makadara Constituency.

### **Management Response**

The Fund Account Manager informed the Committee that during the year under review, Makadara constituency fund incurred totalling Ksh 75,069,568 against an approved budget of Ksh 100,080,848 and thus recorded approximately 75% budget absorption rate and under expenditure of Ksh 24,011,280 or 25%. The reasons for the underutilization is late disbursed of funds Ksh 40,042,358 from CDF board which occurred on 3<sup>rd</sup> May 2016.

### **Committee Observation**

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

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.**



### 3. TRANSFERS TO OTHER GOVERNMENT ENTITIES

The Committee heard that during the year, under review the fund budgeted for Ksh 58,546,240 on the transfers to other government entities but spent Ksh 51,830,314 only resulting in a net under expenditure of Ksh 6,715,926 on the items as detailed below:-

| Item                                     | Budgeted Amount   | Actual Expenditure | Under Expenditure |
|------------------------------------------|-------------------|--------------------|-------------------|
|                                          | Kshs.             | Kshs.              | Kshs.             |
| Kaloleni Primary School – Fence          | 4,650,000         | 5,743,498          | -1,093,498        |
| Bidii Primary School – Fence             | 15,384,964        | 14,510,875         | 874,088           |
| Canon Apollo Primary School – Fence      | 4,535,000         | 0.00               | 4,253,137         |
| Jericho Playgrounds                      | 17,512,193        | 17,846,262         | -334,068          |
| Nile Road Special School                 | 1,039,877         | 325,000            | 714,877           |
| Dr. Kraft Primary School                 | 3,979,309         | 3,979,309          | 0.00              |
| Ofafa Jericho Primary School             | 4,940,380         | 954,100            | 3,986,280         |
| Ofafa Jericho Secondary                  | 500,000           | 80,000             | 420,000           |
| St Patrick's Secondary School            | 0.00              | 200,000            | 200,000           |
| Star Of Hope Secondary                   | 6,540,00          | 3,647,328          | 2,892,672         |
| Ofafa Jericho Primary School Classes     | 6,340,380         | 6,326,130          | 14,250            |
| Nile Road Secondary School               | 1,000,000         | 1,000,000          | 0.00              |
| Kaloleni Health Center - Renovation      | 2,999,515         | 2,538,941          | 460,574           |
| St. Patricks' Secondary School - Toilet  | 0.00              | 360,000            | -360,000          |
| St. Annes Secondary School - Toilet      | 0.00              | 215,000            | -215,000          |
| Aquinas Secondary School Admin & Library | 0.00              | 440,000            | -440,000          |
| <b>Total</b>                             | <b>58,546,240</b> | <b>51,830,314</b>  | <b>6,715,926</b>  |

Consequently, the constituents of Makadara did not obtain benefits from the projects that were budgeted for but not fully implemented during that year.

#### Management Response

The Fund Account Manager informed the Committee that the Status of the projects is as follows-

|   | Item                            | Budgeted Amount | Actual Expenditure | Under Expenditure | Current status                   |
|---|---------------------------------|-----------------|--------------------|-------------------|----------------------------------|
|   |                                 | Kshs.           | Kshs.              | Kshs.             |                                  |
| 1 | Kaloleni primary school – fence | 14,773,151      | 14,773,151         | 0.00              | complete and in use              |
| 2 | Bidii primary school – fence    | 15,655,561      | 14,480,876         | 1,174,686         | complete and in use (balance was |

|    |                                                                     |            |             |           |                                           |
|----|---------------------------------------------------------------------|------------|-------------|-----------|-------------------------------------------|
|    |                                                                     |            |             |           | retention)                                |
| 3  | Canon Apollo primary school – fence                                 | 12,642,973 | 12,642,9730 | 0.00      | complete and in use                       |
| 4  | Jericho playgrounds                                                 | 83,999,452 | 83,449,180  | 550,000   | complete and in use                       |
| 5  | Nile Road special school renovation of                              | 6,539,878  | 5,508,972   | 1,030,905 | complete and in use (balance reallocated) |
| 6  | Dr. Kraft Primary school supply of office furniture                 | 3,979,309  | 3,979,309   | 0.00      | complete and in use                       |
| 7  | Ofafa Jericho primary school rehabilitation of classes              | 11,280,760 | 7,064,226   | 4,216,535 | complete and in use (balance reallocated) |
| 8  | Ofafa Jericho secondary bore hole                                   | 4,000,0000 | 3,600,00    | 400,000   | complete and in use (balance reallocated) |
| 9  | St Patrick's Secondary school toilet block                          | 4,950,000  | 4,330,492.4 | 419,523   | complete and in use (balance reallocated) |
| 10 | Star of Hope Secondary perimeter wall                               | 6,540,000  | 6,540,000   | 0.00      | complete and in use                       |
| 11 | Ofafa Jericho secondary school toilet block                         | 3,700,000  | 3,668,070   | 31,930    | complete and in use (balance reallocated) |
| 12 | Nile road secondary school bus                                      | 1,000,000  | 1,000,000   | 0.00      | complete and in use                       |
| 13 | Kaloleni Health center – Renovation                                 | 3,200,00   | 2,327,686   | 652,313   | complete and in use (balance reallocated) |
| 14 | St. Patricks' Secondary school - renovation of administration block | 5,354,589  | 5,354,589   | 0.00      | complete and in use                       |
| 15 | St. Annes secondary school – toilet                                 | 4,600,000  | 1,705,000   | 2,895,000 | complete and in use (balance reallocated) |



|    |                                             |           |           |         |                                                 |
|----|---------------------------------------------|-----------|-----------|---------|-------------------------------------------------|
| 16 | Aquinas secondary school<br>Admin & Library | 8,860,000 | 8,047,924 | 812,076 | complete and<br>in use (500,000<br>reallocated) |
|----|---------------------------------------------|-----------|-----------|---------|-------------------------------------------------|

It is true during the year under review the fund budgeted for Ksh 58,546,240 on the transfers to other government entities but spent Ksh 51,830,314 only resulting in a net under expenditure of Ksh 6,715,926. The under expenditures are explained as follows;

- (a) Bidii primary school – The balance was retention and was subsequently paid.
- (b) Canon Apollo Primary School fence – The project was completed and all the monies paid in full.
- (c) Nile road special school - The project was completed and all payments paid and a balance of Ksh 1,030,905 reallocated on 3<sup>rd</sup> November 2016.
- (d) Ofafa Jericho primary school – The project was completed and all payments paid and a balance of Ksh 4,216,534.98 reallocated on 3<sup>rd</sup> November 2016.
- (e) Ofafa Jericho secondary bore hole- The project was completed and all payments paid and a balance of Ksh 400,000 reallocated on 2<sup>nd</sup> February 2016.
- (f) Star of hope secondary school –The perimeter wall project was completed and all monies paid.
- (g) Kaloleni Health Center renovations – The project was completed and the balance of Ksh 652,313 reallocated on 3<sup>rd</sup> November 2016.

#### **Committee Observation**

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

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.**

#### **4. OTHER GRANTS AND TRANSFERS**

The Committee heard that constituency budgeted to spend Ksh 31,633,974 on other grants and transfers but only spent Ksh. 14,151,392 resulting in a net under expenditure of Ksh 17,482,582. The programs and project approved for funding under this category were as follows:-



| Item                      | Budgeted Amount   | Actual Expenditure | Under Expenditure |
|---------------------------|-------------------|--------------------|-------------------|
|                           | Kshs.             | Kshs.              | Kshs.             |
| Bursary - secondary       | 5,000,000         | 3,456,100          | 1,543             |
| Bursary – Tertiary        | 10,000,000        | 445,000            | 9,555,000         |
| Roads ( Jogoo lane)       | 580,000           | 580,000            | -                 |
| Sports                    | 1,850,847         | 1,850,000          | 847               |
| Environment               | 2,258,800         | 2,258,800          | -                 |
| Emergency                 | 5,767,647         | 5,561,492          | 206,155           |
| Mutindwa Market           | 2,000,000         | -                  | 2,000,000         |
| Market Sheds              | 1,000,000         | -                  | 1,000,000         |
| Shimo la Tewa bridge      | 2,007,161         | -                  | 2,007,161         |
| High mast street lighting | 1,169,519         | -                  | 1,169,519         |
| <b>Total</b>              | <b>31,633,974</b> | <b>14,151,392</b>  | <b>17,482,582</b> |

The under expenditure and in particular nil expenditure on four projects reflect programs approved but not yet implemented during the year. Consequently, the constituents did not obtain benefits from the projects that were budgeted for but were not implemented during the year.

### **Management Response**

The Fund Account Manager informed the Committee that the constituency budgeted to spend Ksh 31,633,974 on other grants and transfers but only spent Ksh. 14,151,392 resulting in a net under expenditure of Ksh 17,482,582.

- (i) Mutindwa market - the project was resubmitted to Rabai Primary School perimeter fence since it fell under the county government jurisdiction and was on a road reserve.
- (ii) Market sheds- The amount remains unspent to date and the committee will reallocate it in the current financial year.
- (iii) Shimo la Tewa bridge - The contract balance due to the contractor of Ksh 1,010,144.30 was reallocated and balance of Ksh 952,535.30 paid to the contractor.
- (iv) High mast street lighting - This amount related to retention held for project of installation of high mast street lights which the contractor had not yet claimed.

### **Committee Observation**

**The Committee observed that relevant explanations and supporting documents were availed for audit verification and the matter has since been resolved with the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## **5. BURSARIES TO STUDENTS**

The Committee heard that other grants and transfers balance of Kshs 14,151,392 include bursaries totalling Kshs. 3,901,100 to secondary schools and tertiary institutions. However bursary cheques totalling Kshs. 397,000 had not been presented to the intended beneficiaries as

at 30 June 2016. No explanation has been provided for failure to issue cheques to identified beneficiaries

### **Management Response**

The Fund Account Manager informed the Committee that other grants and transfers balance of Ksh 14,151,392 include bursaries totalling Ksh. 3,901,100 to secondary schools and tertiary institutions. However bursary cheques totalling Ksh. 397,000 had not been presented to the intended beneficiaries as at 30 June 2016. The unpresented cheques had been issued late in the financial year (May 2016) and were in the hands of the various beneficiary students and or institutions as at the time of audit. The most cheques were later presented in July.

### **Committee Observation**

**The Committee observed that relevant explanations and supporting documents were availed for audit verification and the matter has since been resolved as confirmed by the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that:**

- (i) The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012;**
- (ii) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and**
- (iii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries.**

### **3.13. MATHARE CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MATHARE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Kevin Macaketch, the current Fund Manager accompanied by Mr. John Tuta and Mr. Joshua Orero who were former Fund Account Managers appeared before the Committee on 8<sup>th</sup> June, 2018 to adduce evidence on the audited accounts of the Mathare Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **FINANCIAL YEAR 2013/2014**

##### **1. LATE DISBURSEMENT OF FUNDS**

The Committee heard that the constituency had an approved budget of Ksh. 68,489,371 which was received in full during the year ended 30th June 2014. However, out of the total receipt of Ksh. 68,489,371 an amount of Ksh. 27,395,748 was received on 02 January 2014 while the balance of Ksh. 41,093,623 was received on 16 May 2014. In the circumstances, the constituency management could not implement its approved projects as planned.

##### **Management Response**

The Fund Account Manager informed the Committee that a substantial portion of the fund was received late into the financial year making it difficult to fully implement projects, due to time constraints at the end of the financial year. However, all the projects were implemented in the subsequent year.

##### **Committee Observation**

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

##### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.**

##### **2. BURSARY ALLOCATION AND DISBURSEMENTS**

The Committee heard that the statement of receipts and payments reflects an expenditure of Kshs 17,234,494 on other grants and transfers. Included in the amount is Ksh. 5,869,142 which was given as bursaries to needy students. However, review of bank reconciliation revealed that cheques amounting to Ksh. 3,004,052 were unrepresented. Several factors were attributed to the failure by the beneficiaries to present the cheques, however no evidence was provided to support the reasons provided



### **Management Response**

The Fund Account Manager informed the Committee that some cheques went stale and other beneficiaries failed to return acknowledgements from the institutions rendering the amount to be as stated above. The matter has since been resolved which is evident in the reconciliation availed for verification. Some cheques have since been returned and replaced due to poor handling by the beneficiaries.

### **Committee Observation**

The Committee observed that there were no proper mechanisms put in place to ensure that once bursary cheques are issued, they reach the intended beneficiaries or institutions on time and acknowledgement receipts issued.

### **Committee Recommendation**

The Committee recommends that:

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;
- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries; and
- (iii) The Fund Account Managers ensures that beneficiary institutions issue acknowledgement document upon receipt of the bursaries.

## **FINANCIAL YEAR 2014/2015**

### **1. SUMMARY STATEMENT OF APPROPRIATION**

The Committee heard that the summary statement of appropriation for recurrent and development combined reflects a receipts and expenditure budget of Ksh.135,391,648 out of which an amount of Ksh.48,904,813 was received from the CDF Board during the year 2014/15. The constituency had an opening cash balance of Ksh. 37,582,023; hence the total available funds amounted to Ksh. 86,486,836. The total funds utilized in the year amounted to Ksh. 85,318,925 or about 98.7% as shown in the report.

#### **Management Response**

The Fund Account Manager informed the Committee that the CDF spent 99% of all the funds at its disposal. The Constituency had budgeted to receive Ksh. 135,391,648, during the financial year; however, Ksh 86,486,836 was received and successfully implemented.

#### **Committee Observation**

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

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.**

### **2. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

The Committee heard that summary statement of appropriation for recurrent and development reflects actual expenditure of Ksh. 12,348,000 under transfers to other government entities, while it had budgeted to spend Ksh. 22,261,769, which represents 55% utilization of budgeted funds. The projects approved for funding under this category and implemented were as indicated in the report. From records availed to us, some of the entities were given insignificant amounts, an indication that funds may not have been adequate. One school is said to have refunded Ksh. 84,000. The CDF Board therefore did not fund the constituency as per its approved budget. No reason was given by the CDF Board for the failure to implement all the projects as per the approved budget.

#### **Management Response**

The Fund Account Manager informed the Committee that some of the projects had not been completed at the time of audit hence only part payments had been paid to the contractors hence the apparent underpayments. The Kshs. 84,000 returned was fund balance for a project that had been completed. The PMC officials therefore returned the money to the main CDF account. An extract of the bank statement confirming the same was availed for audit review.

#### **Committee Observation:-**



The Committee observed that sufficient explanations and supporting documents were availed for audit verification and the matter has since been resolved as confirmed by the Auditor-General.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

### **3. OTHER GRANTS AND TRANSFERS**

The Committee heard that the summary statement of appropriation also reflects an expenditure of Ksh. 60,049,121 under other grants and transfers while the budget for the year was Kshs. 98,499,741.55 resulting to an aggregate under expenditure of Ksh. 38,450,620.55. This represents a 60.96% utilization of funds under grants and other transfers. On site visit to the projects implemented revealed that the constituency did not have sign boards for the projects done during the year, thus making it impossible to confirm whether expenditures incurred were for the financial year under review. An amount of Ksh. 687,525 in excess of what had been budgeted under emergency projects was incurred. However, there is no evidence that the over-expenditure had been approved by the CDF Board.

#### **Management Response**

The Fund Account Manager informed the Committee that utilization of funds was at 60.9% since funds were not received in good time to enable implementation of the financial years' budget. The over expenditure of Ksh. 687,525 in the emergency vote was as a result of an underutilization of the same from the previous financial year. The cash book balance brought forward from financial year 2013/2014 was Ksh 1,167,911. Missing signboards in some of the projects was as a result of vandalism. Plans were underway to have the vandalized signboards replaced.

#### **Committee Observation**

The Committee observed that there was a delay in disbursement of funds from the National Treasury which delayed implementation of the projects budgeted in the financial year.

#### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

### **4. BURSARY ALLOCATIONS AND DISBURSEMENTS**

The Committee heard that the statement of receipts and payments reflects an amount of Ksh. 60,049,121 under other grants and transfers that includes an amount of ksh. 8,805,000 relating to bursaries disbursed to needy students. However, included in this figure are stale cheques



amounting to Ksh. 330,000 relating to bursaries issued to needy students. No justification has been given by management for the unsatisfactory state of affairs.

#### **Management Response**

The figure relating to stale cheques was reversed availing the funds to other needy students. The cashbook extract confirming the same was availed for verification.

#### **Committee Observation**

**The Committee observed that relevant explanations and supporting documents for the reversal of the stale cheques were not availed to the Auditor-General for verification during the Audit. The documents were subsequently availed and the matter has been resolved as confirmed by the Auditor- General.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### **5. CASH AND CASH EQUIVALENTS**

The Committee heard that statements of assets and liabilities reflect an amount of Kshs. 1,167,911 under bank balances, representing total surplus for the period to date. A review of the cash book and bank reconciliation statement revealed the cheques totalling to Ksh. 7,202,822 some dating back to January 2014 had not been presented as at 30th June 2015 with the stale cheques totalling Ksh. 586,232. Quite a number of the unpresented cheques, relates to bursaries while amounts totalling Ksh.266, 232 relates to statutory deductions. Failure to remit these deductions as time may attract interests and penalties. Management has however not provided justification for these anomalies.

#### **Management Response**

The Fund Account Manager informed the Committee that cheques of Ksh 7,202,822 were not presented because the constituency account had been frozen in may due to the imminent by-election following election petition. The cheques were eventually presented and cleared. The stale cheques of Ksh 586,232 were reversed in the cash book and the statutory deductions have also been paid.

#### **Committee Observation**

**The Committee observed that the relevant supporting documents were subsequently availed for audit review and the matter has since been resolved as confirmed by the Auditor- General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 68 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, Financial Year 2015/2016.**

### **1. PRESENTATION AND DISCLOSURES OF THE FINANCIAL STATEMENTS.**

The Committee heard that the statement of compliance and basis for preparation indicate that all values are rounded off to the nearest shilling. However, the figures in the financial statements have not been rounded off to the nearest shilling. The financial statements are therefore, not consistent with the basis of preparation and are not fully in conformity with the format prescribed by the Public Sector Accounting Standard Board.

#### **Management Response**

The Fund Account Manager informed the Committee that the Constituency did not round off the figures in the financial statements to the nearest shilling but presented the actual figures as paid. The omission was noted and the Constituency would ensure this is implemented going forward.

### **Committee Observations**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter has since been resolved as confirmed by the Auditor-General.**

### **Committee Recommendations**

**The Committee recommends that the Fund Account Managers complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements**

### **2. UNEXPLAINED COMPARATIVE FIGURES**

The Committee heard that the differences as specified in the report have been noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30<sup>th</sup> June, 2016 and the balances shown in the audited financial statements for 2014/2015. However, the differences have not been explained in respect to these items. In addition, the natures of the errors and respective amounts of the corrections in these comparative figures have similarly not been disclosed in the notes to the financial statements.

#### **Management Response**

The Fund Accounts Manager informed the Committee that there was a compensating difference in the comparative figures which was brought about by change in vote classification. Goods and Services, Committee Expenses and Social Security were all separate votes in the Previous Financial Year. In the subsequent year in compliance with IPSAS template of PSAB goods and



services was combined with committee expenses while social security was merged with compensation of employees.

### **Committee Observations**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that:-**

- (i) The Fund Account Manager ensures compliance with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and**
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff.**

## **3. CASH AND CASH EQUIVALENTS**

The Committee heard that the statement of assets reflects bank balance of Ksh. 5,690,138 as at 30<sup>th</sup> June 2016. A review of the bank reconciliation statement for June 2016 however revealed un-presented cheques amounting to Ksh. 3,503,120 that were stale and had not been reversed in the cashbook thereby understating the bank balance in the financial statements by the extent of the stale cheques. In the circumstances, the accuracy of the bank balance of Ksh. 5,690,138 as at 30 June 2016 cannot be confirmed.

### **Response**

The Fund Account Manager informed the Committee that stale cheques were all reversed in the subsequent year as evidenced by the cash book extract and bank reconciliation.

### **Committee Observation**

**The Committee observed that relevant explanations and supporting documents were not availed for audit verification at the time of audit. The explanations were subsequently availed and the matter resolved as confirmed by the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## **4. BUDGET AND BUDGETARY PERFORMANCE**

The Committee heard that during the year under review, Mathare Constituency Fund incurred expenditure totalling Ksh. 147,951,413 against an approved budget of Ksh. 104,736,739 resulting in a net over expenditure of Ksh. 43,214,673.



### **Management Response**

The Fund Account Manager informed the Committee that funds allocated for the financial year was Ksh. 104,736,739 while the amount carried forward from the previous year was Ksh. 43,214,673 totalling Ksh 147,951,413. The funds had been duly approved in both financial years.

### **Committee Observation**

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

### **Committee Recommendation**

The Committee recommends that The National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.

### 3.14. ROYSAMBU CONSTITUENCY

#### EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF ROYSAMBU NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016

Ms. Mary Wanyika, the current Fund Account Manager, accompanied by Ms. J. Wangechi, the previous Fund Account Manager appeared before the Committee on 17<sup>th</sup> April, 2018 to adduce evidence on the audited accounts of the Roysambu Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### FINANCIAL YEAR 2013/2014

##### 1. LATE DISBURSEMENT OF FUNDS

The Committee heard that the constituency had an approved budget of Kshs. 65,441,941 for the financial year ended 30<sup>th</sup> June 2014 out of which only Kshs. 32,720,970.00 was received on 7<sup>th</sup> February 2014. The balance amounting to Kshs. 32,720,970.50 had not been received as at the time of the audit. In the circumstances, the constituency could not implement its approved projects during the year under review due to financial constraints.

##### Management Response

The Constituency was informed that the constituency had not received the total allocation as at the time of audit. However, the Constituency has since received the balance of Ksh. 32,720,970.50 A.I.E Ref No. 2013/2014/696 dated 21/07/14).

The projects that were approved for the **Ksh. 32,720,970.50** are as follows:

|                             |                   |
|-----------------------------|-------------------|
| Kahawa Secondary School     | Ksh.8, 350,000.00 |
| Kiwanja Secondary School    | Ksh.8, 350,000.00 |
| Prefabricated Houses        | Ksh. 4,482,759.00 |
| Highmast Security Lights    | Ksh.6, 696,000.00 |
| Garden Estate Secondary Sch | Ksh.2, 715,000.00 |

Both Kahawa and Kiwanja Secondary Schools funds were re-allocated and prefabricated houses were constructed in Marurui Health Centre. In addition, Highmast Security Lights were installed at Zimmerman, Githurai and Njathaini. However, Marurui high mast security light was not done. The county had installed one by the time the constituency was ready to do it. The NG-CDFC requested for reallocation of these funds to Roysambu Secondary School and Thome Police Post. Finally, Garden Estate Sec School (Phase I) is complete and in use.

##### Committee Observation



The Committee observed that the under-utilization of funds was due to late disbursement of funds by the the National Treasury.

#### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.

## **2. BURSARY ALLOCATION AND DISBURSEMENTS**

The Committee heard that the constituency had an allocation of Ksh. 9,290,875 for bursaries. However, only Ksh. 5,000,000.00 was paid out to beneficiaries. Examination of reconciliation statements revealed that as at 30<sup>th</sup> June 2014, cheques totalling Ksh. 345,000.00 were unrepresented. At the same time, cheques worth Ksh. 1,645,000.00 were cancelled and replaced. No reason was given for the failure to present the bursary cheques or cheque replacements.

#### **Management Response**

The Fund Account Manager informed the Committee that the constituency issued bursaries in two phases. Phase I targeted secondary schools beneficiaries which utilized Ksh. 5,000,000.00. As at the time of audit, the constituency had not received funds to cater for phase II targeting tertiary institutions. However, after the constituency received funds, the balance of Ksh. 4,290,875.00 meant to cater for tertiary institutions was disbursed to the beneficiaries.

A total of Ksh. 345,000.00 formed the unrepresented cheques. These were the issued bursaries to the beneficiaries but had not presented though still valid. The office had to wait until the lapse of six months when a cheque becomes stale and reverse in the cash book for reissuance.

A total of Ksh. 1,645,000 formed the cancelled and replaced cheques. This was caused by: The name of the beneficiaries' institutions was written as per the information provided in the bursary forms by the applicants hence missing the correct details.

The transfers from one school to another by the beneficiaries without informing the office hence cancelling the former school as indicated in the bursary form and rewriting as per the new records or The amount was reversed in the cashbook and issued using the correct details. A breakdown of the cancelled and replaced cheques was availed for audit review.

#### **Committee Observation**

The Committee observed that relevant explanations and supporting documents for the unrepresented and cancelled cheques were not availed to the Auditor General for verification during the Audit. The documents were subsequently availed and the matter has been resolved as confirmed by the Auditor-General.



### **Committee Recommendation**

**The Committee recommends that:-**

- (i) The Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012;**
- (ii) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and**
- (iii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries.**

## FINANCIAL YEAR 2014/2015

### 1. BUDGET AND BUDGETARY CONTROLS

The Committee heard that the summary statement of appropriation reflects receipts from CDF Board totalling of Ksh. 79,317,315 against the budget amount of Ksh. 99,566,281. The fund had a cash opening balance of Ksh. 6,361,593, thus making total available funds of Ksh. 85,690,908 or about 86% of other budget. However, out of the Ksh. 85,690,908 available funds, the fund utilized Ksh. 65,623,605 or about 77.7% as detailed below.

| Item                                 | Budgeted amount<br>(Kshs.) | Actual Expenditure<br>(Kshs) | Under Expenditure<br>(Kshs) |
|--------------------------------------|----------------------------|------------------------------|-----------------------------|
| Compensation of employees            | 2,046,727                  | 1,107,141                    | 939,586                     |
| Use of Goods                         | 5,624,725                  | 5,048,986                    | 575,739                     |
| Committee Allowances                 | 3,715,890                  | 3,699,250                    | 16,640                      |
| Transfers to other Govt Institutions | 33,435,633                 | 27,593,949                   | 5,841,684                   |
| Other Grants and Transfers           | 48,213,306                 | 27,154,279                   | 21,059,029                  |
| Social Security Benefits             | 30,000                     | 22,000                       | 8,000                       |
| Acquisition of Assets                | 6,500,000                  | 998,000                      | 5,502,000                   |
| TOTAL                                | 99,566,281                 | 65,623,605                   | 33,942,676                  |

### Management Response

The Fund Account Manager informed the Committee that as at the time of audit, the constituency had received funds as follows:

1. 21.07.2014 Ksh. 32, 720,970.50
2. 03/03/2015 Ksh. 23, 298,172.00
3. 25/05/2015 Ksh. 23, 298,172.00

The constituency had not utilized Ksh. 33,942,676 as indicated above. However the constituency received Ksh. 23,298,172.00 on 03/03/2015. The constituency was therefore preparing for procurement process and thereafter disbursement of funds to various PMCs for project implementation. The balance of Ksh.10, 644,504.00 was meant for the projects that were pending in the previous financial year 2013/14 and had not yet been implemented due to the following:-

#### a) Prefabricated staff houses Ksh. 4,482,759.00

Roysambu has only two existing health centers (Marurui & Kahawa). The available space is limited to further development given the nature of health institutions. The engineer took time to study the two locations with the existing infrastructure to ensure minimal interference. Through the guidance of the technical team, the NG-CDFC settled on Marurui Health Center. The project has been completed and handed over to the user. The office is waiting for the final payment to the contractor henceforth, completion certificate to be issued by the Public Works Officer. The constituency made three payments amounting to Ksh. 3,021,384 made against the public works certificates. The project is complete.

**b) Boda boda sheds                      Ksh. 4,824,215.00**

Boda boda sheds were not implemented since the proposed locations (Safari Park, Githurai) interfered with the Thika Superhighway while Zimmerman (along Kamiti Rd) was earmarked for expansion while Marurui location is along by pass which KENHA was against. The funds were reallocated to Njathaini Pry School for Construction of Classrooms.

**c) High Mast Security Light                      Ksh. 1,337,530.00**

The constituency had proposed Highmast Security light in 4 locations (Githurai, Zimmerman, Njathaini and Marurui. Due to inadequate funds allocated to this project, they were done in phases as the office did arrangements for more funding. By the time Marurui Highmast was being done, the County Government had installed one. The NG-CDFC decided to reallocate the funds to Roysambu Secondary School and Thome Police Post.

**Committee Observation**

**The Committee observed that the delay in project implementation was occasioned by late disbursement of funds by the National Treasury.**

**Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely releases to constituencies.**

**2. LOW ABSORPTION OF FUNDS**

The Committee heard that as at 30<sup>th</sup> June 2015, the fund closed with a cash balance of Ksh. 20,067,302 or 44% of the projects not implemented. No reason was given for the failure to implement the projects to the extent of the available funds.

**Management Response**

The Fund Account Manager informed the Committee that the constituency had a cashbook balance of Ksh. 20,067,302 as at the time of audit. The constituency received Ksh. 23, 298, 172 on 25/05/2015 towards the end of the F/Y. When the audit team visited the constituency, the procurement process was on going. The actual implementation was thus done in the following financial year i.e. 2015/16. The following projects benefited with the balance of Ksh. 20,067,302 as follows:

|    |                          |                         |
|----|--------------------------|-------------------------|
| a) | Githurai Kamuthi Bridge  | Kshs. 10,000,000        |
| b) | Githurai Chiefs/AP Camp  | Kshs. 3,298,172         |
| c) | Njathaini Primary School | Kshs. 837,931           |
| d) | Strategic Plan/Website   | Kshs. 2,300,000         |
| e) | Sports                   | Kshs. 1,863,853         |
| f) | Environment              | Kshs. 1,863,853         |
|    | <b>TOTAL</b>             | <b>Kshs.20, 163,809</b> |

All the projects were reported as completed.



### **Committee Observation**

The Committee observed that while the low absorption of funds was occasioned by late disbursement of funds by the National Treasury. In addition, the Fund Account Manager failed to provide relevant supporting explanations and documents for the non-implementation. However, the matter has since been resolved as reported by the Auditor-General.

### **Committee Recommendation**

The Committee Recommends that:

- (i) The the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies; and
- (ii) The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## **3. IMPLEMENTATION OF PROJECTS**

### ***Transfers to other Government Entities***

The Committee heard that the summary statement of appropriation reflects an expenditure of Kshs. 33,435,633 against actuals of Kshs. 27,593,949 under transfers to other Government Entities, resulting to over expenditure of Kshs. 5,841,684. A review of the Project Proposal for 2014/2015 submitted to the CDF Board reflect different figures from the figures reflected in the financial statements as shown below:-

| <b>Project</b>                                                                             | <b>Budgeted Amount (Kshs.)</b> | <b>Actual Expenditure (Kshs.)</b> | <b>Under Expenditure (Kshs.)</b> | <b>Over Expenditure (Kshs.)</b> |
|--------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| Njathaini Pry School                                                                       | 1,337,931                      | 729,916                           | 608,015                          | -                               |
| Garden Estate Sec Sch                                                                      | 13,383,878                     | 18,864,033                        | -                                | 5,480,155                       |
| Kiwanja Polytechnic                                                                        | 4,908,765                      | -                                 | 4,908,765                        | -                               |
| Zimmerman Sec Sch                                                                          | 8,000,000                      | 8,000,000                         | -                                | -                               |
| Thome Police Post                                                                          | 700,000                        | -                                 | 700,000                          | -                               |
| Githurai Chiefs Post                                                                       | 3,298,172                      | -                                 | 3,298,172                        | -                               |
| Kahawa West Market Shades                                                                  | 3,748,632                      | -                                 | 3,748,632                        | -                               |
| <b>Total as per supporting records</b>                                                     | <b>35,377,378</b>              | <b>27,593,949</b>                 | <b>13,263,584</b>                | <b>5,480,155</b>                |
| <b>Total as per summary statement of appropriation, statement of receipts and payments</b> | <b>33,453,633</b>              | <b>27,593,949</b>                 | <b>13,263,584</b>                | <b>5,480,155</b>                |
| <b>Unexplained difference</b>                                                              | <b>1,923,745-</b>              | <b>-</b>                          | <b>-</b>                         | <b>-</b>                        |

No explanation has been provided for the Ksh. 1,923,745 difference. The Ksh. 5,480,455 over expenditure on Garden Estate Secondary School was not authorized by the CDF Board as no supporting documents were availed to that effect.

### Management Response

The Fund Account Manager informed the Committee that the summary statement of the appropriation, transfers to other Government units as per the supporting documents was Kshs. 35,377,378 while the summary statement recorded Kshs. 33,435,632 giving a difference of Kshs. 1,941,746. The statement of appropriation has been amended to reflect the correct figure of Kshs. 35,377,378 giving a nil difference.

On the issue of Garden Estate having an over expenditure of Ksh. 5,480, 155, is as explained below.

- The budget for the F/Y 2014/2015 was Ksh. 13,383,878.00 hence no over expenditure
- The NG-CDFC had requested for a reallocation of Ksh. 2,764,466.00 to this school
- There was a balance of Ksh. 2,715,688.00 from the previous F/Y 2013/2014 which was spent in the following F/Y.

This in total gives Ksh.5, 480,155.00 henceforth a total of Ksh. 18,864,032.00 as the actual budget for that year.

### Committee Observation

The Committee observed that the Fund Account Manager had not provided approvals and other relevant documents to support the over-expenditure to the Auditor-General for verification at the time of audit. However, the documents were later availed and the matter has since been resolved as confirmed by the Auditor-General.

### Committee Recommendation

The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

### Other Grants and Transfers

The Committee heard that the summary statement of appropriation reflects an expenditure budget of Ksh.48, 213,306 against actuals of Ksh. 27,154,279 on other grants and transfers, resulting to under expenditure of Ksh. 21,059,027. It was further observed that details on budget as reflected in the summary statement of appropriation and as disclosed in the CDF project proposal submitted to the CDF Board differ in amounts as detailed below:

| Project                                                                             | Budgeted Amount (Kshs) | Actual Expenditure (Kshs) | Under Expenditure (Kshs) |
|-------------------------------------------------------------------------------------|------------------------|---------------------------|--------------------------|
| Bursary/Tertiary Institutions                                                       | 23,290,875             | 23,175,000                | 115,875                  |
| Emergency Projects                                                                  | 5,400,259              | 349,500                   | 5,050,759                |
| Electricity                                                                         | 4,423,061              | 3,629,779                 | 793,282                  |
| Sports                                                                              | 1,863,854              |                           | 1,863,854                |
| Environment                                                                         | 1,863,854              |                           | 1,863,854                |
| Strategic Plan                                                                      | 1,800,000              |                           | 1,800,000                |
| Constituency Website                                                                | 500,000                |                           | 500,000                  |
| Githurai Kamuthi Bridge                                                             | 18,000,000             |                           | 18,000,000               |
| Kiwanja Community                                                                   | 3,000,000              |                           | 3,000,000                |
| Total Expenditure per supporting Documents                                          | 60,141,903             | 27,154,279                | 32,987,624               |
| Unsupported Variances (Balancing Figure)                                            | (11,928,597)           | -                         | -                        |
| Total per summary Statement of appropriation and statement of receipts and payments | 48,213,306             | 27,154,279                | 32,987,624               |



Under the circumstances, the completeness and accuracy of the budgeted figures presented in the financial statements could not be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that unsupported variance of Ksh. 11,928,597 was as a result of the balances brought forward from the previous F/Y 13/14 which formed part of the expenditure during the F/Y in subject as per the following is the breakdown:

|    |                    |                         |
|----|--------------------|-------------------------|
| a) | Bursary            | 13/14 -Ksh. 4,290,000   |
| b) | High mast Security | 13/14 -Ksh.2,814,182    |
| c) | Boda boda sheds    | 13/14- Ksh. 4,824,415   |
|    | <b>TOTAL</b>       | <b>Kshs.11, 928,597</b> |

### **Committee Observation**

**The Committee observed that the Fund Account Manager had provided sufficient explanations for the variance and the matter has since been resolved as confirmed by the Auditor-General.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures compliance with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.**

## **4. BURSARY DISBURSEMENT**

The Committee heard that the statement of appropriation reflects an expenditure of Ksh. 27,154,259, under other grants and transfers which includes bursaries amounting to Ksh. 23,175,000. As at 30<sup>th</sup> June, there were cheques amounting to Ksh. 573,000 relating to bursaries some dated as far as July 2014 that had not been presented for payment. No justification was provided for having bursary cheques issued to needy students but not presented for payment.

### **Management Response**

The Fund Account Manager informed the Committee that at the time of audit, there were unpresented cheques totalling to Ksh. 573,000. The constituency dispatches cheques to beneficiaries who happened to have not presented the cheques as at the time of audit but the cheques were still valid. The Constituency issues together with the cheque a covering letter indicating that the cheque should be presented within six months.

### **Committee Observation**

**The Committee observed that the management has since taken steps to ensure that Bursary Cheque beneficiaries are well advised to ensure the cheques are presented on time. The Committee further observed that relevant explanations were provided to the Auditor General and the matter has been resolved.**



### **Committee Recommendation**

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and**
- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries.**

### **5. CASH AND CASH EQUIVALENTS**

The Committee heard that the statement of assets and liabilities as at 30<sup>th</sup> June 2015 reflects an amount of Ksh. 20,067,302 under cash and cash equivalents. A review of the cashbook and the bank statements reflects unpresented cheques totalling Ksh. 6,361,593 as at the end of the year, which included stale cheques amounting to Ksh.814, 748. These cheques had not been written back in the cashbook thus understating the balance. Consequently, the cash and cash equivalents balance of Ksh. 6,361,593 had been understated by Ksh. 814,748.

### **Management Response**

The Fund Manager informed the Committee that there was delay in reversing the cheques as balances could not be confirmed at the time. The stale cheques were reversed later together with others on February 2016.

### **Committee Observation**

**The Committee observed that the management has since availed the relevant explanations to the Auditor General for verification and the matter has been resolved.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.**

## FINANCIAL YEAR 2015/2016

### 1. PRESENTATION AND DISCLOSURES OF FINANCIAL STATEMENTS (COMPARATIVE BALANCES)

The Committee heard that the following differences have been noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30<sup>th</sup> June 2016 and the balances shown in the audited financial statements for 2014/2015.

| Item                      | 2015/2016 Comparative figures<br>for 2014/2015<br>Kshs. | 2014/2015 Audited<br>Balance<br>Kshs. | Variance<br>Kshs. |
|---------------------------|---------------------------------------------------------|---------------------------------------|-------------------|
| Use of goods and Services | 8,748,236                                               | 5,048,986                             | 3,699,250         |
| Committee Expenses        | -                                                       | 3,699,250                             | (3,699,250)       |
| Social Security           | -                                                       | 22,000                                | (22,000)          |

However, contrary to the requirements of paragraph 1.4.19 and 1.5 of the IPSAS Cash Basis reporting framework, no disclosures have been made in the notes to the financial statements to indicate that comparative information relating to the above specific items is rested. In addition, the natures of the error and the respective amounts of the correction for these items have not been disclosed.

#### Management Response

The Fund Account Manager informed the Committee that the inaccuracies were as a result of the new reporting format of the financial statement in 2015/2016. The template issued by the National Treasury on preparation of financial statements for financial year 2015/2016 was different from the one used in the preparation of financial statements for financial year 2014/2015. In the new template compensation of employees includes both the compensation of employees and social security benefits while the use of goods and services includes both the use of goods and services and the payment of committee expenses. We note the omission of an explanatory note in the financial statements.

From the analysis below, the variances are balancing i.e. for the use of goods and services included both the goods and services and the payment of committee of expenses (5,048,986+3,699,250) while the social security benefits was classified separately in the F/Y 2014/2015 but in the F/Y 2015/2016, the items were combined with compensation to employees.

| Item                      | 2015/2016<br>2014/2015 Kshs. | Comparative<br>for<br>2014/2015<br>Kshs. |
|---------------------------|------------------------------|------------------------------------------|
| Use of goods and Services | 8,748,236                    | 5,048,986                                |
| Committee Expenses        | -                            | 3,699,250                                |
| Social Security           | -                            | 22,000                                   |

### **Committee Observations**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.

### **Committee Recommendation**

The Committee recommends that:-

- (i) The Fund Account Manager ensures compliance with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff.

## **2. OTHER INACCURACIES**

The Committee heard that the following differences have been noted between the figures reflected in the financial statements and the supporting schedules.

| Item                          | Balance in the<br>Financial Statements | Balance in the<br>supporting Schedules | Difference  |
|-------------------------------|----------------------------------------|----------------------------------------|-------------|
| Compensation of the employees | 1,233,042                              | 1,358,035                              | (124,993)   |
| Use of goods and services     | 6,901,283                              | 8,701,283                              | (1,800,000) |
| Acquisition of assets         | 2,300,000                              | 500,000                                | 1,800,000   |

Consequently, the accuracy of the financial statements for the year ended 30<sup>th</sup> June 2016 cannot be confirmed.

### **Management Response**

Fund Account Manager informed the Committee that the template issued by the National Treasury on preparation of financial statements for financial year 2015/2016 was different from the one used in the preparation of financial statements for financial year 2014/2015. In the new template compensation of employees includes both the compensation of employees and social security benefits while the use of goods and services includes both the use of goods and services and the payment of committee expenses. We note the omission of an explanatory note in the financial statements.



From the analysis below, the variances are balancing i.e. for the use of goods and services included both the goods and services and the strategic plan which was treated as a good and not as an asset (6,901,283+1,800,000) while the constituency website was classified separately since it is an asset.

#### **Committee Observations**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that:-**

- (i) The Fund Account Manager ensures compliance with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and**
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff.**

### **3. CASH AND CASH EQUIVALENTS**

The Committee heard that the financial statement reflects cash and cash equivalent balance of Ksh. 34,090,484. Examination of the bank reconciliation statement for the year ended 30<sup>th</sup> June 2016 revealed unpresented cheques amounting to Ksh. 2,289,915.80 out of which cheques totalling Ksh. 181,915 were stale and had not been reversed in the cashbook as at 30<sup>th</sup> June 2016. Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 34,080,484 as at 30<sup>th</sup> June 2016 cannot be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that at the time of audit, the unpresented cheques totalling Ksh. 2,289,915.80 out of which 181,915.00 were stale. These bursary cheques were held by individual beneficiaries or in the institutions. . The constituency dispatches cheques to beneficiaries who happened to have not presented the cheques as at the time of audit but the cheques were still valid. The Constituency issues together with the cheque a covering letter indicating that the cheque should be presented within six months. However, they were reversed and issued to other beneficiaries.

#### **Committee Observation**

**The Committee observed that the management has since taken steps to ensure that bursary cheque beneficiaries are well advised to ensure the cheques are presented on time. The Committee further observed that relevant explanations were provided to the Auditor-General and the matter has been resolved.**

### **Committee Recommendation**

The Committee recommends that:

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and
- (ii) The National Government Constituencies Development Fund Board fast-track the adoption of electronic funds transfer in disbursement of bursaries.

### **4. BUDGET AND BUDGETARY CONTROLS**

The Committee heard that during the year under review, Roysambu Constituency Fund incurred expenditure totalling Ksh. 81,640,396 against an approved budget of Ksh. 165,321,440 and thus recorded approximately 49% budget absorption rate and under expenditure of Kshs. 83,681, 044 as shown in the table:

| Receipt/ Expense Item               | Final Budget Kshs. | Actual on comparable Basis Kshs. | Budget Utilization Difference Kshs. | % of Utilization |
|-------------------------------------|--------------------|----------------------------------|-------------------------------------|------------------|
| <b>RECEIPTS</b>                     |                    |                                  |                                     |                  |
| Transfers from the Board            | 165,301,440        | 115,710,880                      | 49,590,560                          | 70               |
| Other receipts                      | 20,000             | 20,000                           | 0                                   | 0                |
| <b>TOTAL</b>                        | <b>165,321,440</b> | <b>115,730,880</b>               | <b>49,590,560</b>                   | <b>70</b>        |
| <b>PAYMENTS</b>                     |                    |                                  |                                     |                  |
| Compensation of employees           | 1,554,600          | 1,233,042                        | 321,558                             | 79               |
| Use of goods and services           | 7,822,801          | 6,901,283                        | 921,518                             | 88               |
| Transfers to other Government Units | 80,200,000         | 16,571,111                       | 63,628,889                          | 21               |
| Other Grants and Transfers          | 75,744,039         | 54,634,960                       | 21,109,079                          | 72               |
| Acquisition of Assets               | -                  | 2,300,000                        | (2,300,000)                         | 0                |
| <b>TOTAL</b>                        | <b>165,321,440</b> | <b>81,640,396</b>                | <b>83,681,044</b>                   | <b>49</b>        |

The under expenditure was mainly on the following projects which were not implemented.

| Project                          | Year      | Budgeted Amount Kshs. | Actual Expenditure Kshs. | Over/Under Expenditure Kshs. |
|----------------------------------|-----------|-----------------------|--------------------------|------------------------------|
| Kamiti Sec Sch                   | 2015/2016 | 6,500,000             | 0                        | 6,500,000                    |
| Kiwanja Sec Sch (Phase II)       | 2015/2016 | 5,000,000             | 0                        | 5,000,000                    |
| Kiwanja Sec Sch "Ablution Block" | 2015/2016 | 4,500,000             | 0                        | 4,500,000                    |
| Garden Estate Sec Sch            | 2015/2016 | 3,500,000             | 0                        | 3,500,000                    |
| Kiwanja Sec Sch "Phase I"        | 2015/2016 | 4,700,000             | 0                        | 4,700,000                    |
| Garden Estate Sec Sch"Phase      | 2015/2016 | 5,000,000             | 0                        | 5,000,000                    |



|                       |           |                   |          |                   |
|-----------------------|-----------|-------------------|----------|-------------------|
| 3"                    |           |                   |          |                   |
| Garden Estate Sec Sch | 2015/2016 | 2,000,000         | 0        | 2,000,000         |
| Githurai Pry Sch      | 2015/2016 | 5,000,000         | 0        | 5,000,000         |
| Kahawa Pry Sch        | 2015/2016 | 4,000,000         | 0        | 4,000,000         |
| Mahiga Pry Sch        |           | 6,500,000         | 0        | 6,500,000         |
| Muthaiga Pry Sch      | 2015/2016 | 3,000,000         | 0        | 3,000,000         |
| Garden Estate Sec Sch | 2014/2015 | 3,431,841         | 0        | 3,431,841         |
| Kiwanja Polytechnic   | 2014/2015 | 4,908,765         | 0        | 4,908,765         |
| Njathaini Pry Sch     | 2014/2015 | 500,000           | 0        | 500,000           |
| <b>TOTAL</b>          |           | <b>58,540,606</b> | <b>0</b> | <b>58,540,606</b> |

The under expenditure is an indication of failure to utilize funds fully and approved programs not implemented. The budget did not therefore; fully meet the objectives of improving delivery of services to the residents of Roysambu Constituency.

### Management Response

The Fund Account Manager informed the Committee that there was under expenditure therefore not fully meeting the objectives of the fund. This was occasioned by late receipt of funds from the Board. The funds were received as follows;

Funds received are as follows

|                                  |                       |
|----------------------------------|-----------------------|
| 28/10/2015                       | 46,596,344.00         |
| 31/12/2015                       | 19,047,234.00         |
| 03/05/2016                       | 30,000,000.00         |
| Total transferred from the board | 95,643,578.00         |
| Add other receipts               | 20,000.00             |
|                                  | 95,663,578.00         |
| Opening Balance F/Y 15/16        | 20,067,302.17         |
| <b>TOTAL ACTUAL BUDGET</b>       | <b>115,710,880.17</b> |

The procurement process started immediately after the funds were received. All the said projects have been completed and are in use apart from Kiwanja Polytechnic and Garden Estate Secondary School Ablution Block. In Kiwanja Polytechnic; funds were reallocated to Roysambu Secondary School.

In Garden Estate Secondary School Ablution Block, the funds were insufficient due to change of design by the Project Manager. The initial plan was to have the ablution block set far away from where the classrooms were of which the funds allocated would be enough. However, after consultation with the user, donor and the technical team, it was recommended that it can be done next to the main study block with installation of a bio-digester instead of septic. The Bio-digester that performs better than septic would require more funds while its foundation would also take more in terms of funds since the ablution block would be constructed upwards just as



the classrooms. The project was therefore put on hold until the constituency sought for more funds. The constituency has however considered the project for additional funds in the financial year 17/18.

**Committee Observation**

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

**Committee Recommendation**

**The Committee recommends that the National Treasury should expedite the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **3.15. RUARAKA CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR RUARAKA NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

Mr. Job Tuta, the current Fund Account Manager, accompanied by Mr. Josuah Orero, the previous Fund Account Manager appeared before the Committee on 8<sup>th</sup> June, 2018 to adduce evidence on the audited accounts of the Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **SUBMISSIONS FOR THE FINANCIAL YEAR 2013/2014**

##### **1. USE OF GOODS AND SERVICES**

The Committee heard that the statement of receipts and payments reflects an amount of Ksh. 3,013,409 under use of goods and services. However, out of the amount, expenditure totalling Ksh. 1,443,000 was not supported by documents and analysis.

##### **Management Response**

The Fund Account Manager informed the Committee that payment vouchers and analysis for each of the items specified amounting to Ksh. 1,443,000 have been availed to the auditors for verification.

##### **Committee Observation**

The Committee observed that the management did not avail all the relevant documents to the Auditor General for verification at the time of Audit.

##### **Committee Recommendation**

The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

##### **2. DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS AND SUPPORTING SCHEDULES**

The Committee heard that the statement of receipts and payments reflects an amount of Ksh. 2,797,500 and Ksh. 11,727,500 under committee meeting allowances and other grants and transfers, which differs with the supporting analysis of Kshs.2,807,500 and Ksh.10,887,500 by Ksh.10,000 and Ksh.840,000 respectively. The financial statements may therefore be misstated

with the differences, and the management has not provided explanations or analysis for this differences.

#### **Management Response**

The analyses of the balance have been provided to Auditors at Ksh. 2,797,500 and Ksh. 11,727,500 for committee meeting allowances and other grants and transfers respectively.

#### **Committee Observation**

**The Committee observed that the management did not provide explanations or analysis on the differences between the financial statements and supporting schedules. The matter has since been resolved with the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager should comply with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information.**



## **FINANCIAL YEAR 2014/2015**

### **1. BUDGET AND BUDGETARY CONTROLS**

The Committee heard that the summary statement of appropriation recurrent and development expenditure reflects a receipt and expenditure budget of Ksh. 112,265,286. Actual receipts from the CDF Board during the year amounted to Ksh. 86,044,881, (2013/14 Kshs.7,820,636) resulting to total funds of Ksh. 93,865,517 available for the year or about 83.61% of the budget. However, although the C.D.F had cash of Ksh.93,865,517, it utilized only Ksh. 78,079,036 or about 83%

#### **Management Response**

The Constituency received the last disbursement from the Board of Ksh. 10,717,488.5 on 29/5/2015 hence explaining the low absorption of available funds. The board disbursed the balance of Ksh. 44,239,403 for financial year 2014/2015 on 1/12/2015 hence the under-expenditure of Ksh. 34,186,250.

#### **Committee Observation**

**The Committee observed that the under-expenditure was due to late disbursement of funds by the National Treasury.**

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **2. IMPLEMENTATION OF PROJECTS**

#### ***Transfers to Other Government Entities***

The Committee heard that the Constituency budgeted to spend Ksh. 1,837,931 on transfers to other government entities but only spent kshs 1,250,000 resulting to under expenditure of Ksh. 587,931.

#### **Management Response**

The Fund Account Manager informed the Committee that the Board disbursed the balance of Ksh. 44,239,403 for financial year 2014/2015 on 1/12/2015 hence the under expenditure of Ksh. 31,218,486.

#### **Committee Observation**

**The Committee observed that the under expenditure was due to late disbursement of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### ***Other Grants and Transfers***

The Committee heard that the constituency budgeted to spend Ksh 87,871,776 on other Grants and transfers but only spent Ksh 56,653,309 resulting to under expenditure of Kshs 31,218,466 as detailed in the report.

### **Management Response**

The Fund Account manager informed the Committee that the Board disbursed the balance of Ksh. 44,239,403 for financial year 2014/2015 on 1/12/2015 hence the under expenditure of Ksh. 31,218,486.

### **Committee Observation**

**The Committee observed that the under expenditure was due to late disbursement of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies**

## **3. . REVENUE**

The Committee heard that the constituency budgeted to receive Ksh. 112,265,286 but only realized Ksh. 86,044,881 resulting to underfunding of Ksh. 26,220,405, a 33% shortfall in transfers from the constituency development fund board. The management did not explain the reasons for not realizing the funds as budgeted and implementing the projects as planned.

### **Management Response**

The Fund Account manager informed the Committee that the board disbursed to the constituency the balance of Ksh. 44,239,403 for financial year 2014/2015 on 1/12/2015 thus it was not possible to realize the funds and implementing the projects as planned.

### **Committee Observation**

**The Committee observed that the under expenditure was due to late disbursement of funds by the National Treasury.**



### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.

#### **4. IRREGULAR PAYMENTS TO A NON-EMPLOYEE THROUGH THE CONSTITUENCIES PAYROLL**

The Committee heard that during the year under review, the Constituency Development Fund paid Ksh. 1,522,604 towards the compensation of employees. Further analysis produced for audit review showed that Ksh 90,000 was paid to non – employee in the preparation of the strategic plan which was contracted. This was against financial regulations.

### **Management Response**

The Committee was informed that the management had instituted measures to recover the above amount of Ksh 90,000.

### **Committee Observation**

The Committee observed that:

- (i) The payment amounting to Ksh.90,000 was irregularly made to a non-employee of the NG-CDF Board through the payroll; and
- (ii) The Fund Account Manager who effected the payment was no longer working with the Board and that his final dues had not been paid.

### **Committee Recommendation**

The Committee recommends that:

- (i) The Fund Account Manager ensures that all payments to staff are done as per the applicable policy guidelines; and
- (ii) The NG-CDF Board recovers the money from the unpaid dues of the Fund Account Manager who effected the irregular payments.

#### **5. FAILURE TO PRODUCE DOCUMENTS TO SUPPORT ACQUISITION OF ASSETS**

The Committee heard that the constituency development statement of receipts and payments had a balance of assets amounting to Ksh 8,440,167. Documents to support payments made to Wintel computer services of Ksh 985,000 for purchase of computers were not presented for audit review. The computers were not physically verified or seen by the time of concluding the audit. The expenditure of Ksh 985,000 was not confirmed.



**Management Response**

The Fund Account Manager informed the Committee that documentary evidence for payment to Wintel computer services amounting to Ksh 985,000 for the supply of computers has been availed to the auditor General.

**Committee Observation**

The Committee observed that the Fund manager did not avail relevant supporting documents to the Auditor General for audit verification during the time of audit. The documents were availed and the matter has since been resolved as confirmed by the Auditor-General.

**Committee Recommendation**

The Committee recommends that the Fund Account Manager ensures strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

## **SUBMISSION FOR THE FINANCIAL YEAR 2015/2016**

### **1. INCONSISTENT VALUES/FIGURES**

#### ***Unexplained Comparative Figures***

The statement of compliance and basis for preparation indicate that all values are rounded off to the nearest shilling. However the figures in the financial statements have not been rounded off to the nearest shilling. The financial statements are therefore, not consistent with the basis of preparation and are not fully in conformity with the format prescribed by the Public Sector Accounting Standard Board.

#### **Management Response**

It is true that there was a difference of Ksh 4,311,000 for Use of goods and Compensation of employees of Ksh. 21,600 in the comparative figures (2014/2015) reflected in the financial statements for the year ended 30<sup>th</sup> June 2016 and the balances shown in the audited Financial Statements for 2014/15.

#### **Committee Observations**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information.

### **2. TRANSFER FROM CDF BOARD**

The Committee heard that the summary statement of appropriation reflects transfers of Ksh. 111,025,883 from the Constituencies Development Fund Board while the statement of receipts and payments reflects Ksh. 95,239,403 resulting in an unexplained difference of Ksh. 15,786,480. Consequently, the accuracy of the transfers cannot be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that this was brought about by the change of votes classification in 2015/2016 where committee allowances was reclassified under use of goods and services while social security was reclassified under compensation of employees in compliance with the template issued by the Public Sector Accounting Standards Board

The Ksh. 15,786,480 is the cash and cash equivalents for the financial year 2014/2015 brought forward to 2015/2016.

#### **Committee Observations**



The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.

#### **Committee Recommendation**

The Committee recommends that-

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information; and
- (ii) The National Government Constituencies Development Fund in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on IPSAS financial reporting standards for staff at the constituency.

### **3. BUDGET AND BUDGETARY PERFORMANCE**

The Committee heard that during the year under review, Ruaraka Constituency Fund incurred expenditure totalling Ksh. 113,977,499 against an approved budget of Ksh. 162,173,353 resulting in under expenditure of Ksh. 48,195,854. The under expenditure is an indication of funds not utilized fully and approved programs not implemented.

#### **Management Response**

The Fund Account Manager informed the Committee that projects were not implemented in time due to transition from CDF Act, 2013 to NG-CDF Act, 2015 required appointment of new NG-CDFC members hence delays in project implementation and late/delayed disbursement of funds from CDF Board.

#### **Committee Observation**

The Committee observed that the under expenditure was due to delays occasioned by the transition from the CDF Act, 2013 to the NG-CDF Act, 2015.

The Committee agreed with the management response that the National Government Development Fund Committees had to be reconstituted to align with the National Government Development Fund Act, 2015 and the National Government Constituencies Development Fund Regulations, 2016.

The projects were however implemented after the new Constituency Committees were formed. The matter has since been resolved with the Auditor-General.

#### **Committee Recommendation**

The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies



#### **4. IMPLEMENTATION OF PROJECTS**

##### ***Transfers to other Government Agencies***

The Committee heard that the constituency had budgeted Kshs 58,160,424 on Transfers to Other Government Entities out of which Kshs. 13,247,931 was utilized resulting in under expenditure of Ksh. 44,912,493 or about 77% as shown below. No explanation has been provided for the low absorption of the funds.

##### **Management Response**

The Fund Account Manager informed the Committee that this was due to late/delayed disbursement of funds from the Board.

##### **Committee Observation**

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

##### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

##### ***Other Grants and Transfers***

The Committee heard that the constituency had budgeted Ksh 91,905,574 on Other Grants and Transfers, while the statement of receipts and payments reflects an amount of Ksh 90,895,925 as having been spent during the year resulting to under expenditure of Ksh 1,009,649.

##### **Management Response**

The Fund Account Manager informed the Committee that this was due to late/delayed disbursement of funds from the board.

##### **Committee Observation**

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

##### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

#### **5. REVENUE**

The constituency budgeted to receive Ksh 162,173,354 but only realized Ksh 95,239,403 resulting to underfunding of Ksh 66,933,951, a 41% short fall in receipts from the

Constituencies Development Fund Board. The management did not explain the reasons for non-receipt of funds as budgeted.

#### **Management Response**

The Fund Account Manager informed the Committee that the Board disbursed the outstanding balance in the subsequent financial year.

#### **Committee Observation**

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

#### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **6. BURSARY DISBURSEMENTS**

The Committee heard that other grants and transfers balance of Ksh. 90,895,925 includes bursaries to secondary schools and tertiary institutions Ksh. 19,645,000. However, bursary cheques totalling Ksh. 8,426,000 had not been presented by 30<sup>th</sup> June 2016. No explanation was provided by management for failure to issue cheques to the identified beneficiaries.

#### **Management Response**

The Fund Account Manager informed the Committee that the above bursary cheques, were remitted to the various beneficiaries in time, however the third batch of bursary cheques were prepared and released in June 2016 just days to end of the financial year. Some beneficiaries delayed to present the cheques. The cheques were however eventually presented and cleared.

#### **Committee Observation**

**The Committee noted the delays in presenting cheques and observed that the Fund Account Manager had availed supporting documents for audit verification and the matter has since been resolved as confirmed by the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and**
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries.**



### **3.16. STAREHE CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR STAREHE NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016.**

Ms. Jane Wairimu Muchira, the current Fund Account Manager, accompanied by Mr. Josuah Orero and Mr. Johnson Maina, former Fund Account Managers appeared before the Committee on 8<sup>th</sup> June, 2018 to adduce evidence on the audited accounts of the Starehe Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

#### **SUBMISSION FOR THE FINANCIAL YEAR 2013/2014**

##### **1. ACCURACY OF THE FINANCIAL STATEMENT**

The Committee heard that the statement of receipt and payments reflects totals of Ksh.62,559,841 and ksh.33,549,946 under receipt and payments respectively. However, review of available records revealed that an amount of Ksh.34,267,203 received through AIE number 2012/2013/442 and an amount of kshs.99120 inherited from the larger former Starehe Constituency was not included. Consequently, the total receipt figure of Ksh.62,559,841 had been understated with an amount of Ksh. 34,366,323. In addition, expenditures totalling to Ksh.15,240,167 out of the total expenditure of Ksh.33,549,946 was not analysed or supported with documentary evidence. Consequently, the accuracy and validity of the expenditure could not be confirmed

##### **Management Response**

The Fund Account Manager informed the Committee that in the financial year 2013/2014, the Starehe CDFC received two AIEs one AIE Ref No. 2012/2013/442 which was received on 1st August 2013 of Kshs 34,267,203.00 and the 2nd AIE of Reference No. 2013/2014/322 received on 17th Jan 2014 of Ksh.25,023,936. However the AIE No.2013/2014/723 received on 11th August 2014 of 37,535,904.00 (after the year had been closed but belonged to the same financial year) was erroneously included in the 2013/2014 Financial report. This error has since been corrected and a new financial report prepared.

Ksh.99,102 inherited from the larger former Starehe Constituency was not included: this has also been corrected. The expenditures totalling to Ksh.15,240,167 out of the total expenditure of kshs.33,549,946 was not analysed or supported with documentary evidence: the management noted that the IPSAS report had errors and this has since been corrected. These errors were occasioned by lack of proper understanding of the IPSAS reporting. Similarly it was a period marked with a lot of transition hiccups from Starehe Constituency to Starehe and Mathare constituencies all being funded by the same budget.



### **Committee Observation**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting.

### **Committee Recommendation**

The Committee recommends that:

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information; and
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for staff at the constituency.

## **2. TRANSFERS TO OTHER GOVERNMENT UNITS**

The Committee heard that the statement of the receipt and payment also reflects an amount of Ksh.11,235,675 disclosed as transfers to other government units. This amount relates to funds that had been intended for transfer to health facilities.

### **Management Response**

The Fund Account Manager informed the Committee that the statement of the receipt and payment reflected an amount of ksh.11,235,675 disclosed at transfers to other government units. However, this was an error and it has since been corrected and the true position as per the restated financial statement is Ksh. 7,000,000.00.

### **Committee Observation**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting.

### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information.

## **3. STALLED PROJECTS**

The Committee heard that the statement of the receipt and payment further reflects an amount of Ksh.14,952,163 under other grants and transfers. Included in the amount are two transfers to two secondary schools, Our Lady of Mercy and Pumwani amounting to Ksh.2,000,000 and Ksh.1,682,230 for the construction of a dormitory, and a gate and security office in the two institutions respectively.

Inspection of the two projects revealed that the expenditure for Our Lady of Mercy was for the construction of walls only while roofing and slab works had not been budgeted for.

#### **Management Response**

The Fund Account Manager informed the Committee that the construction of dormitory at our lady of mercy secondary school was not a fully funded CDF project but a co-funding with the PTA, later The CDFC agreed to do reallocations in 2015-16 and fund the dormitory. In Pumwani secondary school, the project was carried out under a Kenya Power Transformer as at the time of audit verification, the transformer was still there but later it was removed and construction was completed and it is fully functional.

#### **Committee Observation**

**The Committee observed that the Fund Account Manager did not avail the relevant documents to support the expenditure at the time of audit.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012**

### **4. UNUTILIZED FACILITIES**

The Committee heard that the statement of the receipts and payments also includes an amount of Ksh. 9,500,000 in other grants and transfers figure of Ksh.14,932,163, relating to several public toilets that had been constructed in the constituency in Maasai, Kenya wine, Landmawe and Muthurwa. Although the facilities have been completed to the required standard, these have not been handed over to the relevant authorities. No reason has been given for the failure by the CDF Board to hand over the project.

#### **Management Response**

As at the time of audit the Kenya Power and Lighting Company ( KPLC) had just connected electricity and immediately after the audit the projects were handed over and they are in full use.

#### **Committee Observation**

**The Committee observed that the Fund Account Manager had since availed the relevant documents to the Auditor- General for verification and the matter has been resolved.**



### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

## **5. CASH AND CASH EQUIVALENTS**

The Committee heard that the statement of financial and liabilities reflects an amount of Ksh.29,009,895 under total financial assets, which agrees to the surplus for the year. However, the cash and the cash equivalents figure does not include the opening cash balance of Ksh.99,102 and AIE received of Ksh.34,267,203. In addition, an amount of Ksh.11,235,675, indicated to have been transferred to other government units has not been included in the cash and cash equivalents balance.

Consequently, the cash and the cash equivalent balance disclosed in the financial statements is misstated to the extent of the omissions.

### **Management Response**

The Fund Account Manager informed the Committee that these were errors that were corrected with guidance from the Auditor and the NG-CDF Board secretariat.

### **Committee Observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting.**

### **Committee Recommendation**

**The Committee recommends that:**

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information; and**
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for staff at the constituency.**



## **SUBMISSION FOR THE FINANCIAL YEAR 2014/2015**

### **1. DIFFERENCES BETWEEN THE FIGURES REFLECTED IN THE FINANCIAL STATEMENT AND FIGURES REFLECTED BUDGET PROPOSAL DOCUMENTS WITH THE CDF BOARD.**

The Committee was informed that the budget proposal document with the Constituencies Development Fund reflects an approved budget expenditure of Ksh.84,326,231, while the summary statement of appropriation reflects budget of kshs.181, 317,873. The difference of Ksh.96, 991,642 between the two sets of records as detailed in the report has not been reconciled or explained.

#### **Management Response**

The Fund Account Manager informed the Committee that the total budget for the year 2014-15 was Ksh126,538,587 which comprised of Ksh. 84,326,231.00 annual budget from NG-CDF and Ksh. 37,535,904.00 which was funds in arrears from NG-CDF in the previous year and Ksh. 4,676,452.00 which was the opening cash book balance as at 1st July 2014. Ksh. 181,317,873 was erroneous. The Restated report has been availed to the auditor for review.

#### **Committee Observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information.**

### **2. ACCURACY OF THE FINANCIAL STATEMENTS**

The Committee heard that the differences between the figures reflected in the financial statements and the supporting documents provided were not explained or reconciled. Consequently, the accuracy of the figures presented for audit could not be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that these were errors that occurred in the preparation of the books of Accounts. These errors have since been corrected and availed for audit verification

#### **Committee Observation**

**The Committee observed that the Fund Account Manager availed the explanations on the difference to the Auditor- General for verification and the matter has been resolved.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information; and**

### **3. TRANSFERS TO OTHER GOVERNMENT UNITS**

The Committee heard that the summary statement of appropriation reflected an actual expenditure of kshs.41,199,633 under transfers to other government units and a budget of kshs.71,163,591, while the project proposal document with the Constituencies Development Fund Board reflected an amount of kshs.34,000,000. Under the circumstances, the accuracy of the figures provided for audit could not be confirmed. The over expenditure of kshs.8, 406,480 incurred in the eight projects was not approved by the Constituencies Development Fund Board. In addition, the under expenditure of Ksh. 20,892,917 could not be explained as the fund had enough money to finance the project.

### **Management Response**

The Fund Account Manager informed the Committee that the over expenditure in the final accounts had been occasioned by an AIE received in 2014-2015 but for Funds meant for 2013-2014. The AIE of Ksh. 37,535,904.00 was received on 11/8/2014 and this was treated as a rollover budget in 2014-2015.

Similarly, The Fund accounts Manager had applied for reallocation for the several projects worth Ksh 8,450,000 in January 2015 and this was approved by the CDF Board on March 24th 2015 Vide letter referenced as CDF BOARD/STAREHE/VOL.1/12 based on a board meeting held on 16th February 2015. Copy of the reallocation letter was availed for audit review

### **Committee Observation**

**The Committee observed that the over expenditure in the projects was occasioned by a rollover of funds in the financial year 2013-2014 and that reallocation of funds was approved by the CDF Board.**

### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015; Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

### **4. OTHER GRANTS AND TRANSFERS**

The Committee heard that the statement of receipt and payments reflect an expenditure of Ksh.45,395,883 under other grants and transfers. However, the supporting documents reflect an expenditure of Ksh.35,404,749 leaving a balance of Ksh.10,419,134 unsupported. In addition, the documentary evidence with the Constituencies Development Fund Board indicate that the fund had made a budget of Ksh.76,839,603, while the budget reflected in the summary statement



of appropriation reflected an expenditure budget of Ksh.41,559,864 leading to an explained variance of Ksh.35,279,739 as detailed below:

The accuracy of the figure presented could not be confirmed. In addition, there is no evidence that the reallocated expenditure amounting to Ksh.5,622,042 had been approved by the Constituencies Development Fund Board. No reason was given for the failure to fund the four projects that has been approved at the Constituencies Development Fund Board level.

#### **Management Response**

The Fund Account Manager informed the Committee that the statement of the receipt and payment reflected an amount of Ksh.45,395,883.00 disclosed under other grants and transfers. However, this was an error and it has since been corrected and the true position as per the restated financial statement is Ksh. 34,605,075. These restated financial statements have been forwarded to the auditor for review.

#### **Committee Observation**

**The Committee observed that the Fund Account Manager did not avail the relevant explanations and documents to the Auditor-General for verification at the time of the audit. The documents have since been availed and the matter resolved as confirmed by the Auditor- General.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015; Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012.**

### **5. SUBSTANDARD WORKS AT THE GEVANJEE PUBLIC TOILET**

The Committee heard that the statement of receipts and payments figure of Ksh.41, 199,633 under transfers to other government units, included an amount of Ksh.705,280 incurred on the renovation of Gevanjee Garden public toilet. However physical verification of the work done revealed that the work was not done to standards. Painting works and tiles on the external pathways were not done as per the specifications. Consequently the validity of the expenditure of Ksh.705,280 on the toilet could not be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that Gevanjee Gardens toilet was awarded to Cellion Investment Ltd at a cost of Ksh.940,000. The works were supervised by the Works officer and a certificate of Ksh 705,280 was issued by the project manager and it was paid. However the contractor did not resume to the site after the first certificate and the contract was however revoked and the remaining work were tendered and awarded to Link 254 Building Services ltd at a cost of Ksh. 350,900.



The management provided copies of Vouchers, LPO and Works officer certificates of payments as well as photographs showing the completed project for verification by the Auditor- General.

**Committee Observation**

**The Committee observed that the audit query related to quality of the works.**

**Committee Recommendations:**

**The Committee recommends that the Fund Account Manager ensures relevant government departments are involved in project implementation in line with the provisions of Section 36(1) of the NG-CDF Act, 2015.**

## SUBMISSION FOR THE FINANCIAL YEAR 2015/2016

### 1. PRESENTATION AND DISCLOSURE OF THE FINANCIAL STATEMENTS

#### *Inconsistent values/figures*

The Committee heard that the statement of compliance and basis of preparation indicated that all values are rounded off to the nearest shilling. However, balances in the financial statements have not been rounded off to the nearest shilling. Further, the cash flow statement is indicated as being for the year 2014/2015 and comparative balances shown as 2013/2014. The financial statements are therefore not consistent with the declared basis of their preparation and have not been properly identified and therefore do not conform to the format prescribed by the Public Sector Accounting Standard Board.

#### **Response**

The Fund Account Manager informed the Committee that these were errors that were noted and have since been corrected.

#### **Committee Observations**

**The Committee observed that the management had not complied with IPSAS while preparing financial statements and that the error was corrected and the matter resolved as confirmed by the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information.**

#### *Comparative Balances*

The Committee heard that the following balances have been noted between comparative figures (2014/2015) reflected in the financial year ended 30/June 2016 and the balances shown in the financial statement for the year 30 June 2016 and the balances shown in the audited financial statements for 2014/2015:

However, contrary to the requirements of paragraphs 1.4.19 and 1.5 of IPSAS Cash Basis Reporting framework, no disclosures have been made in the notes to the financial statements to indicate that comparative information relating to these specific items is restated. In addition, the natures of the errors and respective amounts of the corrections for the items have not been disclosed.

#### **Management Response**

The Fund Account Manager informed the Committee that the figures in question were restated figures but, erroneously, the Manager failed to include the term restated figure in the report. The restated report has since been prepared and availed to the auditor for review.

### **Committee Observations**

The Committee observed that the Fund Account Manager had not complied with the basis for preparation of financial statements and the accounts did not conform to the format prescribed by the Public Sector Accounting Standard Board.

### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information.

### **Statement of Cash Flow**

The Committee heard that the statement of cash flow reflects cash and cash equivalent at the beginning of the year of Ksh.11,625,546 but the audited statements for 2014/2015 reflects Kshs. 28,622,858 resulting in an unexplained difference of Ksh. 16,997,312. Consequently, the accuracy of the statement of cash flow for the year ended 30 June 2016 cannot be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that these were errors that were noted and have since been corrected with the guidance of the Auditor and the board. Restated report of 2014-2015 has been availed to the auditor for review.

### **Committee Observation**

The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting and the matter has since been resolved as confirmed with the Auditor-General.

### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information.

## **2. CASH AND CASH EQUIVALENTS**

The Committee heard that the statement of assets and liabilities reflected a negative bank balance of Ksh.9,533,589. A review of bank reconciliation statement for the month of June 2016 showed un-presented cheques amounting to Ksh.29,047,852 some of which were stale but had not been reversed in the cashbook. The high amount of un-presented cheques, some dating back 2013 has not been explained. Further, bank confirmation certificates in support of the bank balance have not been provided for audit verification. Consequently the accuracy of the negative bank balance of Ksh.9,533,589 as at 30<sup>th</sup> June 2016 cannot be confirmed.



### **Management Response**

The Fund Account Manager informed the Committee that they were reconstructing the cash book for 2015-16 to ascertain how the cash book balance of Ksh. 9,533,589(DR) was arrived at. The certificate of bank balances as at 30<sup>th</sup> June, 2016 showing the correct bank balance of Ksh 19,514,263.09 has been availed for audit.

### **Committee Observation**

**The Committee observed that the Fund Account Manager was in the process of preparing financial statements from available records.**

### **Committee Recommendation**

**The Committee recommends that-s**

- (i) The Fund Account manager finalizes preparation of financial statements from available records; and**
- (ii) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and disclosure of financial information.**

### **3. TRANSFER FROM CDF BOARD – AIEs RECEIVED**

The Committee heard that the Constituency Development Fund received transfers from NG-CDF Board amounting to Kshs. 85,974,280 during the year under review. However the Constituency Development Fund management did not produce the copies of AIE and Bank statements for Kshs. 35,974,280. Bank statements presented for audit review had Kshs 50,000,000 having been received during the month of November 2015. The transfer from NG-CDF Board of Kshs 85, 974,280 was not confirmed.

During the year, the Fund Contracted a local company to construct and erect six feet signage (sign posts) for projects funded by NG-CDF – Starehe Constituency at a cost of Kshs 650,000. However, no sign posts were seen in all the projects visited by the audit team in the course of the audit. Management has explained that most of the signage were destroyed during the campaign period and others vandalized by scrap metal dealers. Consequently, the propriety and validity of Kshs. 650,000 paid for signage cannot be confirmed.

### **Management Response**

The Fund Account Manager informed the Committee that on 3<sup>rd</sup> March 2016, the constituency received an AIE amounting to Ksh 31,474,280.00 and on 14<sup>th</sup> June 2016 the constituency received an AIE amounting to Kshs 4,500,000. Copies of Bank statements and AIEs to evidence on the same receipts from NG-CDF Board were availed for audit review.

Gitts enterprises was awarded the contract to provide 25 sign posts and he did all of them and they were assessed and paid, however, some signage's were vandalized but other remained. Those that remained were physically visited by the auditor in the subsequent audits.

#### **Committee Observation**

The Committee observed that the Fund Account Manager did not avail the relevant documents to the Auditor-General for verification at the time of the audit. The documents were subsequently availed and the matter has resolved as confirmed with the Auditor-General.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager complies with provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

### **4. BUDGETS AND BUDGETARY PERFORMANCE**

#### **Budgetary Performance**

The Committee heard that the statement of appropriation recurrent and development had a final budget of Ksh 107,599,826.94. Budget utilization was 103% of Ksh 109,133,416 resulting to over expenditure of Ksh 1,533,589, a 3%.

#### **Management Response**

The Fund Account Manager informed that Committee that the Total expenditure under transfer to other government comprises of 4 components which are:-

- Transfer to primary schools
- Transfer to secondary schools
- Transfer to tertiary institutions
- Transfer to health institutions

Some projects dating back to financial year 2013/2014 were re-allocated and was used to implement projects in the financial year 2015/2016 and this caused the over expenditure.

#### **Committee Observation**

The Committee observed that the over-expenditure in the projects was occasioned by a roll-over of funds from 2013/2014 financial year.

#### **Committee Recommendation**

The Committee recommends that the Fund Account Manager ensures compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015.

#### **Other Grants and Transfers**

The constituency budgeted to spend Kshs 48,981,208 on other grants and transfers but only spent Kshs 45,690,797.30 resulting to under expenditure of Kshs 3,290,410.70.

### **Management Response**

The Fund Account Manager informed that Committee that this was due to change of office from CDF to NG-CDF and CDFC to NG-CDFC which delayed payments since there was no committee from February to May 2016 hence no signatory and late disbursement of funds from CDF BOARD. Example The AIE of Ksh.31,474,280 was disbursed in March 26 yet the committee was inexisting wheres an AIE of Ksh. 4,500,000.00 was disbursed on 28<sup>th</sup> June 2016. AIE Ref. No. DEP 07/2015/2016/598 of Ksh 31,474,280.00; AIE DEP 07/2014/2015/520 of Ksh 4,500,000.00).

### **Committee Observation**

**The Committee observed that the under expenditure was due to the delays in disbursement of funds by the National Treasury and the transition from the CDF Act to the NG-CDF Act. The projects were however implemented after the new Constituency Committees were formed.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursement of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**



### **3.17. WESTLANDS CONSTITUENCY**

#### **EVIDENCE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WESTLANDS NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2013/2014, 2014/2015 AND 2015/2016**

##### **SUBMISSIONS FOR THE FINANCIAL YEAR 2013/2014**

Mr. Peter Ngugi, the current Fund Account Manager accompanied by Mr. Job Munyi, the former Fund Account Manager appeared before the Committee on Tuesday 13<sup>th</sup> March, 2018, to adduce evidence on the audited accounts of Westlands Constituency for the 2013/2014, 2014/2015 and 2015/2016 financial years.

##### **1. COMPLETENESS AND ACCURACY OF THE FINANCIAL STATEMENTS**

The Committee was informed that the statement of receipts and payments reflected total receipts amounting to Ksh.98, 616, 303 and expenditure amounting to Ksh.76, 720,210. The fund however did not prepare primary books of accounts, which includes the cash book, the subsidiary ledgers and the trial balance. Consequently, the completeness and accuracy of the financial statement could not be confirmed.

##### **Management Response**

The Fund Account Manager informed the Committee that the statement of receipts and payments reflected total receipts amounting to Ksh 98,616,303 and expenditure amounting to Ksh 76,720,210. The Fund prepared primary books of accounts including cash book, subsidiary ledgers and a trial balance which had not been updated at the time. However, Westlands NG-CDF has since consistently updated the cash book and prepared annually a ledger and a trial balance.

##### **Committee Observation**

**The Committee observed that the Fund Account Manager had not prepared the necessary documentation to support the expenditure at the time of the audit.**

##### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.**

##### **2. STALLED PROJECT (MAU MAU POLICE POST)**

The Committee heard that the statement of receipts and payments also reflects an amount of Ksh.36, 234, 080 under transfers to the government units. The expenditure relates to funds given

to projects in the Constituency. Under this category of expenditure it is noted that an accumulative expenditure of Ksh.3, 000, 000 was incurred in the construction of Mau Mau Police post in Kangemi. The project was said to have been started on a riparian zone and has stalled. An amount of Ksh.500, 000 is still provided for the project in the CDF account. No reason was provided by the management for implementing the project before seeking approvals from relevant authorities. The Fund continues to retain Ksh.500,000 to enable completion of the project. It is not clear how the project will be implemented to completion considering that it is next to a river on a riparian zone

### **Management Response**

The Fund Account Manager informed the Committee that the statement of receipts and payments also reflects an amount of Ksh 36,234.080 under transfers to other Government units out of which Ksh 3,000,000 was incurred for the construction of Mau Mau police post in Kangemi. The location of the Mau Mau police post was actually a riparian zone. The implementation of the project was hurriedly done due to the security situation of the area at the time, hence the committee referred to it as an urgently required project. The project was later terminated after spending Ksh. 3,000,000 and no more funds were released to it. A further Ksh. 500,000 that was in the pipeline for release was therefore not paid.

The projects were implemented under the Constituencies Development Fund Act, 2003 (now repealed by the NG-CDF Act, 2015) which provided for composition of Constituency Development Committee as follows:

- i. The elected Member of Parliament
- ii. Two councillors in the Constituency
- iii. One District Officer in the Constituency
- iv. Two persons representing religious organizations in the constituency
- v. Two men representatives from the Constituency
- vi. Two women representatives from the Constituency
- vii. One person representing the youth from the Constituency
- viii. One person nominated from among active NGOs in the area if any.

The Chairperson of the Constituency Development Committee at that time was Ms. Petronilla Nafula.

The CDF at that time was being administered by “an officer administering the Fund” appointed by the Minister responsible for matters relating to planning (Cabinet secretary in charge of the National Treasury), who was Mr. Douglas Oyalo, the Deputy Provincial Planning Officer.

The project expenditure amounting to Ksh. 1,500,000 towards the Mau Mau police post was approved on 8<sup>th</sup> November, 2006 and the balance of Ksh. 2,000,000 on 11<sup>th</sup> October, 2007. In both meetings, the Deputy Planning officer Mr. Douglas Oyalo who was the officer administering the Fund was recorded as absent with apology



### **Committee observations**

The Committee observed that:-

- (i) The construction of Mau Mau police post in Kangemi was undertaken in the financial year 2007/2008 and the project was terminated after it was confirmed that the land in which the police post was built was a riparian zone;
- (ii) The project was implemented without approvals from relevant authorities including the National Environmental Management Authority (NEMA); and
- (iii) An amount of Ksh. 500,000 being the balance of the amount allocated to for the project was retained in the CDF account.

### **Committee recommendations**

The Committee recommends that:

- (i) The Fund Account Manager seeks approvals from the NG-CDF Board for reallocation of the Ksh. 500,000 to deserving project in the Constituency; and
- (ii) The National Government Constituencies Fund Board issues an administrative circular directing Fund Account Managers to comply with the provisions of the Constitution of Kenya, 2010, the Public Audit Act, No. 34 of 2015, the Public Finance Management Act, No. 18 of 2012 and Public Procurement and Asset Disposal Act, No. 33 of 2015.

### **3. PENDING BILLS**

The Committee heard that the statement of receipts and payments in addition reflects a surplus of Ksh.21, 806,062. At the same time, the constituency had pending amounting to Ksh.3, 242,340. The pending bills arose from rehabilitation of classrooms in five primary schools. No reason was given for the failure by the Fund to settle the pending bills.

#### **Management Response**

It is true that the statement of receipts and payments reflected a surplus of Ksh 21,896,092 and that there was an outstanding bill totalling to Ksh.3, 242,340. This bill pertained to the following projects:

| Project                                                      | Contractor                         | Outstanding Balance | Current Status |
|--------------------------------------------------------------|------------------------------------|---------------------|----------------|
| Rehabilitation of three classes at Loresho Primary School    | Manisi Investments                 | 682,689             | Complete       |
| Rehabilitation of three classes at Aghakan Primary School    | Delltel Technologies Ltd.          | 835,066.66          | Complete       |
| Rehabilitation of three classes at Kangemi Primary School    | Murwa General Engineering Services | 621,914             | Complete       |
| Rehabilitation of three classes at Kihumbuini Primary School | Butech Building Solutions          | 702,063.90          | Complete       |



|                                                             |                                           |         |          |
|-------------------------------------------------------------|-------------------------------------------|---------|----------|
| Rehabilitation of three classes at Vet lab. Primary School. | Gaps Construction and Engineering co. ltd | 400,606 | Complete |
|-------------------------------------------------------------|-------------------------------------------|---------|----------|

The outstanding bill had not been paid at the time of audit as projects were not yet complete and completion certificates had not been issued. Subsequently, the projects were completed and amounts dully paid. The Constituency provided evidence to the Committee in form of pictures of the completed projects.

#### **Committee observation**

**The Committee observed that constituencies do not accumulate pending bills since funds allocated for a particular project remain allocated for that project until it completed.**

#### **Committee recommendation**

**The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting and NG-CDF reporting guidelines on on-going projects.**

## **SUBMISSIONS FOR THE FINANCIAL YEAR 2014/2015**

### **1. DIFFERENCES BETWEEN THE SUMMARY STATEMENT OF APPROPRIATION AND THE PROJECT PROPOSAL DOCUMENT APPROVED BY THE NG-CDF BOARD**

The Committee heard that the difference of Ksh.7,419,88 between the two sets of records had not been reconciled. Consequently, the accuracy of the budget figures reflected in the financial statements could not be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that that the Summary Statement of Appropriation reflected a budgeted amount of Ksh. 83,714,816 while the Code List approved by the NG-CDF Board reflected an amount of Kshs 82,531,090 and not Ksh 91,134,504.

A review of the Summary Statement of Appropriation revealed that it was erroneous hence the difference. The error has since been corrected and the correct amount in the said statement is Ksh 106,014,292.00 comprised of Ksh 82,531,090 annual allocation and Ksh 23,483,202 balances brought forward from the previous year. The error did not affect the other statements.

#### **Committee Observations**

**The Committee observed that errors in code list arose from failure to comply with IPSAS in financial reporting. The matter has since been resolved as confirmed by the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting.**

### **2. UNSUPPORTED IMPRESTS EXPENDITURE**

The Committee heard that the statement of receipts and payments under other grants and transfers reflect an expenditure of Ksh.32,529,804, which includes three payments relating to emergency items and CDF allowances, performance contracting seminar and bursary payment and distribution exercise amounting to Ksh. 7,85,000, Ksh. 120,000 and Ksh.912, 000 respectively. These amounts were issued as imprest during the year and had not been surrendered or accounted for. In view of the foregoing, the propriety of expenditure totalling Ksh. 1, 817,000 could not be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that the statement of receipts and payments under other grants and transfers reflect an expenditure of Ksh 32,529,804 out of which Ksh 1,817,000 issued as imprest remained outstanding at the time of audit. However, the said imprests had been duly surrendered but had not been recorded in the books of accounts at the



time of audit. The omission was noted and the Imprests surrender recorded in the Cashbook provided as evidence to the Committee.

#### **Committee Observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting.**

### **3. RETENTION REGISTER**

The Committee heard that other Grants and Transfers balance of Ksh.32,529,804, includes expenditure totalling Ksh.18,800,805 for projects on roads, security, environment and others. Information available indicates that the CDF does not retain 10% of the payment on these projects from the contractors as required by law.

#### **Management Response**

The Fund Account Manager informed the Committee that included in the balance under other grants and transfers of Ksh. 32,529,804 was expenditure totalling Ksh. 18,600,805 for projects on roads, security, environment and others. The Constituency had deducted the retention as required by law but the records had not been updated to reflect the said retention at the time of audit.

The Constituency noted the anomaly and has since instituted measures to ensure that the retention register is maintained and updated. Documentary evidence was provided to the Committee to support the response.

#### **Committee observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter has since been resolved with the Auditor-General.**

#### **Committee recommendation**

**The Committee recommends that:-**

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting;**
- (ii) The Fund Account Manager ensures strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012; and**
- (iii) The Fund Account Manager maintains an upto date retention register.**

### **4. BUDGET AND BUDGETARY CONTROLS**

The Committee heard that the Summary Statement of Appropriation reflected a budgeted amount of ksh. 83,714,816 while the Code List approved by the NG-CDF Board reflected an amount of



Ksh 82,531,090 and not Ksh 91,134,504. This was caused by an error in the Summary Statement of Appropriation which was to reflect the correct position of Ksh 106,014,292 comprised of Ksh 82,531,090 annual allocation and Ksh 23,483,202 balances brought forward from the previous year. The Board therefore released an amount of Ksh 82,531,090 being the allocation for the year. In line with Section 6(2) of the National Government Constituencies Development Fund Act which states that once funds are allocated for a particular project, they shall remain allocated for that project the balance brought forward of Ksh 23,483,202 made the total available and approved funds Ksh 106,014,292.

#### **Budget expenditure difference**

Information and records available indicates that the approved budget expenditure figure was ksh.91,134, 504. No explanation was provided for the variance between the approved budget and the budget reflected in the financial statements.

#### **Management Response**

The Fund Account Manager informed the Committee that this was explained under the basis for qualified opinion section on Budget and Budgetary Controls.

#### **Committee Observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter has since been resolved with the Auditor-General.**

#### **Committee Recommendations**

**The Committee recommend the Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting.**

### **5. TRANSFERS FROM OTHER GOVERNMENT UNITS**

The Committee heard that the over expenditure of Ksh.497, 566 relating to stage shed was incurred without the authority of the CDF Board. In addition, the reallocation of the expenditure of Ksh, 1,500,000 on Githogoro water project was reallocated without authority

#### **Management Response**

The Fund Account Manager informed the Committee that that the Summary Statement of Appropriation reflected a budget of Ksh 51,746,920 under transfer to other Government units and an actual expenditure of Ksh 44,409,556 resulting to an under expenditure of Ksh 7,336,536 under the following projects-

#### **Stage Sheds**

In the financial year kshs. 2,500,000 was allocated for stage sheds. Latter, the committee proposed to re-allocate the funds to purchase of desks which were duly approved by the Board. Subsequently, the approved amount of Ksh. 2,500,000 was used to purchase desks therefore there was no over expenditure of Ksh, 497,556 as stated.

#### **Githogoro water project**

The project was allocated Ksh. 1,500,000 in the year under review. Though the funds were earmarked for re-allocation, this was not pursued with the Board and the funds were therefore not re-allocated and are still part of the approved projects.

#### **Committee Observation**

**The Committee observed that:**

- (i) The Fund Account Manager had not obtained approvals for reallocation of the funds from the NG-CDF Board; and
- (ii) Payment vouchers were not availed to the Auditor- General at the time of the audit.

#### **Committee recommendations**

**The Committee recommends that:-**

- (i) The National Government Constituencies Development Fund Board takes administrative action against Fund Account Managers who reallocated funds contrary to Section 6 (2) NG-CDF Act, 2015;
- (ii) The Fund Account Managers should ensure compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015; and
- (iii) The Committee recommends that the Fund Account Managers ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012.

### **6. OTHER GRANTS AND TRANSFERS**

The Committee heard that the summary statement of appropriation reflects a budget of Ksh. 32,529,805 on other grants and transfers and an actual expenditure of a similar amount. Review of records held by the CDF Board indicates different figures. The validity of the budgetary figures provided therefore could not be confirmed.

#### **Management Response**

The Fund Account Manager informed the Committee that the statement has been reviewed and the correct status brought about.

#### **Committee Observation**

**The Committee observed that the errors arose from failure to comply with IPSAS in financial reporting. The matter was resolved with the Auditor-General.**

#### **Committee Recommendations**

**The Committee recommended that-**

- (i) The Fund Account Manager should comply with International Public Sector Accounting Standards (IPSAS) framework on reporting; and
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for staff at the constituency.



## **7. BURSARIES**

The Committee heard that the statement of receipts and payments reflect an amount of Ksh. 32,529,805 under Other Grants and Other Transfers, which includes an amount of 12,670,175.00. Review of Bank reconciliation statements reveals that cheques relating to bursaries amounting to Ksh. 2,688,000 had not been presented as at 30<sup>th</sup> June 2014. No reason was given for the failure by the bursary beneficiaries not to present the cheques

### **Management Response**

The Fund Account Manager informed the Committee that that bursary cheques worth of Kshs. 2,688,000 remained unrepresented at the end of the financial year. The cheques had been duly dispatched to the beneficiaries who had not presented to the bank for payment. The cheques were later presented and paid by the bank as evidence by Statements submitted to the Committee.

### **Committee Observations**

**The Committee observed that there were no proper mechanisms in place to ensure timely delivery of bursary cheques to the intended beneficiaries and institutions.**

### **Committee recommendations**

**The Committee recommends that:**

- (i) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency;**
- (ii) The National Government Constituencies Development Fund Board fast-tracks the adoption of electronic funds transfer in disbursement of bursaries; and**
- (iii) The Fund Account Managers ensures that beneficiary institutions issue acknowledgement documents upon receipt of the bursaries.**



## **SUBMISSION FOR THE FINANCIAL YEAR 2015/2016**

### **1. PRESENTATION AND DISCLOSURES OF THE FINANCIAL STATEMENTS**

The Committee heard that the statement of compliance and basis for preparation indicate that all values are rounded off to the nearest shilling. However the figures in the financial statements have not been rounded off to the nearest shilling. The financial statements are therefore, not consistent with the basis of preparation and are not fully in conformity with the format prescribed by the Public Sector Accounting Standard Board.

#### **Management Response**

The Fund Account Manager informed the Committee that the statement of compliance and basis for preparation indicate that all values are rounded off to the nearest shilling and that the figures in the financial statement had not been rounded off as required. The statement was revised to satisfy the requirement and forwarded to the Auditor generals' office.

#### **Committee Observation**

**The Committee observed that the Fund Account Manager did not comply with the International Public Sector Accounting Standards in preparation of the Constituency's Financial Statements. The matter has since been resolved with the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends-**

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting; and**
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for staff at the constituency.**

### **2. INACCURACIES IN THE FINANCIAL STATEMENTS: UNEXPLAINED COMPARATIVE FIGURES**

The Committee heard that the following differences have been noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30 June 2016 and the balances shown in the audited financial statements for 2014/2015;

|                     | 2014/2015 Comparative figures in<br>2015/2016<br>Kshs | 2014/2015<br>audited<br>balances Kshs | Variance    |
|---------------------|-------------------------------------------------------|---------------------------------------|-------------|
| Use of Goods        | 5,605,840                                             | 4,129,839                             | 1,476,000   |
| Committee allowance |                                                       | 1,476,000                             | (1,476,000) |

However, no explanation has been provided for these differences. Similarly, the nature of the errors and respective amounts of the corrections in these comparative figures have not been disclosed in the notes to the financial statements

#### **Management Response**

The Fund Account Manager informed the Committee that there was a compensating difference of Kshs 1,476,000 in the comparative figures (2014/2015) reflected in the financial statements for the year ended 30<sup>th</sup> June 2016 and the balances shown in the audited Financial Statements for 2014/15. This was brought about by the change of vote's classification where use of goods and services and committee allowances were combined in 2015/2016 whereas they were separate in 2014/2015 in the reporting format issued by the National Treasury.

#### **Committee Observation**

**The Committee observed that the difference was brought about by a change in reporting format issued to guide in the in preparation of the Constituency's Financial Statements during the financial year. The matter was resolved as confirmed with the Auditor-General.**

#### **Committee Recommendation**

**The Committee recommends that:**

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting; and**
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for staff at the constituency.**

### **3. INACCURACIES IN THE FINANCIAL STATEMENTS: UNEXPLAINED RECEIPTS**

The Committee heard that the summary statement of appropriation reflects actual receipts from NG-CDF Board figure of Ksh. 128,143,552 in the year 2015/2016 while the statement of receipts and payments reflects receipts totalling Ksh. 107,431,187 resulting in an unexplained difference of Ksh 20,712,365.

#### **Management Response**

The Fund Account Manager informed the Committee that the Ksh. 20,712,365 is the cash and cash equivalents for the financial year 2014/2015 brought forward to 2015/2016.

#### **Committee Observation**

**The Committee observed that the difference was brought about by a change in reporting format issued to guide in the preparation of the Constituency's financial statements during the financial year.**

#### **Committee Recommendation**

**The Committee recommends that:-**



- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting; and
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for staff at the constituency.

#### **4. UNEXPLAINED NET LIABILITIES**

The Committee heard that the Statement of Financial Assets reflects a comparative net liabilities balance of Kshs 21, 896,092 in 2014/15 which differs with the re-casted balance for 2015/16 of Kshs 20,637,857 by Kshs. 1,258,235. The difference of Kshs. 1,258,235 has not been explained

##### **Management Response**

The Fund Account Manager informed the Committee that the net liabilities figure is the Fund balance brought forward indicating that the difference was the expenditure financed by previous years' balance.

##### **Committee Observation**

**The Committee observed that the difference in net liabilities balance arose from failure to comply with International Public Sector Accounting Standards (IPSAS) in financial reporting. The matter has since been resolved with the Auditor- General.**

##### **Committee recommendations**

- (i) The Fund Account Manager complies with International Public Sector Accounting Standards (IPSAS) framework on reporting; and
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for staff at the constituency.

#### **5. BUDGET AND BUDGETARY CONTROL**

The Committee heard that during the year under review, Westlands Constituency Fund incurred expenditure totalling Ksh. 78,137,929 against an approved budget of Ksh 130,143,551 resulting in under-expenditure of Ksh. 52,005,622. The under-expenditure is an indication that allocated funds were not utilized fully and all approved programs were not implemented. The budget did not, therefore, fully meet the objective of improving delivery of services to the residents of Westlands Constituency.

##### **Management Response**

It is true that there was under-expenditure in the financial year of Ksh. 52,005,622 as indicated. The under-expenditure was as a result of the Constituency receiving an amount of Ksh. 49,431,187 into the bank account on 29<sup>th</sup> June, 2016.



### **Committee Observation**

**The Committee observed that the under-expenditure was due to late disbursement of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

### **NON- IMPLEMENTATION OF PROJECTS**

The Committee heard that the following ten (10) projects earmarked for implementation during the year under review with a total approved budget of Kshs. 24,868,822 were not implemented. However, as reflected in the statement of assets and liabilities, the Constituency Development Fund had a closing bank balance of Kshs. 49,855,623 as at 30<sup>th</sup> June 2016. No satisfactory explanation has been given for failure to execute these projects. Westlands constituency did not, therefore, obtain the benefits due from the ten projects budgeted for but not implemented during the year.

### **Management Response**

The Fund Account Manager informed the Committee that approved projects amounting Ksh 24,868,822 were not implemented during the year and that the Constituency carried forward balances amounting Ksh 49,855,623. Westlands constituents did not accrue the benefits due from the projects budgeted for but not implemented during the year. This was due to the timing of the funds received as at 29<sup>th</sup> June, 2016. The projects have since been completed as evidenced

### **Committee Observation**

**The Committee observed that the under-expenditure was due to late disbursement of funds by the National Treasury.**

### **Committee Recommendation**

**The Committee recommends that the National Treasury expedite the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely release to constituencies.**

#### **(i) PROCUREMENT OF WORKS**

The Committee heard that during the year under review, the constituency development Fund entered into various contracts with suppliers and contractors. These included four contracts worth Ksh. 39,008,842.00 as detailed below which were advertised locally and awarded instead of advertising in the newspapers of general nationwide circulation contrary to Section 54(2) of the Public Procurement and Disposal Act, 2005.

| Details                                                 | Contractor                  | Contract Price |
|---------------------------------------------------------|-----------------------------|----------------|
| Construction of 2 Workshops at Kangemi Polytechnic      | Mateka Contruction Co. Ltd  | 9,980,480      |
| Construction of Library at Hospital Hill Primary School | Ocean Bays Investments      | 9,307,434      |
| Rehabilitation of Kangemi Primary School                | Nyabikaye Communication Ltd | 9,970,386      |
| Rehabilitation of Kihumbuini Primary School             | Reapways Enterprises        | 9,750,542      |
| Total                                                   |                             | 39,008,842     |

No satisfactory explanation has been provided for failure to advertise the tender nationally as required under the law.

### **Management Response**

The Fund Account manager informed the Committee that Westlands NG-CDF committee noted the non-compliance and resolved to follow and always refer to the threshold matrix laid down in the Public Procurement and Asset Disposal Act as far as the mode of advertisement is concerned. During implementation, the projects were however duly supervised by the relevant government officer to ensure value for money.

### **Committee Observation**

**The Committee observed that:**

- (i) The procurement of the contractors was done contrary to Section 54(2) of the Public Procurement and Disposal Act, 2005; and
- (ii) The Fund Account Manager was in contravention of Article 227 (1) of the Constitution of Kenya, 2010 that provides that procurement of public goods and services should be within a system that is fair, equitable, transparent, competitive and cost-effective.

### **Committee Recommendations**

**The Committee recommended that:**

- (i) The National Government Constituencies Development Fund Board issues an administrative circular directing Fund Account Managers to comply with the applicable provisions of the Constitution of Kenya, 2010, the Public Finance Management Act, No. 18 of 2012 and Public Procurement and Asset Disposal Act, No. 33 of 2015; and
- (ii) The Fund Account Manager adheres to Article 227 (1) of the Constitution of Kenya, 2010 and Section 54(2) of the Public Procurement and Disposal Act.



#### 4.0 GENERAL FINDINGS AND OBSERVATIONS

In addition to specific observations made under each audit query, the Committee also made the following observations and findings that cut across the 17 constituencies under review:

##### 4.1 DISBURSEMENT OF FUNDS FOR IMPLEMENTATION OF NG-CDF PROJECTS

The Committee observed that some projects which had been budgeted and approved by the NG-CDF Board were not implemented during the financial year(s) due to late disbursement of funds by the National Treasury. Most of the disbursements were made in the second and third quarter of the financial year(s) which affected procurement processes and implementation of projects.

*The Committee is concerned that this trend of late disbursement of funds had continued even in the last financial year (2017/18) where out of Ksh 29.8 Billions allocated to the NG-CDF Board, Ksh. 21.8 Billion was disbursed in the third quarter, between January and May, 2018 and the balance released in July, 2018 after the closure of the financial. This means that approved projects earmarked for implementation in the 2017/18 financial year will be carried over to 2018/19 financial year, and will be subject to audit query as 'under-absorption of funds by constituencies'.*

The Committee also noted that the National Treasury had not released an amount totalling to Ksh. 4,976,750,000 to NG-CDF. This relates to underfunding in the financial years 2011/12 (Ksh. 541, 750,000), 2013/14 (Ksh. 2,128,500,000) and 2014/15 (Ksh. 2,306,500,000).

The Committee further observed that the NG-CDF Board delayed in issuance of Authority to Incur Expenditure (AIE) documents after the funds are released to the constituencies by the National Treasury.

##### 4.2 FAILURE TO SUBMIT REQUIRED DOCUMENTS DURING AUDIT PERIOD

The Committee observed that Fund Account Managers did not avail some documents that were the subject of examination by the Auditor-General for verification at the time of audit. The documents not availed for audit included cash books, project completion certificates, procurement records, Bills of Quantities and bank statements.

This is in contrary to section 62 (1) (c) of the Public Audit Act, 2015 which provides that “Any person who without justification, fail to provide information within reasonable time that is required under this Act commits an offence and is liable on conviction to a fine not exceeding five million shillings or to imprisonment for a term not exceeding three years, or to both”.

The Committee further observed that the Auditor- General gives Fund Accounts Managers sufficient notice to prepare for the audit, and seven days to respond to various audit queries prior to publishing the Audit Report. The late submission of documents by constituencies raises the question as to why the documents were not provided at the time of the audit.



The Committee found out that audit queries dating back to 2013/2014 financial year had not been addressed, contrary to **Section 68 (2) (I)** of the Public Finance Management Act, 2012 which requires that the accounting officer *“take appropriate measures to resolve any issues arising from audit which may remain outstanding”*.

#### 4.3 BURSARY ALLOCATIONS AND DISBURSEMENTS

The Committee observed that there were high incidences of delays in disbursement of bursaries to beneficiary institutions, non-presentation of issued bursary cheques to institutions and cancellation of issued bursary cheques. Some of the reasons cited for this were errors in spelling of names of beneficiaries and loss of these cheques by beneficiaries once they collect them.

The Committee found out that in some constituencies, bursaries amounting to over Ksh. 5 million remained unpresented since the cheques had become stale, and these amounts were subject of audit queries raised by the Auditor-General. This meant that needy students who were to benefit from the bursaries did not due to inefficiencies in the process of disbursement of this noble kitty.

#### 4.4 ACCURACY OF FINANCIAL STATEMENTS

The Committee observed that Fund Account Managers experienced challenges in adopting International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. The standards were introduced in 2013/14 financial year in the public sector. Failure to comply with the standards occasioned qualification of financial statements.

The Committee observed that Fund Account managers presented inaccurate and incomplete financial statements due to the un-reconciled amounts. The responsibility of accurate financial reporting is provided under section 68 (2) (b) and (c) of the Public Finance Management Act, 2012 which requires that the accounting officer shall , *“ensure that the entity keeps financial and accounting records that comply with this Act” and “that all financial and accounting records the entity keeps in any form, including in electronic form are adequately protected and backed up”*.

The Committee also observed that Fund Account Managers had sufficient time to rectify any errors made during the preparation of financial statements as provided under Regulation 97(2) and (3) of the Public Finance Management (National Government) Regulations, 2015 which provides that *“Government accounts may be kept open for adjustments for a month in the following year for the correction of accounts due to miss-postings or misclassifications impacting on the fair presentation of financial statements that may be noticed after 30<sup>th</sup> June each year”*

In addition, Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2012 further requires the accounting officer to, *“prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three months after the end of the financial year and*

*submit them to the Auditor General with a copy to the County Treasury, the Controller of Budget and the National Treasury”*

However, this has not been complied with by many constituencies which had not corrected the purported errors at the time of the Audit nor complied with the requisite accounting standards. The Committee noted that there were capacity challenges after 2013 but their obligations under the law remains.

The committee also established that the Public Sector Accounting Standards Board (PSASB) reviews the IPSAS standards periodically to take into account emerging best accounting practices, and that some Fund Account managers take time to comply with the changes.

#### **4.5 IMPLEMENTATION OF PROJECTS AND RE-ALLOCATION OF FUNDS WITHOUT APPROVAL OF THE NG-CDF BOARD**

The Committee observed that most Fund Accounts Managers had implemented projects and re-allocated funds without seeking prior approval of the NG-CDF Board. This was contrary to Section 6(2) and Section 31 of the National Government Constituencies Development Fund Act, 2015 which provides that once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the NG-CDF Board.

The Committee noted that Section 6(2) of the National Government Constituencies Development Fund Act, 2015 provides that *once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board*. Further Regulation 54 of the Public Finance Management (National Government) Regulations, 2015 further provides that *“Except as provided for in the Act and these Regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities”* and Section 196 (6) provides that *“ public officer who contravenes this section commits an offence and on conviction is liable to a term of imprisonment not exceeding two years or to a fine not exceeding one million shillings, or to both”*.

The Committee also observed that some projects initiated by Constituency Development Fund Committees prior to enactment of NG-CDF Act, 2015, and which currently fall within the devolved functions remained stalled to date. The Committee further observed that there was poor monitoring and evaluation of projects. This led to delays in project implementation, poor workmanship and budgetary challenges leading to stalled projects. The Committee noted that to cure these challenges, there is need for the NG-CDF Board to leverage on Information and Communication Technology (ICT) in management of projects.



#### **4.6 UNSURRENDERED IMPREST**

Committee observed that recovery of outstanding imprest was slow and that some remained outstanding since 2015/16 financial year. This is contrary to existing financial regulations that require surrender of imprest within seven (7) days after return to work station.

The Committee noted that some officers had not surrendered imprest issued to them contrary to Regulation 93(5), (6) and (7) of the Public Finance Management (National Government) Regulations, 2015 that provides that *"A holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station."* The Committee further noted provisions of regulations (6) that *"In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate"*.

#### **4.7 TRANSFER OF ASSETS AND LIABILITIES FOLLOWING SPLIT OF CONSTITUENCIES**

The Committee noted that during delimitation of constituency boundaries that resulted in split of constituencies, there were challenges on transfer of assets and liabilities amongst the constituencies. The Committee found out that Fund Account Managers of the domicile constituencies which existed prior to the split opened new bank accounts with nil balances, which was subject to audit queries. The Committee further noted that NG-CDF Board guidelines on management of constituency bank accounts provided that existing bank accounts would be retained by the domicile constituency prior to the split. Some of the examples include split of the larger Kasarani constituency to create Ruaraka, Roysambu and Mathare constituencies, where the domicile constituency being Kasarani opened a new account instead of retaining the one that was operated prior to the split. The committee further noted that there are no clear guidelines on how on-going projects prior to split of constituencies would be funded to ensure their completion.

#### **4.8 SUPPORT FROM THE NATIONAL GOVERNMENT SUB-COUNTY TREASURY**

The Committee observed that the 17 constituencies in Nairobi County are served by one District Accountant who is domiciled in the Ministry of Interior and Coordination of National Government. This has resulted to challenges in how this office offer support to Fund Account Managers who seek approval of payment and access to documents which are under their custody and are subject to verification at the time of audit.

#### **4.9 ENGAGEMENT OF FUND ACCOUNT MANAGERS BY THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BOARD**

The Committee observed that some Fund Account Managers were deployed to more than one constituency, with others doubling as regional coordinators, thus creating challenges and inefficiencies in execution of their roles. The Committee noted with concern that the NG-CDF Board had not taken appropriate measures to ensure that Fund Account Managers resolve issues raised by the Auditor-General in constituencies that they served during the



year(s) under review. Some of audit queries date back to 2013/14 financial year and carried in subsequent year audit reports.

#### **4.10 OPERATIONS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BOARD**

The Committee observed that the NG-CDF Board was not fully constituted as provided under section 15(1) (e) of the NG-CDF Act, 2015, which has created challenges in raising quorum to transact business. This has occasioned delays in project approvals and ultimately implementation of projects in the constituencies, which are reported as *'low absorption of funds, and that constituents did not get value for money'* in the Auditor-General report. The Committee was concerned that the current Chief Executive Officer of the Board was appointed in an acting capacity since 2011.

The Committee found that the NG-CDF Board secretariat was constrained in human resource, and could not offer the requisite technical support to the 290 constituencies across the country. This includes preparing Fund Account Managers for audits, supporting them in preparation of management letters, offering continuous professional training and reviewing their performance to ensure appropriate action is taken to avoid recurrence of similar audit queries in the following audit cycle.

The Committee further found that the NG-CDF Board had passed a policy to withhold release of funds to constituencies that had a balance of Ksh. 10 Million and above in their account. This was meant to mitigate against cash flow but adversely affected implementation of on-going projects.

#### **4.11 INVESTIGATIONS BY ETHICS AND ANTI-CORRUPTION COMMISSION AND ACTIVE MATTERS IN COURTS**

The Committee observed that some constituencies had active matters in court and others had on-going investigations by the Ethics and Anti-Corruption Commission. These matters were also subject to audit queries raised by the Auditor-General in their reports, thus remained unresolved until investigations are completed.

These constituencies include Lang'ata where an unauthorized payment totalling to Ksh.21, 439,997 was paid to construction companies through fraud that took place in the financial year 2012/13 and that involved the Co-operative Bank of Kenya, where the matter is active in court. In Embakasi North payment of Ksh.84,115 140 was made during financial year 2015/16 to four firms for construction of four roads, namely Cinema Road, Dandora Phase 11, AP Road-Dandora Phase V, Maitu Njeri Road-Dandora Phase 1 and DO Road – Dandora Phase 111. Supporting documents in respect of the four constructions were not provided for audit verification having been taken away by the Ethics and Anti-corruption Commission;

Further, in Embakasi South Constituency, accuracy of expenditure of Ksh. 19,404,338 during the financial year 2013/14 could not be confirmed since documents had been taken away by EACC. In Kamukunji constituency, allocation of Ksh 10,000,000 and Ksh. 9,250,528 in financial years 2009/2010 and 2010/2011 respectively for construction of Maziwa Chicken Market is subject to on-going investigations by EACC.

## 5.0 GENERAL RECOMMENDATIONS

The Committee further made the following the recommendations arising from observations and findings from the following issues that cut across the seventeen constituencies:-

### 5.1 LATE DISBURSEMENT OF FUNDS FOR IMPLEMENTATION OF NG-CDF PROJECTS

- (i) **THAT** the National Treasury factors an amount of Ksh. 4,976,750,000 in the supplementary budget for the financial year 2018/19, for disbursement to NG-CDF Board;
- (ii) **THAT** the National Treasury expedites the process of quarterly disbursements of funds to the National Government Constituencies Development Fund Board for timely allocation to constituencies; and
- (iii) **THAT** the NG-CDF Board releases Authority to Incur Expenditure (AIE) documents within 3 working days after release of the funds to the Constituencies by the National Treasury.

### 5.2 FAILURE TO SUBMIT REQUIRED DOCUMENTS DURING AUDIT PERIOD

- (i) **THAT** the Fund Account Managers should ensure strict compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012;
- (ii) **THAT** the NG-CDF Board should issue an administrative circular directing Fund Account Managers to comply with the provisions of the Constitution of Kenya, 2010, the Public Audit Act, No. 34 of 2015 and the Public Finance Management Act, No. 18 of 2012 and Public Procurement and Asset Disposal Act, No. 33 of 2015;and
- (iii) **THAT** the Fund Account Manager maintains all the original Project Management Committee files at the NG-CDF Constituency Office and that the duplicates be maintained by the Project Management Committees.

*The National Government Constituencies Development Fund Board should implement these recommendations within three months of adoption of this report by the House.*

### 5.3 BURSARY ALLOCATIONS AND DISBURSEMENTS

- i. **THAT** the National Government Constituencies Development Fund Board should review guidelines on issuance of bursaries to enhance efficiency in issuance of bursaries;



- ii. **THAT** the National Government Constituencies Development Fund Board should fast-track the adoption of electronic funds transfer in disbursement of bursaries; and
- iii. **THAT** the Fund Account Managers should ensure that beneficiary institutions issue acknowledgement document upon receipt of the bursaries.

*The National Government Constituencies Development Fund Board should implement these recommendations within three months of adoption of this report by the House.*

#### **5.4 ACCURACY OF FINANCIAL STATEMENTS**

- i. **THAT** the Fund Account Managers should comply with International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and
- ii. **THAT** the National Government Constituencies Development Fund Board should in consultation with the Public Sector Accounting Standards Board (PSASB) conduct continuous capacity building on financial reporting standards for constituency staff.

#### **5.5 IMPLEMENTATION OF PROJECTS AND RE-ALLOCATION OF FUNDS WITHOUT APPROVAL OF THE NG-CDF BOARD**

- (i) **THAT** the NG-CDF Board adopts and implements Electronic Monitoring and Evaluation Systems and Tools to monitor all projects in the Constituencies and have them linked to the Electronic National Government Monitoring and Evaluation Systems;
- (ii) **THAT** the National Government Constituencies Development Fund Board takes administrative action against Fund Account Managers who reallocated funds contrary to the NG-CDF Act, 2015;
- (iii) **THAT** the Fund Account Managers should ensure compliance with Section 6(2) and Section 31 of the NG-CDF Act, 2015;
- (iv) **The** National Government Constituencies Development Fund Board publishes a list of all incomplete and/or stalled projects initiated by the former Constituency Development Fund (CDF) Board before the enactment of the National Government Constituencies Development Fund Act, 2015;
- (v) **THAT** the NG-CDF Board in consultation with the National Treasury and Planning and other relevant authorities expedite completion of all incomplete and/or stalled projects that were initiated by the Board prior to enactment of the NG-CDF Act, 2015 and which currently fall within the devolved functions.

*The National Government Constituencies Development Fund Board to furnish the report to the National Assembly on implementation of this recommendation within three (3) months of adoption of this report by the House.*

## **5.6 UNSURRENDERED IMPREST**

**THAT** the National Government Constituencies Development Fund Board should recover outstanding imprest from the defaulting officers with an interest at the prevailing Central Bank Rate as provided under Article 226(5) of the Constitution of Kenya, 2010

## **5.7 TRANSFER OF ASSETS AND LIABILITIES CREATION OF NEW CONSTITUENCIES**

**THAT** the NG-CDF Board provides a status report to the National Assembly on transfer of assets and liabilities following delimitation of constituency boundaries that resulted in creation of the 290 constituencies.

*The National Government Constituencies Development Fund Board should implement this recommendation within three months of adoption of this report by the House.*

## **5.8 SUPPORT FROM THE NATIONAL GOVERNMENT SUB-COUNTY TREASURY**

**THAT** the Cabinet Secretary, the National Treasury and Planning should establish the office of Regional Accountant to support Fund Account Managers in Nairobi County

## **5.9 ENGAGEMENT OF FUND ACCOUNT MANAGERS BY THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BOARD**

- iv. **THAT** the NG-CDF Board reviews its policy on renewal of contracts for Fund Account Managers to provide for clearance of outstanding audit queries raised in reports of the Auditor-General in constituencies they are engaged in prior to effecting any transfers and/deployment;
- v. **THAT** the NG-CDF Board fills existing vacancies for Fund Accounts Managers and regional coordinators; and
- vi. **THAT** the NG-CDF Board adheres to its policy on deployment of Fund Account Managers on the maximum number of years that one should be engaged in a constituency.

## **5.10 OPERATIONS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BOARD**

- i. **THAT** the Cabinet Secretary, the National Treasury and Planning appoints seven other persons to the NG-CDF Board as provided under section 15(1)e of the NG-CDF Act, 2015 ;
- ii. **THAT** the NG-CDF Board fills the position of the Chief Executive Officer;
- iii. **THAT** the NG-CDF Board considers restructuring its operations with a view to decentralize its services to the regions; and

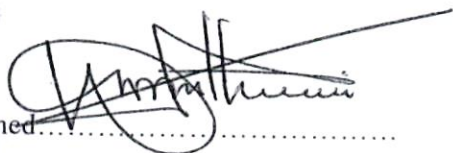
- iv. **THAT** the National Government Constituencies Development Fund Board reviews its policy on withholding funds for Constituencies that have balances of Ksh. 10 million and above in their account.

*These recommendations should be implemented within six months of adoption of this report by the House.*

#### 5.11 INVESTIGATIONS BY ETHICS AND ANTI-CORRUPTION COMMISSION

- i. **THAT** the Ethics and Anti-Corruption Commission expedites investigations into these matters and furnish a status report on the investigations to the National Assembly within three months of adoption of this report; and
- ii. **THAT** the National Government Constituencies Development Fund Board suspends Fund Accounts Managers and any other officer(s) of the Board who are under investigations until investigation are completed.

Signed.....



Date.....

02-10-2018.

**THE HON. KATHURI MURUNGI, MP**  
**CHAIRPERSON, SPECIAL FUNDS ACCOUNT COMMITTEE**