



REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT – (FOURTH SESSION)

THE NATIONAL ASSEMBLY

.....

SIXTH REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE
(DFAC)

ON

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

DIRECTORATE OF AUDIT, APPROPRIATION &
GENERAL PURPOSE COMMITTEES
THE NATIONAL ASSEMBLY
PARLIAMENT OF KENYA
NAIROBI

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 APR 2025	DAY: THURSDAY
TABLED BY:	HON. GIDEON MULYUNGI (CHAIRPERSON)
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ABBREVIATIONS AND ACRONYMS

BOQ	Bill of Quantities
CDF	Constituencies Development Fund
CoK	Constitution of Kenya, 2010
FAM	Fund Account Manager
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
MP	Member of Parliament
NGCDF	National Government Constituencies Development Fund
PMC	Project Management Committee
PSASB	Public Sector Accounting Standards Board
OAG	Office of the Auditor General

CHAIRPERSON'S FOREWORD

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


The Committee was established in the First Session of the Thirteenth (13th) Parliament following the review of the National Assembly's Standing Orders to enhance the role of the 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".

This report therefore contains observations, findings and recommendations arising from examination of eighteen (18) reports of the Auditor General for the National Government Constituencies Development Fund for **Webuye East, Dagoretti North and Matuga Constituencies** for the **Financial Years 2016/2017, 2017/2018, 2017/2019, 2019/2020, 2020/2021 and 2021/2022.**

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

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

On behalf of the Decentralized Funds Account Committee, and pursuant to Standing Order 199(6), it is my pleasant duty and honor to present to this House the report on audited financial statements for the National Government Constituencies Development Fund for Webuye East Constituency (Bungoma County), Dagoretti North Constituency (Nairobi County) and Matuga Constituency (Kwale County) for the Financial Years 2016/2017, 2017/2018, 2017/2019, 2019/2020, 2020/2021 and 2021/2022.



HON. DR. GIDEON MULYUNGI, CBS, EBS, MP

CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

EXECUTIVE SUMMARY

The Sixth Report of the Decentralized Funds Account Committee contains the Committee's examination of audited financial statements of the National Government Constituencies Development Fund for Webuye East Constituency (Bungoma County), Dagoretti North Constituency (Nairobi County) and Matuga Constituency (Kwale County) for the Financial Years 2016/2017, 2017/2018, 2017/2019, 2019/2020, 2020/2021 and 2021/2022.

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

This was done guided by the relevant public financial management principles in the Constitution of Kenya, 2010, the Public Audit Act, (CAP.412B), the Public Finance Management Act, (CAP. 412A) and the attendant Regulations, the Public Procurement and Asset Disposal Act, (CAP. 412C) and the attendant Regulations and the International Public Sector Accounting Standards (IPSAS).

The Committee has elaborated on these various provisions and the remedies that are prescribed for their breaches elsewhere in this report.

Chapter one, which is the preface of the report, contains preliminaries on the establishment of the Committee; its membership and secretariat, mandate, and the guiding principles governing the Committee in the discharge of its mandate and its recommendations.

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

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

The Report underscores the importance of transparency and accountability in the management of the NG-CDF. Following the examination of the financial statements and engagement with the Fund Accounts Managers, the Committee has identified critical areas for improvement and has provided actionable recommendations aimed at enhancing compliance with established financial management principles. By addressing the audit queries and implementing the suggested remedies, the Constituencies in Busia County can foster greater trust and efficiency in the utilization of public funds, ultimately contributing to the development goals of the region.

CHAPTER ONE

1. PREFACE

1.1 Establishment and mandate of the Committee

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

1.2 Guiding Principles

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

1.2.1 Chapter Twelve of the Constitution on Public Finance

Part 1- Principles on Public Finance

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

Part 6 – Control of public Money

4. **Article 226** deals with the accounts and audit of public entities and provides that:
 - (i) the accounting officer of a national public entity is accountable to the National Assembly for its financial management (Article 226 (2)); and
 - (ii) the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not (Article 226(5); and
5. **Article 227** deals with the procurement of public goods and services. Article 227 (1) in particular, provides that “when a State organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective”.
6. **Article 229(8)** of the Constitution of Kenya 2010 mandates the National Assembly to debate and take appropriate action on audit reports within three months of receipt of the reports from the Auditor General.

1.2.2 Obligations of Accounting Officers

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

Section 68 sets out the responsibilities of accounting officers for national government entities, Parliament and the Judiciary. This includes accountability to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used a lawful, authorized, effective, efficient, economical and transparent manner (section 68(1)).

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

8. It is on this basis that each Fund Account Manager being the Accounting Officer of the NG-CDF is held directly and personally liable for any loss of public funds under their watch. This provision obligated Fund Account Managers as accounting officers in the constituencies to appear before the Committee to respond to audit queries raised by the Auditor General.

1.2.3 National Government Constituencies Development Fund (NG-CDF)

9. The Constituency Development Fund (CDF) was set up in 2003 through the Constituency Development Fund Act (2003) sponsored by the then OI Kalou Member of Parliament and former Senator for Nyandarua County, Hon. Muriuki Karue, MP.

10. 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.

11. Apart from the above-named laws, the Committee was further guided by the following: -

- (i) the Parliamentary Powers and Privileges Act, (CAP.6);
- (ii) the Public Finance Management Act, (CAP. 412A);
- (iii) the Public Finance Management (National Government) Regulations, 2015;
- (iv) the Public Procurement and Asset Disposal Act, (CAP. 412C);
- (v) the Public Procurement and Asset Disposal Regulations, 2020;
- (vi) the Public Audit Act, (CAP.412B);
- (vii) the Fair Administrative Action Act, (CAP.7L);
- (viii) the National Government Constituencies Development Fund (NG-CDF) Act (CAP.414A)
- (ix) the National Government Constituency Development Regulations,2016;
- (x) the Accountants Act, (CAP.531);
- (xi) the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016;
- (xii) the National Assembly Standing Orders; and
- (xiii) the Constitution of Kenya, 2010

1.3 Committee Membership

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

Chairperson

Hon. Dr. Gideon Mutemi Mulyungi, CBS, EBS, M.P.
Member for Mwingi Central Constituency
Wiper Democratic Movement-Kenya

Vice-Chairperson

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

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

Hon. Momanyi Innocent Obiri M.P.
Member for Bobasi Constituency
Wiper Democratic Movement-Kenya

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

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

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

Hon. Dorothy Muthoni Ikiara M.P.
Member for Meru Constituency
United Democratic Alliance

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

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

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

Hon. Mboni David Mwalika M.P.
Member for Kitui Rural Constituency
Wiper Democratic Movement-Kenya

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

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

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

1.4 Committee Secretariat

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

Ms. Ruth Mwihaki Gakuya
Clerk Assistant I/Lead Clerk

Mr. John Mutinda
Clerk Assistant III

Ms. Sharon Cherotich Koskei
Clerk Assistant III

Mr. Mabuti Mutua
Legal Counsel II

Ms. Elizabeth Kibati
Research Officer III

Mr. Wilson Mwangi
Fiscal Analyst III

Ms. Winifred Kiziah
Media Relations Officer II

Mr. Wilson Angatangoria
Serjeant-at-Arms II

Mr. Eric Ogolo
Protocol Officer I

Mr. Muchiri Mwangi
Audio Officer III

CHAPTER TWO

2. GENERAL OBSERVATIONS AND RECOMMENDATIONS

14. In consideration of the reports of the Auditor General, the Committee encountered issues that informed the following general observations and recommendations, which cut across Webuye East, Dagoretti North and Matuga Constituencies.

2.1 Presentation and Accuracy of financial statements

Committee Observations

15. The Committee observed that:

- (i) Fund Account Managers (FAM) experienced challenges in adapting to International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. The Standards were introduced in the financial year 2013/14 and failure to comply with the standards in subsequent years occasioned qualification of financial statements.
- (ii) The Public Sector Accounting Standards Board (PSASB) reviews the IPSAS Standards periodically to consider emerging issues and conform to best accounting practices. The Committee found that some Fund Account Managers experienced challenges in applying these standards while preparing financial statements, as evidenced in the audit queries.

Committee Recommendations

16. The Committee recommends that: -

- a) **The Accounting Officer should comply with the International Public Sector Accounting Standards (IPSAS) framework in the preparation of financial statements;**
- b) **The Accounting Officer, in consultation with the Public Sector Accounting Standards Board (PSASB) should conduct continuous capacity building on financial reporting standards for constituency staff.**

2.2 Failure to submit the required documents during Audit

Committee Observation

17. The Committee observed that:

- (i) Fund Account Managers did not avail complete, reconciled financial, accounting records and supporting documentation in time for audit review and verification during the audit exercise. This is contrary to the provisions of Article 229 of the Constitution of Kenya (CoK) 2010 and Section 68 (2) of the Public Finance Management Act, (CAP. 412A) which requires that the financial and accounting records are presented within three (3) months after the close of the financial year and Section 62 of the Public Audit Act of 2015 (CAP. 412B) which obligates Accounting Officers to provide required documents for audit failure to which they be sanctioned. The documents not availed for audit included cash books, bank statements, payment vouchers, project completion certificates, bank reconciliation statements, Project Implementation Status reports, procurement records, Bills of Quantities (BoQs) and Project Management Committee (PMCs) records.

Consequently, most of the audit queries that were raised during consideration of financial statements for the three (3) Constituencies examined, would have been addressed had the documents been provided for audit review.

Committee Recommendations

18. The Committee recommends that:

- a) **The Accounting Officer should ensure that the Fund Account Managers comply with the provisions of Sections 62 (1)(b) and (c) of the Public Audit Act (CAP. 412B) which provides that – "(1) A person shall not— (b) without justification, fail to provide information required under this Act and (c) without justification, fail to provide information within reasonable time that is required under this Act.**
- b) **The Accounting Officer should ensure that Fund Account Managers maintain the original Project Management Committee files at the NG-CDF office, while the duplicate be maintained by the Project Management Committees at the project's site to ensure that documents are always available at the time of audit.**
- c) **The Accounting Officer should ensure Constituency Committees employ qualified accountants for the Constituency Offices beginning FY 2025/26 within the 6% administrative allocation to the NG-CDFC. This will strengthen the maintenance of books of accounts and, preparation of financial statements.**

2.3 Delay in Exchequer Releases

Committee Observation

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

Committee Recommendation

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

CHAPTER THREE

3. EXAMINATION OF REPORTS ON THE AUDITED ACCOUNTS FOR WEBUYE EAST, DAGORETTI NORTH AND MATUGA CONSTITUENCIES FOR THE FINANCIAL YEARS 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022.

3.1 WEBUYE EAST CONSTITUENCY - BUNGOMA COUNTY

21. The Fund Account Manager for Webuye East Constituency appeared before the Committee on Tuesday, 21st March 2024, tabled the NG-CDF management responses and supporting documents on the audited accounts and submitted as follows:

3.1.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017

1. Unsupported Land Acquisition

22. Included under transfer to other government entities figure of Kshs 39,216,144 is an amount of Kshs 1,100,000 in respect of acquisition of two (2) acres of land for a primary School in the Constituency. However, the title deed of the acquired land was not availed for audit verification.

Management Response

23. The title deed of Sambu Central primary School was under processing during the time of audit and has been availed for verification.

Committee Observations

24. The Committee observed that a copy of the title deed was availed to the Office of the Auditor General and verified and the query was adequately addressed.

25. The Committee marked the matter as resolved.

Other Matter

2. Budgetary Control and Performance

26. During the year under review, the Fund in aggregate spent Kshs 84,755,732 against a budgeted amount of Kshs. 85,313,641 Resulting to an under absorption of Kshs.557,909 or 1 % of the budget as highlighted below.

Receipt/Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilisation Difference Kshs.	% of Utilisation
Receipt	85,313,643	85,313,643	-	100%
Payments				
Compensation of Employees	3,283,251	3,082,374	200,877	93.90%
Use of goods and services	5,122,584	5,080,439	42,145	99.20%
Transfers to Other Government Units	39,216,144	39,216,144	-	100%
Other grants and transfers	26,568,965	26,254,078	314,887	98.80%
Acquisition of Assets	11,122,697	11,122,697	-	100%
Total	85,313,641	84,755,732	557,909	99.40%

27. Therefore, the level of absorption for the year under review was satisfactory.

Management Response

28. The treasury had not disbursed all the allocated funds to the Constituency as at the close of June 2017 to ensure full implementation of the projects. Compensation of employees Ksh 200,877, Use of goods Kshs.42,145. Other Grants and transfers Kshs.314, 887. The funds were fully utilized in the subsequent financial year.

Committee Observations

29. **The Committee observed that the issue arose due to delay in disbursement of funds from the exchequer. However, the funds were fully utilized in the subsequent financial year. The project implementation status, code list, photos, copy of title deed and a copy of the AIE were provided and verified by the Office of the Auditor General. The query was adequately addressed.**

30. **The Committee marked the matter as resolved.**

3. Project Implementation Status

31. The CDF was to implement a total of 38 projects through various Project Management Committees (PMCs) during the financial year under review. Further analysis indicates that 12 or 32% of the projects were on-going while 26 or 68 % of the projects had been completed as at the time of audit. Consequently, the Fund did not achieve its project completion targets during the year under review and could therefore not fully provide its constituents with all the services planned and budgeted for the year.

	Sector	Total Project Cost Kshs.	Ongoing	Completed	Total	% of Complete Projects
1	Education	40,994,334	12	17	29	59%
2	Bursary	20,474,138	-	1	1	100%
4	Security	1,500,000	-	1	1	100%
5	Environment	150,000	-	1	1	100%
6	CDF Offices	8,200,000	-	1	1	100%
7	Sports	500,000	-	1	1	100%
8	Emergency	4,094,828	-	2	2	100%
9	M&E	1,000,000	-	1	1	100%
10	Administration	4,983,251	-	1	1	100%
	Total	81,896,551	12	26	38	68%
	%		32%	68%		

32. Consequently, the Fund did not achieve its project completion targets during the year under review and could therefore not fully provide its constituents with all the services planned and budgeted for the year.

Management Response

33. The delay was due to late disbursement of funds however the projects were implemented in the subsequent year 2017/2018 and they are now complete and in use. Completion certificates were presented for verification and photos availed.

Committee Observations

34. **The Committee observed that the issue arose due to delay in disbursement of funds from the exchequer. The query was adequately addressed as the projects were implemented in the subsequent year 2017/2018 and were in use.**
35. **The Committee marked the matter as resolved.**

3.1.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018

1. Budgetary Control and Performance

1.1 Budgetary Performance

36. The fund had approved budget of Kshs.98,747,566 for the year ended 30 June 2018. During the same period the Fund incurred total expenditure of Kshs.87,101,971 representing 88% of the approved budget resulting to budget under –utilization of Kshs.11,645,595 representing 12% of the approved budget. Failure to utilise all the funds as budgeted for is an indication that services and approved programs may not have been delivered to Webuye East constituents.

Management Response

37. The under expenditure of the budget was due to the delay in disbursement of funds by the exchequer. A sum of Kshs. 11379,310.35 due to the constituency was received on 31/7/2018. AIE NO B005090. However, the projects were implemented in the subsequent year 2018/2019 and they are now complete and in use.

Committee Observations

38. **The Committee observed that the issue arose due to delay in disbursement of funds from the exchequer. Copies of the AIEs and codelist were availed and verified by the Office of the Auditor General and the query was adequately addressed.**
39. **The Committee marked the matter as resolved.**

1.2 Project Implementation Status

40. The project implementation status of the Fund since 2013/2014 was summarized. From the report, five (5) projects with an approved budget and total disbursements of Ksh.10,696,152 were on-going from 2013/2014 to 2015/2016 although they should have been completed by 2017/2018. No reason was however provided for the failure to implement all the projects as budgeted. Consequently, the Webuye East Constituents may not have benefited from the incomplete projects.

Management Response

41. The delay was due to phased implementation and delayed funding, the projects are now complete and in use. Project implementation status, photos and completion certificates were provided for audit review.

Committee Observations

42. **The Committee observed that the delays in the implementation of projects resulted from the delays in the disbursement of funds by the exchequer. The project implementation status, photos and completion certificates were availed for audit verification. The query was satisfactorily addressed.**
43. **The Committee marked the matter as resolved.**

Basis for Conclusion

2. Acquisition of Assets

44. Included in the acquisition of assets figure of Kshs.1,257,909 is a payment of Kshs.700,000 to a contractor for fencing of the Funds offices. According to the bills of quantities, the contractor was to use cracked precast concrete posts and six (6) strand galvanized barbed wire to fence at a contract sum of Kshs.1,200,000. However, physical verification of the fencing conducted in April 2019 revealed that the contractor used wooden posts instead of the precast concrete posts and four (4) strand galvanized wire instead of six (6) as per the bills of quantities. Although the management has explained that the contractor was given site instructions to increase the length and compensate with the changed specifications, details of the instructions and accompanying measured works were not availed for audit verification. Consequently, the probity of the expenditure of Kshs.700,000 for year ended 30 June 2018 could not be confirmed.

Management Response

45. The board approved fencing of which the public works issued instruction for use of materials which could complete the work within the approved amounts (fencing of 200 Linear Meters) Re-measurement was done as per the recommendations of the audit. The project was later properly completed with cracked precast concrete posts. Report of public works, Code list and Photos had been availed for audit review.

Committee Observations

46. **The Committee observed that the report of public works, code list and photos were provided and verified by the Office of the Auditor General and the query was adequately addressed.**
47. **The Committee marked the matter as resolved.**

2.1 Stalled Project

48. The fund undertook to construct a library at Magemo Friends Secondary School at a total cost of Kshs.9,742,132. The tender was awarded to a contractor on 16th October 2017 and was to be completed within six months from the date of the award hence expected to have been completed by April 2018. Project verification conducted in April 2019 showed that the substructure and walling work up to and including ring beam had been done and a total of Kshs.4,432,912 had been paid to the contractor. However, no work had been done since February 2018 and the contractor was not on site. The management did not however explain the steps that were being taken to ensure the project is completed as designed. Consequently, the delay in the project completion could have resulted to cost overruns due to inflation and contract variations.

Management Response

49. The project had additional funding in the financial year 2018/2019 which was awaiting funding so that the project could go on. The project is now complete and in use, the completion certificate, project photos and project implementation status have been availed for review

Committee Observations

50. **The Committee observed that the completion certificate, project photos and project implementation status were provided and verified by the Office of the Auditor General and the query was adequately addressed.**
51. **The Committee marked the matter as resolved.**

2.2 Failure to Obtain Ownership Documents for Land

52. The Fund incurred Kshs. 2,501,000 on acquisition of three pieces of land for its project, Sipala Chiefs Camp Kshs.141,000, Njata DEB Primary School Kshs.1,160,000 and St. Pauls Kibisi Primary School Kshs.1,200,000. Consequently, probity of the expenditure of Kshs.2,501,000 on acquisition of land for the year ended 30 June 2018 could not be confirmed.

Management Response

53. During the time of audit, the title deeds had not been acquired however the constituency allocated funds to be used by the schools in processing of the title deeds. The processing of the title deeds has since been completed and availed for verification.

Committee Observations

54. **The Committee observed that:**
- (i) Copies of the title deeds for Njata DEB Primary and Kibisi Primary were provided and verified by the Office of the Auditor General and the matter addressed.**
 - (ii) The title deed for Sipala Chiefs Camp was still pending as the land was under succession. The land was in use by the Assistant Chief. The matter remains pending.**

Committee Recommendations

55. **The Committee recommends that:**
- a) The Accounting Officer should ensure that the PMC's purchase land in areas where there are clear ownership documents especially where land adjudication has been done.**
 - b) Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Manager should submit to the Accounting Officer the pending land matter in the constituency concerning Sipala Chief's Camp on delayed title deeds processing, succession, transfer and ownership.**
 - c) The Accounting Officer should upon adoption of this report follow up on the matter of land ownership with the relevant Ministry and State Departments and ensure that the constituency acquires ownership documents for land on which the NG-CDF project has been undertaken.**

2.3 Construction of classroom at Friends School Lutacho

56. The fund undertook the construction of 3 classrooms at Friends School Lutacho at a cost of Kshs. 4,590,120. physical verification of the project done in April 2019 revealed that the

floors had severely damaged and in need of repairs barely 12 months after the project was completed, an indication of poor workmanship. Although the management indicated that the project had not been handed over and would ensure that the defects were repaired before hand over, no documentary evidence was provided to show that the contractor has been advised of the poor workmanship considering that the six months liability period had elapsed. Consequently, the public did not receive value for Kshs.4,590,120 spent on the construction of the classrooms.

Management Response

57. During the time of audit, the project had developed some damages, however, the contractor was contacted to make good defects. The certificate of making good defects from public works had been availed for review.

Committee Observations

58. **The Committee observed that the certificate of making good defects was provided and verified by the Office of the Auditor General and the query was adequately addressed.**
59. **The Committee marked the matter as resolved.**

Other Payments

60. Included in other payments figure of Kshs.6, 677,027 is the cost of four projects amounting to Kshs.4,677,028 for provision of internet access and associated services for constituency innovation hubs. The cost of each project was Kshs.1,169,257. According to the NG-CDF circular dated 25 July 2017, the Ministry of Information Technology and Telkom Kenya entered into contract which indicates that the Fund was to install Wi-Fi internet services through three Project Management Committees namely St. Cecilia Girls High School–Misikhu, St. Mathews ACK Secondary School, Ndivisi and Constituency Development Fund offices.
61. Physical verification on the projects conducted in April 2019 confirmed that installation had been done at the Constituency Development Fund Offices and evidence in form of certificates was produced in support of installation at St. Mathews ACK Secondary School. However, installation of the equipment had not been done at St. Cecilia Girls High School – Misikhu .in addition, according to the schedule of the project implementation committee bank balances, St. Cecilia Girls High School –Misikhu did not have bank balances relating to the project as at 30 June 2018.
62. Further, it was noted that the two projects at which the equipment had been installed were not operational as internet services were not available as at the time of audit in April 2019. Interviews carried out with the intended users of the service revealed that the services have never been available consistently due to unreliable internet connection. Consequently, value for money for Kshs.4,677,028 incurred on the project may not have been realised.

Management Response

63. The project was done in three sites i.e., St. Mathews ACK secondary school, Ndivisi girls secondary and the constituency development Fund offices as at the time of Audit. Telkom Kenya in conjunction with the Ministry of Information upgraded the internet in respective sites and the net is now available and stable. The money for St. Cecilia was sent to the School PMC on 24th May 2019 as per the statement attached. Photo of the project was attached for verification.

Committee Observations

- (i) **The Ajira program was initiated by the Ministry of ICT, with NG-CDF contributing Kshs. 1.1 million to Telkom. Telkom was responsible for providing internet and equipment. The project was executed by the respective Project Management Committees.**
- (ii) **The management did not provide adequate evidence to justify the expenditure, and there was no confirmation from the school or PMC regarding the functionality of the internet. Furthermore, the auditor did not conduct any physical verification to ascertain its operational status.**
- (iii) **The matter remains pending.**

Committee Recommendation

64. **The Committee recommends that the Accounting Officer should submit a status report of the project to the National Assembly within three months upon adoption of this report.**

3.1.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019

1. Budgetary Control and Performance

1.1 Budgetary Performance

65. **The statement of comparative budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.120,686,468 and KSHS 65,645,593 respectively resulting to an under -funding of Kshs.55,040,875 Or 46% of the budget. Similarly, the fund spent Kshs. 60,977,044 against an approved budget of Kshs.120,686,468 resulting to an under-expenditure of Kshs.59,709,424 or 49% of the budget. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery to the residents of Webuye East Constituency.**

Management Response

66. **The balance of Kshs. 55,040,875 were received in two phases; Kshs.54,790,875 on 25th July 2019 and Kshs.250,000 on 20th March 2020 and subsequently disbursed to the respective institutions as per AIEs B and B104138 respectively. Projects now complete and in use.**

Committee Observations

67. **The Committee observed that the issue arose due to delay in disbursement of funds from the exchequer. The projects were subsequently implemented and are in use. Copies of the AIEs were provided and verified by the Office of the Auditor General and the query adequately addressed.**
68. **The Committee marked the matter as resolved.**

2. Project Implementation Status

2.1 Projects for the Year Under Review

69. **The Fund was to implement a total of 29 projects/programme under security, education and Sports sectors during the financial year under review. Further analysis indicated that 10 projects representing 34% were on going and 19 projects representing 66% were completed.**

Management Response.

70. The funds were received after the financial year in July 2019 and subsequently dispatched to the respective projects as per the PIS, completion certificates and photos provided for audit review.

Committee Observations

71. **The Committee observed that the issue arose due to delay in disbursement of funds from the exchequer. The projects were subsequently implemented and are in use. Copies of the AIEs were provided and verified by the Office of the Auditor General and the query adequately addressed.**
72. **The Committee marked the matter as resolved.**

2.2 Incomplete Projects for Prior Years

73. The Project Implementation status report submitted for audit review shows that eleven 11 Projects with total estimated cost of Kshs.82,314,744, which were to be implemented during the 2014/2015, 2016/2017 and 2017/2018 financial years were still ongoing as at 30 June,2019. Consequently, the Fund may not have achieved its projects completion targets and could therefore not provide its constituents with all the services planned and budgeted for , for the three years. Further, management may not be prioritizing on-going projects when allocating funds as required by Section 46 (2) of the National Government Constituencies Development Fund Act,2015.

Management Response

74. The projects were completed after the receipt of funds in the subsequent financial years, the completion certificates and photos have been availed for review.

Committee Observations

75. **The Committee copies of the project implementation status, completion certificates and photos were provided and verified by the Office of the Auditor General and the query was adequately addressed.**
76. **The Committee marked the matter as resolved.**

Basis for Conclusion

3. Failure to Insure fixed and Movable Assets

77. Failure to Insure fixed and Movable Assets Annex 4, summary of fixed assets register to the financial statements for the year under review reflects total fixed assets of Kshs.42,080, 596, which were not insured. This is contrary to Section 36(3) of the National Government Constituencies Development Fund Act,2015 which stipulates that all fixed and movable assets, including equipment bought under this Act for use by the Constituency committee shall be property of the Board and shall be insured in the name of the Board.

Management Response

78. This was an oversight of not insuring the movable assets, however this was corrected and currently, our Motor vehicle has a comprehensive insurance cover from Britam (K) Limited.

Committee Observations

79. The Committee observed that:

- (i) The management provided the motor vehicle insurance cover to the auditors for verification.**
- (ii) Currently, constituencies are only insuring motor vehicles only and not fixed assets as the 6% allocated to constituencies for administrative expenses is not sufficient to insure buildings and other fixed assets. The query was adequately addressed.**
- (iii) The Committee marked the matter as resolved.**

Committee Recommendation

80. The Committee recommends that the Accounting Officer should develop a policy in accordance with the Section 36(3) of the NG-CDF Act, (CAP.414A) to guide on insurance of movable and fixed assets.

4. Unutilized Project Management Committee PMCs Bank Accounts

81. Included in the PMC balances at annex 4 to the financial statement are bank account balances totaling Kshs.2,088,623 whose respective projects were, according to project implementation status report, complete and operational as at 30 June ,2019. However, these unutilized balances had not been transferred back to the Constituency Bank Account as at 30 June ,2019 as required by Section 12 (8) of the National Government Constituencies Development Fund Act, 2015. Management indicated that the process of transferring these balances to the Constituency Account had been initiated.

Management Response

82. The PMCs balances for complete projects are now being transferred to the main NG-CDFC bank account and the funds reallocated to fund other projects. The unutilized funds were transferred to the main account as per attached Request for closure letter and bank statement of 28th June 2022.

Committee Observations

83. The Committee noted that the Office of the Auditor General verified evidence confirming that the unutilized funds were returned to the main account, addressing the matter effectively.

84. The Committee marked the matter as resolved.

3.1.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020

1. Unsupported Expenditure

85. The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects use of goods and services balance of Kshs.6,582,700. However, supporting documents for expenditure of Kshs.3,273,223 were not provided. Consequently, the accuracy and completeness validity of the expenditure of Kshs.3,273,223 for the year under review could not be confirmed.

Management Response

86. At the time of audit, the supporting documents for the expenditure of Kshs.3,273,223 could not be availed to the auditor due to misplaced files. However, the files were later located and the supporting documents availed for verification.

Committee Observations

87. **The Committee observed that the payment vouchers were provided and verified by the Office of the Auditor General and the query was adequately addressed.**
88. **The Committee marked the matter as resolved.**

2. Inaccuracy of Comparative Figures

89. The comparative figures of the Project Management Committee (PMC) account as disclosed in Note 8.3 and Annex 4 reflects balance brought forward of Kshs.17,232,708 which differs with the corresponding balance of Kshs.14,821,539 in the audited financial statements for the year 2018/2019 by Kshs.2,411,169. Consequently, the accuracy and completeness of Kshs.17,232,708 could not be confirmed.

Management Response

90. The comparative figures of Kshs. 17,232,708 were updated from the Kshs. 14,821,539 as some PMCs had not submitted their balances during that financial year. The PMC balances that were not declared initially were eventually updated. The updated FS extracts are attached for verification.

Committee Observations

91. **The Committee observed that the extracts of the updated financial statements for the subsequent year were provided and verified by the Office of the Auditor General and the query was adequately addressed.**
92. **The Committee marked the matter as resolved.**

Other Matter

3. Budgetary Control and Performance

93. The statement of comparative budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.197,077,148 and Kshs.127,709,425 respectively resulting to an under -funding of Kshs.69,637,724 or 35% of the budget. Similarly, the fund expended Kshs.121,940,675 against an approved budget of Kshs.197,077,148 resulting to an under-expenditure of Kshs.75,136,473 or 38% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

94. The underfunding was due to the lack of disbursements from the exchequer. However, the funds were later received in the subsequent financial year and the projects undertaken to completion. The AIE's A823745(Ksh.26,577,724), B104516 (Ksh.15,000,000) and B104691(Kshs.19,000,000) had been availed for review.

Committee Observations

95. **The Committee observed that copies of the AIEs confirming the late release of funds were provided and verified by the Office of the Auditor General and the projects undertaken to completion. The query was adequately addressed.**
96. **The Committee marked the matter as resolved.**

4. Project Implementation Status

97. The Fund's Project Implementation Status (PIS) Report as at 30 June, 2020 shows that the Fund was to implement a total of thirty-two (32) projects with estimated cost of Kshs. 298,858,756 under security, education, sports and environment sectors during the financial year under review. The audit noted that eight (8) projects had been completed, nineteen (19) projects were still ongoing, and nine (9) projects had not started as at 30 June 2020.

Management Response

98. The delay in implementation of projects was due to the delay in funding from the exchequer. However, the projects were implemented to completion and the photos and completion certificates availed for review.

Committee Observations

99. **The Committee observed that there is a laxity in the constituency office, as they did not provide the required evidence during examination. The completion certificates and photos of the complete projects were later provided and verified by the Office of the Auditor General and the query was adequately addressed.**
100. **The Committee marked the matter as resolved.**

Basis for Conclusion

5. Uninsured Assets

101. The summary of fixed assets registers as disclosed in Annex 3 to the financial statements for the year under review reflects total fixed assets of Kshs.40,822,686 which were not insured. This is contrary to Section 36(3) of the National Government Constituencies Development Fund Act, 2015 which stipulates that all fixed and movable assets, including equipment bought under this Act for use by the Constituency Committee shall be the property of the Board and shall be insured in the name of the Board. The Fund Management is therefore in breach of the Act.

Management Response

102. This was an oversight of not insuring the movable assets. However, this was corrected and currently, the Motor vehicle has a comprehensive insurance cover from Britam (K) Limited .

Committee Observations

103. **The Committee observed that:**
- (i) Currently, Webuye East Constituency is only insuring motor vehicles and not fixed assets as the 6% allocated for administrative expenses is not sufficient to insure buildings and other fixed assets.**
 - (ii) Management motor vehicle insurance cover was provided and verified by the Office of the Auditor General and the query adequately addressed.**

Committee Recommendation

104. **The Committee recommends that the Accounting Officer should develop a policy in accordance with the Section 36(3) of the NG-CDF Act, (CAP.414A) to guide on insurance of movable and fixed assets.**

6. Incomplete Buildings

105. The summary of fixed assets register also reflects buildings and structures figure of Kshs.30,943,058 as at 30 June 2020. However, audit inspection carried out on buildings at the head office revealed the following unsatisfactory matters:
- i. As previously reported, the main office block remained incomplete, especially the lower section of the suspended block, despite it being in use.
 - ii. An ablution block of undetermined value, which was put during the 2016/2017 financial year remained in disuse and its plumbing works were vandalized.
 - iii. The assets register did not reflect this building as separate from the main office block and also had no tag number different from the other buildings.

Management Response

106. During the time of audit, the section of the office block was still under construction and the other section being used in the office. The section was completed and is currently in use. The completion certificate and photos had been availed for review. The ablution block had been vandalized by unknown people. However, it was repaired and is currently in use. The asset register included the ablution block as part of the office block since they were approved alongside each other and undertaken as one project.

Committee Observations

107. **The Committee observed that completion certificate and photos were provided and verified by the Office of the Auditor General and the query was adequately addressed.**
108. **The Committee marked the matter as resolved.**

3.1.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021

1. Unsupported Other Receipts

109. The statement of receipts and payments and Note 3 to the financial statements reflects Kshs. 14,900 in respect of other receipts. However, the receipts were not supported by any documents. Consequently, the accuracy and completeness of other receipts of Kshs.14,900 could not be confirmed.

Management Response

110. The Kshs. 14,900 was a banking reversed by KCB Bank on 2nd February 2021. The money that had been a receipt in the particular year under review had to be declared. Attached is a copy of the bank statement extract on the same marked.

Committee Observations

111. **The Committee observed that the copies of the bank statements were provided and verified by the Office of the Auditor General and the query was adequately addressed.**
112. **The Committee marked the matter as resolved.**

2. Unsupported Project Management (PMC) Account Balances

113. Note 17.4 to the financial statements reflects Project Management Committee balances totaling Kshs. 23,273,754 which, as shown under Annex 5, comprises balances held by PMCs in sixty-one (61) bank accounts in Kenya Commercial Bank. However, bank reconciliation statements and certificates of bank balances in support of the bank balances were not provided for audit.

Management Response

114. The PMC bank balances were based on the account's balances given by the bank at the time of preparing financial statements. It's regrettable that reconciliation statements were not prepared at the time. However, the bank statements showing the balances at the end of the year have been availed for review.

Committee Observations

115. **The Committee observed that:**

- (i) **The management did not prepare the financial statements using IPSAS reporting framework at the time of audit.**
- (ii) **The bank statements were subsequently provided to the Office of the Auditor General and verified and the query was adequately addressed.**

116. **The Committee marked the matter as resolved.**

3. Inaccuracies in the Statement of Receipts and Payments

117. The statement of receipts and payments reflects expenditure on other grants and transfers of Kshs 43,369,646 as disclosed in Note 7 to the financial statements. However, the statement of appropriation reflects an amount of Kshs.44,930,646 resulting in a variance of Kshs.1,561,000. Further, the statement reflects expenditure on use of goods and services of Kshs.5,770,304 as disclosed in Note 5 to the financial statements. However, supporting schedules reflects an expenditure of Kshs.5,731,030 resulting in an unreconciled variance of Kshs.39,274. In addition, the expenditure on use of goods and services includes Kshs.1,448,000 paid as CDF committee allowances. However, payment vouchers and related supporting documents reflect an expenditure of Kshs.2,279,000 resulting in an unexplained variance of Kshs.831,000.

Management Response

118. The arithmetic errors in the statement of receipts and payments were regrettably noted and were corrected in the subsequent financial year. The various variances were noted, reconciled and updated in the subsequent financial year. The Kshs. 831,000 was an expenditure on NG-CDFC induction and bursary issuance and vouchers availed for audit review.

Committee Observations

119. **The Committee observed that:**

- (i) **The arithmetic errors in the statement of receipts and payments were corrected in the subsequent financial years.**
- (ii) **The query was however partially addressed as management did not provide sufficient documents to support the expenditure of Kshs.831,000 for audit review.**

Committee Recommendation

120. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B) the Accounting Officer should submit evidence to support the expenditure of Kshs. 831,000 to the National Assembly.**

4. Unsupported Adjustment

121. The statement of assets and liabilities reflects prior year adjustment balance of Kshs.537,751. However, the balance was not supported by documentation, analysis or detailed Note to the financial statements. In the circumstances, the accuracy and completeness of the prior year adjustment balance of Kshs. 537,751 could not be confirmed.

Management Response

122. The prior year adjustment of Kshs. 537,751 was as a result of stale cheques which were for the past years and had to be reversed and received back into the cash book and awarded to other beneficiaries as per attached PV and beneficiary list.

Committee Observations

123. **The Committee observed that the payment vouchers were provided and verified by the Office of the Auditor General and the query was adequately addressed.**
124. **The Committee marked the matter as resolved.**

Other Matter

5. Budgetary Control and Performance

125. The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs. 212,240,253 and Kshs. 158,361,374 respectively resulting to an under-funding of Kshs. 53,878,879 or 23% of the budget. Similarly, the statement of appropriation reflects final expenditure budget and actual on comparable basis of Kshs. 212,240,253 and Kshs. 99,681,573 respectively resulting to an under expenditure of Kshs. 112,558,681 or 53% of the budget. Based on the approved estimates, under-funding and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

126. The under-funding and under-expenditure were as a result of late disbursement of funds by the exchequer. AIE's **A895082**, **A888515** and **B105326** totaling to Kshs.53,878,879 together with cash book extract were availed for review.

Committee Observations

127. **The Committee observed that the issue arose due to delay in disbursement of funds from the exchequer. Funds were received in the subsequent financial year and copies of AIES and cash book extract provided and verified by the Office of the Auditor General. The query was adequately addressed.**
128. **The Committee marked the matter as resolved.**

3.1.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022

1. Accuracy of Unutilized Funds Balance

129. The financial statements reflect a comparative balance of Kshs. 112,558,681 in respect of unutilized funds, as detailed in Annex 3. However, the balance is at variance with the corresponding closing balance of Kshs. 112,588,681 reflected in the audited financial statements for the year ended 30 June 2021. The variance of Kshs. 30,000 has not been explained or reconciled. Further, annex 3 reflects only sub-total for unutilized funds but does not show the individual balances supporting the sub totals.

Management Response

130. The variance was due to arithmetic error in the computation of the balances for the year ended 30th June 2021. The actual amount is Kshs.112,558,681. The financial statements were corrected in respect of all noted errors. An extract of the corrected financial statement was availed for audit review.

Committee Observations

131. **The Committee observed that an extract of the corrected Financial Statements was provided and verified by the Office of the Auditor General and the query was adequately addressed.**

132. **The Committee marked the matter as resolved.**

2. Unsupported Expenditure on bursaries

133. The statement of receipts and payments reflects an amount of Kshs.83,938,965 in respect to other grants and transfers which, as disclosed in Note 7 to the financial statements, includes Kshs.42,702,843 and Kshs. 24,588,490 being bursary disbursements to secondary schools and tertiary institutions respectively, totaling Kshs.67,291,333. However, the disbursements were not supported by minutes of vetting committee, list of beneficiaries and acknowledgement documents from the recipient institutions. In the circumstances, the propriety of Kshs.67,291,333 on bursaries could not be confirmed.

Management Response

134. The bursary disbursements amounting to Kshs.67,291,333 are fully supported by all the documentations: Minutes, beneficiary lists and acknowledgements. Sample documents including minutes, beneficiary list and acknowledgements are availed for verification. In addition, the payment vouchers have also been attached to confirm propriety of the funds.

Committee Observations

135. **The Committee observed the sample documents including confirmed minutes, beneficiary list and acknowledgements were provided and verified by the Office of the Auditor General and the query was adequately addressed.**

136. **The Committee marked the matter as resolved.**

3. Accuracy of Comparative Balance on Project Management committee balance

137. The financial statement reflects PMC comparative balance of Kshs.33,574,738 which however is at variance from the corresponding closing balance of Kshs. 23,273,754 reflected in the audited financial statements for the year ended 30 June 2021. The variance of

Kshs.10,300,984 was not explained or reconciled. In the circumstances, the accuracy and completeness of the PMC comparative balance of Kshs. 33,574,738 could not be confirmed.

Management Response

138. The management noted that the presentation of the PMC balances for the year ended 30th June 2021 was not accurate resulting to the inaccuracy of the balances for the current year of audit. However, the discrepancies have been looked into and corrected/reconciled. An extract of the corrected Financial Statement showing the accurate PMC balances was availed for audit review.

Committee Observations

139. **The Committee observed that an extract of the corrected financial statement was provided and verified by the Office of the Auditor General and the query was adequately addressed.**
140. **The Committee marked the matter as resolved.**

Other Matter

4. Budgetary Control and Performance

141. The summary statement of appropriation reflects total actual expenditure of Kshs.230,170,871 against approved budget of Kshs.251,397,447 resulting to under expenditure of Kshs.21,226,576 or 8 % of the budget. The under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

142. The underutilization was due to late disbursement of funds by the Exchequer as evidenced by the AIE numbers A888515 and A 895082 of Kshs.12,088,879.30 and Kshs.8,790,000 respectively received on 15th June 2022. However, the balances which were carried forward to the subsequent financial year were fully utilized in the year into various sectors i.e., Admin and recurrent expenditure, Bursaries, Emergency, Projects and part of it Re- allocated for other uses. Copies of the AIEs were availed for audit review.

Committee Observations

143. **The Committee observed that the Funds were received and utilized in the subsequent financial year and copies of the respective AIEs were provided and verified by the Office of the Auditor General. The query was adequately addressed.**
144. **The Committee marked the matter as resolved.**

5. Failure to Insure Fixed and Moveable Assets.

145. The financial statements reflect, under Annex 4 on summary of fixed assets register, fixed assets valued at Kshs.43,392,196 as at 30 June 2022 classified under various categories. However, only assets with values totaling Kshs. 8,107,630 under transport equipment category have been insured while the balance of assets with values Totaling Kshs. 35,284,566 have not been insured contrary to Section 36(3) of the National Government Constituencies Development Fund Act, 2015 which stipulates that all fixed and movable assets, including equipment bought under this Act for use by the Constituency Committee shall be the property of the Board and shall be insured in the name of the Board. In the circumstances, the Fund Management was in breach of the law

Management Response

146. The balance of assets totaling Kshs.35,284,566 is made up of the NG-CDF building and other assets including furniture and ICT equipment. The management has complied to the law by insuring the moveable assets estimated at Kshs.8,107,630 i.e., the NG-CDFC vehicle and motorcycle. Evidence of insuring the moveable assets was availed for verification. The management has noted the recommendation of insuring the fixed assets and will forward the matter to the NG-CDF Board to seek further guidance and/or approval.

Committee Observations

147. **The Committee observed that:**

- (i) The management provided the motor vehicle and motorcycle insurance covers to the auditors for verification.**
- (ii) Currently, constituencies are only insuring moveable assets and not fixed assets as the 6% allocated to constituencies for administrative expenses is not sufficient to insure buildings and other fixed assets.**

Committee Recommendation

148. **The Committee recommends that the Accounting Officer should develop a policy in accordance with the Section 36(3) of the NG-CDF Act, (CAP.414A) to guide on insurance of movable and fixed assets.**

3.2 DAGORETTI NORTH CONSTITUENCY - NAIROBI COUNTY

149. The Fund Account Manager for Dagoretti North Constituency appeared before the Committee on Wednesday, 15th May 2024, tabled the NG-CDF management responses and supporting documents on the audited accounts and submitted as follows:

3.2.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017

1. Other Grants and Other Payments

150. The statement of receipts and payments reflects other grants and transfers of Kshs.46,618,131 which as disclosed at Note 7 to the financial statements include bursaries to secondary and tertiary institutions totaling Kshs.29,683,546. However, cheques amounting to Kshs.1,764,487 were not been presented for payment by the recipients as at 30 June 2017, casting doubts on the process of identifying needy cases for bursaries purposes.

Management Response

151. Other grants and other payments figure of Kshs.46,618,131 include bursaries to secondary and tertiary institutions totaling to Kshs.29,683,546. By the end of the year under review cheques amounting to Kshs.1, 764,487 had not been presented for payment by the recipients. The bursary cheques were done in March, April and May and by the end of the financial year the recipients had collected the cheques but they had not presented the cheques for payment for reasons not clear to the management. The cheques could therefore only be replaced or lapsed in the cash book after a period of six months when they become stale. Replacing these cheques before this period would therefore require a stopping order to the banks that attract some charges which eventually could be very expensive. The cheques however cleared later and the introduction of bulk cheques was introduced to curb this.

Committee Observations

152. **The committee noted that the bank statements were provided and verified by the Office of the Auditor General and the query was adequately addressed.**

153. **The Committee marked the matter as resolved.**

2. Net Financial Position

154. The statement of assets as at 30 June 2017 reflects net liabilities instead of net financial Position of Kshs.17,174,542.85 being the difference between the brought forward balance of Ksh.47,174,542.85 and the deficit for the year of Kshs.47,156,586.50. No explanation has been provided for this anomaly.

Management Response

155. The financial statement reporting template had an error on the statement of assets and liabilities. The error was corrected to read net financial position instead of net liabilities. A copy of the amended statement of assets and liabilities has been availed to the Auditor.

Committee Observations

156. **The committee observed that the error in the reporting template was corrected in the subsequent year. The query was addressed.**

157. **The Committee marked the matter as resolved.**

3. Budget and Budgetary Controls

158. During the year under review, the fund budgeted to spend Kshs. 178,957,902.55. However, overall actual expenditure for the year amounted to Kshs. 142,991,671.10 resulting in an under expenditure of Kshs. 35,966,231.45, which is equivalent to 20% of the total budget. The under expenditure was mainly on transfers to other government units. 15,765,314.70 and other grants and transfers- Kshs. 18,012,182.10. Analysis of the budget against actual expenditure indicates that administration expenses for the year amounted to Kshs. 10,002,215 against a budget of Kshs. 12,190,950 resulting in an under-expenditure of Kshs.2,188,735. Further, out of the development budget of Kshs.166,766,953, an amount of Kshs.132,989,456 was spent resulting in under expenditure of Kshs.33,777,497, a 20% shortfall. The under-expenditure is an indication that approved programs were not fully implemented which impacted negatively on service delivery to the constituents of Dagoretti North.

Management Response

159. This was occasioned by the delay of funds from the exchequer. A copy of the AIE has been availed to the auditor for review.

Committee Observations

160. **The Committee observed that this is a recurring matter and pronounced that the National Treasury should expedite the disbursement process. The query was subsequently addressed.**

161. **The Committee marked the matter as resolved.**

4. Unutilized Project Management Committee (PMC) Funds

162. A review of Project Management Committee (PMC) bank statements revealed that nineteen PMCs were holding bank balances totaling Kshs.48, 069,428.20 as at 30 June 2017. In some cases, there was little or no spending during the year as evidenced by bank transactions. Although management has attributed this to long tendering process and delay in preparation of bills of quantities, this resulted in low absorption of funds by the project management committees which had negative consequences on delivery of services to the residents.

Management Response

163. As at the end of financial year under review Kshs.48,069,428.20 remained in the various PMC accounts. This was occasioned by the tendering process and delay in the preparation of bills of quantities by the technical officers after the funds had been transferred to the PMC accounts.

164. Management has therefore noted this concern positively and put measures to fast track the implementation of projects in future where bills of quantities are prepared before the funds are available in readiness for their implementation by capacity building the PMCs.

Committee Observations

165. **The Committee observed that:**

- (i) Management did not annex the evidence during examination.**
- (ii) The matter was partially addressed as management did not submit completion certificates and a list of the approved projects for audit verification.**

Committee Recommendations

166. **The Committee recommends that:**

- a) **Within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B) the Accounting Officer should submit completion certificates and a list of the approved projects to the National Assembly.**
- b) **The NG-CDF Board should conduct continuous capacity building on financial reporting standards for Constituency Committees and the PMC to improve the quality of reporting and enhance compliance.**

3.2.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018

1. Budget Performance

167. Dagoretti North NG-CDF had budgeted to spend Kshs.134,155,887 but the actual expenditure was Kshs.63,301,889 or 47%, resulting in under expenditure of Kshs. 70,853,997 or 53% of the total budget which has not been explained satisfactorily. The development budget was Kshs.117,726,769, against actual expenditure of Kshs. 57,101,305 or 48%, resulting in under expenditure of Kshs. 60,625,464 or 52% of the total budget, which equally has not been satisfactorily explained. The under expenditure on the budgeted items implies that some of the planned activities and programmes were not executed and hence resulting in inefficient and ineffective service delivery to the constituents.

Management Response

168. The under-expenditure is as a result of the late disbursement of funds from the exchequer.

Committee Observation

169. **The Committee was satisfied with the response and evidence provided by the management and marked the matter as resolved.**

2. Unpresented Bursary Cheques

170. The statement of receipts and payments for the year ended 30 June 2018 reflects an expenditure of Kshs.34,122,298 against other grants and other transfers, which includes Kshs.24,050,500 for bursaries to secondary and tertiary schools. However, no satisfactory explanation has been given for failure to present bursary cheques amounting to Kshs.14,406,000 for payments. The unpresented bursary cheques may be an indicator that the evaluation process and final disbursements were not done appropriately and fairly.

Management Response

171. The unpresented bursary cheques were mainly done in the months of April, May and June. By the closure of the financial year most of them had not been presented. This has been a challenge however the management is working on measures to ensure faster presentation of bursary cheques. The bank reconciliation for August, September and October 2018 were availed for audit review.

Committee Observations

172. **The Committee observed that the bank reconciliation for August, September and October 2018 were submitted for audit review and the query was addressed.**

173. **The Committee marked the matter as resolved.**

3.2.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019

1. Budgetary Control and Performance

174. The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.184,926,873 and Kshs.113,816,483 respectively resulting to an under-funding of Kshs.71,110,390 or 39% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.184,926,873 and Kshs.110,520,474 respectively resulting to an under expenditure of Kshs.74,406,399 or 40% of the budget.

Management Response

175. The under-expenditure was as a result of late receipt of funds from the Exchequer. A copy of the AIE was available for review by the auditors.

Committee Observations

176. **The Committee noted that management submitted the AIE, indicating there was a delay in disbursement, and addressed the query accordingly.**

177. **The Committee marked the matter as resolved.**

3.2.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020

1. Inaccuracies in Bank Balance

178. As disclosed in Note 10A to the financial statements, the statement of assets and liabilities reflects bank balances total of Kshs.16,396,351. The bank reconciliation statement for the month of June 2020 reflected payments in cashbook which were not recorded in the bank statement amounting to Kshs.15,169,114 out of which cheques totaling to Kshs.492,995 were stale. However, the cheques had not been written back in the cash book as at 30 June 2020. Consequently, the accuracy and completeness of bank balances total Kshs.16,396,351 reflected in the statement of assets and liabilities as at 30 June 2020 could not be confirmed.

Management Response

179. At the closure of the financial year there were bursary stale cheques amounting to Kshs.492,995. However, it was not possible to reverse and replace the stale cheques as most of the institutions were closed as a result of the COVID-19 pandemic. The cheques have however been replaced and presented after opening of the institutions in October 2020.

Committee Observations

180. **The Committee observed that the reversal of stale cheques verified in the cashbook by the Office of the Auditor General and the query was adequately addressed.**

181. **The Committee marked the matter as resolved.**

2. Inaccuracies in Statement of Receipts and Payments

182. As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and other payments totalling Kshs.52,241,834. However, the balance includes payments amounting to Kshs.1,292,000 that were charged to other grants and other payments (bursaries account) instead of use of goods and services. The payments included committee allowances amounting to Kshs.730,000, courier amount of Kshs. 219,000 and

stationery amount of Kshs. 343,000. Consequently, the accuracy, completeness and validity of payments amounting to Kshs. 1,292,000 for the year ended 30 June 2020 could not be confirmed.

Management Response

183. These payments were relating to the issuance of the bursary exercise that's why they were classified under bursary vote. However, this has been noted and we will ensure that all such expenses are drawn from the Administration and Recurrent Expenditure Vote.

Committee Observation

184. **The Committee observed that the journal entries to correct the errors were not made available.**

Committee Recommendation

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

3. Inaccuracy of Project Management Committee Bank Balances

186. Note 17.4 to the financial statements reflects Project Management Committee bank balances amounting to Kshs. 43,833,070 as at 30 June 2020. However, Project Management Committee bank balances for State House Girls High School, State House Primary School, and Kilimani Primary School were not included in Annex 5 to the financial statements. Consequently, the accuracy, completeness, and validity of Project Management Committee bank balances amounting to Kshs. 43,833,070 as at 30 June 2020 could not be confirmed.

Management Response

187. This might have been as a result of omission on the PMC Bank Balances in Annex 5 of the Financial Statements. The omission has been corrected and a copy of Annex 5 of the financial Statement on PMC Bank Statements availed to the Auditor for review.

Committee Observations

188. **The Committee observed that the corrected statements were availed for audit review and the query addressed.**
189. **The Committee marked the matter as resolved.**

4. Budgetary Control and Performance

190. The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totaling to Kshs. 211,865,667 and Kshs. 142,466,799 respectively, resulting to an under-funding amounting to Kshs. 69,398,868 or 33% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs.211,865,667 and Kshs. 126,070,448 respectively, resulting to an under expenditure amounting to Kshs.85,795,219 or 40% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

191. As at the closure of the financial year, most of the Funds for the financial year 2019/2020 were not yet disbursed by the Exchequer. AIES showing funds disbursement were provided for review.

Committee Observations

192. **The Committee noted that a Copy of AIE showing evidence of delayed funding was availed for audit review thereby addressing the query.**
193. **The Committee marked the matter as resolved.**

3.2.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021

1. Unconfirmed Cash and Cash Equivalents

194. The financial statements reflect cash and cash equivalents balance of Kshs. 42,014,830 as at 30 June 2021. Review of the bank reconciliation statements provided for audit revealed long outstanding unpresented cheques (stale cheques) totaling Kshs. 55,004.

Date	Chq. No	Payee	Amount: Kshs
31.07.19	12276	Commissioner of Domestic Taxes	38,285
29.10.19	12481	NSSF	1,600
18.12.19	12492	Commissioner of Domestic Taxes	3,510
18.12.19	12499	NSSF	1,600
10.06.20	14321	Commissioner of Domestic Taxes	10,009
Total		55,004	

195. The stale cheques, some of which had been outstanding for more than two years had not been reversed in the cash book, thereby understating the cash book balance by the same amount. No explanation was provided for failure to update the cash book. In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs. 42,014,830 reflected in the financial statements could not be confirmed.

Management response

196. The Stale Cheques were reversed to the Cashbook on 30th June 2022 and new cheques drawn. Attached bank reconciliation copy was provided for audit review.

Committee Observation

197. **The Committee observed that the management did not avail a copy of the cashbook extract for verification.**

Committee Recommendation

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

2. Understated Use of Goods and Services

199. The statement of receipts and payments reflects use of goods and services amount of Kshs. 10,680,729 as disclosed in Note 5 to the financial statements. However, the amount differs with the recomputed amount of Kshs. 11,261,479, resulting into an unexplained variance of Kshs. 580,750. The variance understates the total payments and overstate the surplus by the same amount. In the circumstances, the accuracy of use of goods and services amount of Kshs. 580,750 could not be confirmed.

Management Response

200. There was a typing error of Ksh.580,750 in other committee expenses in the preparation of the financial statement in Note 5 on use of goods and service. The actual amount was nil thus totaling Ksh.10,680,792. The error was corrected to read nil and amended Note 5 Use of Goods and Services availed to the Auditor.

Committee Observations

201. **The Committee observed that the financial statements were amended and was satisfied with the response provided thereby addressing the query.**
202. **The Committee marked the matter as resolved.**

3. Budgetary Control and Performance

203. The summary statement of appropriation reflects that the fund had budgeted to receive Kshs. 222,852,954 from the NGCDF Board, however, the Board remitted an amount of Kshs. 171,164,075, resulting in a funding deficit of Kshs.51,688,879 equivalent to 23% of the budget. Similarly, the Fund had a final expenditure budget of Kshs.222,852,954 against an actual expenditure of Kshs.129,149,245, resulting in a budget underutilization of Kshs.93,703,709 equivalent to 42% of the approved budget amount.

Management Response

204. The under expenditure was as a result of late receipt of funds from the exchequer. AIEs showing funds disbursement were availed for audit review.

Committee Observation

205. **The Committee observed that the under expenditure was due to delayed receipt of funds from the exchequer and directed the management to provide completion certificates to the Office of the Auditor General.**

Committee Recommendation

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

4. Under-Expenditure on Bursaries

207. The statement of receipts and payments and Note 1 to the financial statements reflects transfers from other Government entities of Kshs. 154,767,724. Further, note 7 to the financial statement reflects other grants and other payments of Kshs.99,164,281, which includes bursary

- disbursements to secondary schools and tertiary institutions of Kshs.5,858,500 representing approximately 4% of the amount received.
208. This is contrary to Regulations 21(5) of the National Government Constituencies Development Fund Regulations, which requires a Constituency Committee to allocate not less than twenty-five percent of the funds allocated to a constituency for bursaries. In the circumstances, Management was in breach of the law.

Management Response

209. The under expenditure in bursary was as result of the closure of schools during the Covid 19 Pandemic. The bursary funds were however released to the public the following financial year.

Committee Observations

210. **The Committee reviewed the August 2021 bursary funds expenditure returns and was satisfied with the provided evidence thereby addressing the query.**
211. **The Committee marked the matter as resolved.**

5. Non-Implementation of Projects

212. Note 7 to the financial statements reflects other grants and other payments amount of Kshs. 16,149,435. The expenditure includes an amount of Kshs. 200,000 for Kawangware Chief's Office and Kshs.400,000 for Gatina Chief's Office all totaling to Kshs.600,000 which were not implemented as at 30 June 2021. Further, an amount of Kshs.3,000,000 disbursed for Kileleshwa Police Station for security projects remained unutilized at the end of the financial year. In addition, an amount of Kshs.800,000 was transferred to Dagoretti Muslim Primary School PMC Account for fixing the school's drainage system. However, audit verification carried out on the project on 1 April 2022 revealed that the works had not been procured or commenced.
213. Further, the construction of a water tower for existing borehole at St. Georges Secondary School whose budget was included in the 2019/2020 financial year, had not been implemented although the funds were transferred to the Project Management Committee Account on 2 October 2020. No explanation was provided for failure to utilize the funds in the year under review. In the circumstances, the public may not have derived value for money from the projects.

Management Response

214. The project funds were transferred to the PMCs but the projects had not commenced due to the nature of the projects. However, with the help of the public works officer the projects were later implemented fully and handed over for use.

Committee Observations

215. **The Committee observed that vouchers, delivery notes and completion certificate were verified by the auditors and was satisfied with the response provided. The query was addressed.**
216. **The Committee marked the matter as resolved.**

6. Unutilized Project Management Committee Account Balance

217. Annex 5 to the financial statements reflects Project Management Committee (PMC) bank accounts balances totalling Kshs.34,529,732 as at 30 June 2021. The balance includes projects completed in 2019/2020 and earlier years that had balances in a local bank totalling Kshs.317,355 as analysed below. The balances were not transferred to the Constituency Fund Account contrary to Section 12(8) of the National Government Constituencies Development Fund Act, 2015 which requires all unutilized funds of the Project Management Committee to be returned to the constituency account. In the circumstances, Management was in breach of the law.

PMC Name	Account No.	Amount
Nairobi Primary School	1470271830574	235,125
Milimani Primary School	1470269814613	60,925
Dagoretti Sub-County Office	1470268910586	2,780
Kenya High School	1470271829992	18,525
Total		317,355

Management Response

218. The balances in the Project Management committee bank accounts were those funds waiting for payment of the retention after six months when they become due. The funds were later paid and the balances transferred to the main account for reallocation to other projects.

Committee Observation

219. **The Committee observed that the query was adequately addressed and marked the matter as resolved.**

7. Weak Fixed Assets Management

220. Annex 4, the summary of fixed assets register reflects assets with a historical cost of Kshs. 3,720,000. However, the assets register listed some computers, printers and other computer accessories without values. Further, some of the assets whose condition was indicated as not usable were not physically verified while some assets were not tagged. In the circumstances, the assets may be exposed to misuse or loss.

Management Response

221. The Assets that had no values indicated were bought and distributed to Dagoretti North NG-CDFC by the NG-CDF Board. The assets that were not tagged have since been tagged. Management is in the process of ensuring that the obsolete assets are properly disposed of. Picture of tagged asset was provided for committee verification.

Committee Observations

222. **The Committee observed that:**

- (i) **Pictures of tagged assets were provided for committee verification.**
- (ii) **The management did not provide a list of the items donated, their value and the current status of the said items. The matter is partially addressed.**

Committee Recommendation

223. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B) the Accounting Officer should submit a list of the items donated, their value and the current status of the said items to the National Assembly.**

3.2.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/ 2022

1. Budgetary Control and Performance

224. The summary statement of appropriation reflects a final expenditure budget of Kshs. 230,796,588 against actual expenditure of Kshs. 169,598,554 resulting in budget under-utilization of Kshs. 61,198,034 equivalent to 27% of the approved budget amount. The underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Dagoretti North Constituency.

Management Response

225. The under expenditure was as a result of late receipt of funds from the exchequer. AIEs showing funds disbursement were availed for audit verification.

Committee Observation

226. **The Committee observed that the query was addressed as the AIEs showing funds disbursement were made available for audit verification .Consequently, the Committee marked the matter as resolved.**

2. Unresolved Prior Year Matters

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

Management Response

228. Management was waiting for invitation by the DFAC to resolve the audit issues.

Committee Observation

229. **The Committee was satisfied with the response and marked the matter as resolved.**

3. Unutilized Project Management Committee Funds

230. Note 17.4 to the financial statements indicates project management committees unutilized fund balances totalling to Kshs. 16,428,537 as at 30 June 2022 as analysed in Annex 5 to the financial statements. However, an amount of Kshs. 469,716 in respect of completed and unutilized projects funds had not been returned to the Constituency account contrary to Section 12(8) of the National Government Constituency Development Fund Act, 2015 which requires all unutilized funds of the Project Management Committee to be returned to the constituency account.

Management Response

231. The committee ensured that all the unutilized funds of the Project Management Committee were returned to the Constituency account after payment of all the retention funds that were still held in the various accounts and the accounts closed appropriately. The balances were reversed to the main accountant the bank statement provided for audit verification.

Committee Observation

232. **The Committee observed that the bank statement provided was incorrect and instructed the management to provide the correct bank statement to the Office of the Auditor General for verification.**

Committee Recommendation

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

4. Weak Controls in Assets Management

234. The financial statements under Annex 4 indicates, the summary of fixed assets register with a historical cost of Kshs.4,008,000. However, the assets register provided for audit listed some computers, printers and other computer accessories without values. Further, some of the assets had the condition indicated as not usable and were not available for physical verification, while several assets had not been tagged. In the circumstances, the assets may be exposed to misuse or loss.

Management Response

235. The Assets that had no values indicated were bought and distributed to Dagoretti North NG-CDFC by the NG-CDF Board. The Assets that were not tagged have since been tagged. Management is in the process of ensuring that the obsolete assets are properly disposed of. Photos of the Tagged Asset was availed for verification.

Committee Observation

236. **The Committee observed that the photos of the tagged assets were availed for verification and the query was addressed. Consequently, the Committee marked the matter as resolved.**

3.3 MATUGA CONSTITUENCY - KWALE COUNTY

237. The Fund Account Manager for Matuga Constituency appeared before the Committee on Thursday, 6th June 2024, tabled the NG-CDF management responses and supporting documents on the audited accounts and submitted as follows:

3.3.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017

1. Transfer to Other Government Entities

1.1 Variance in amount transferred to primary schools

238. The statement of receipts and payments reflects an amount of Kshs.73,021,858 in respect of transfer to other government units out of which Kshs.43,357,446 was transfers to primary schools as detailed in note 6 to the financial statement. However, schedules and payment vouchers availed for audit indicated that the actual expenditure incurred on transfers to primary schools was Ksh.46,957,446 resulting to unexplained nor unreconciled variance of Kshs.3,600,000. Consequently, the accuracy and completeness of transfers to primary school balance of Kshs.43,357,446 for the year ended 30 June 2017 could not be confirmed.

Management Response

239. The unreconciled variance of Ksh. 3,600,000 was renovation of 12 No. classrooms at Kombani primary school. The payment voucher has been presented to the auditor for review.

Committee Observations

240. **The Committee observed that the payment vouchers and bank statements were provided and verified by the Office of the Auditor General and the query was adequately addressed.**

241. **The Committee marked the matter as resolved.**

1.2 Matuga Girls' Secondary School

242. The statement of receipts and payments for the year ended 30 June 2017 reflects an amount of Kshs.73,021,858 in respect of transfers to other government units out of which Kshs. 29,664,412 was transfers to secondary schools. Out of this amount Kshs.10,400,809.55 was indicated to have been transferred to Matuga Girls project management committee account for the completion of a modern administration block. The project bank statements availed for audit review, however, revealed that only Kshs.6,626,633.60 was received, as per the approved budget, to the project account leaving the balance of Kshs.3,774,175.95 paid vide voucher number 290258 and cheque no. 2028 dated 6 April 2017 not accounted for.

243. Further, in the year 2015/2016, Kshs. 18,626,633 had been disbursed towards the project bringing the total funding to date to Kshs. 29,027,442.50 whereas the revised contract sum was indicated to be Kshs. 18,626,634 again resulting to disbursement excess of Kshs. 10,400,808.50 above the contract sum. In addition, project site inspection on 7 June 2018 revealed that the contractor was not on site and no works were ongoing despite the project exceeding the budget. The completion stage was observed not to have changed since the last audit site visit on the month of April 2017 of which it was observed that plastering and electrical works were ongoing an indication that works had since stalled. Consequently, the propriety of Kshs. 10,400,809.55 transferred to Matuga Girls Secondary School for the year 30 June 2017, could not be confirmed.

Management Response

244. The approved budget for Matuga girls secondary school administration block during the time of audit was as follows:
- i. 2015/2016- Ksh.12,000,000. This was phase 1 for the construction of the administration block.
 - ii. In 2016/2017 Ksh. 6,626,633.60 was allocated as follows:
 - iii. Ksh. 2,901,633.60 (windows, fittings, fixtures, plastering, painting and flooring).
 - iv. Ksh. 2,873,560 for the construction of a ramp.
 - v. Ksh. 851,440 for the floor tiling. The total disbursement from the NGCDFC to PMC is Ksh. 18,626,633.60 as indicated by the bank statement.
245. During the time of inspection, the contractor was not on site because of disagreement among the company shareholders. However, the project is complete and in use. Bank statement, codelist, certificate of completion had been availed.

Committee Observation

246. **The Committee observed that the query was adequately addressed as the payment vouchers were made available for audit verification and the projects were complete and in use. Consequently, the Committee marked the matter as resolved.**

1.3 Tiwi Boys Secondary School

247. The statement of receipts and payments reflects an amount of Kshs.73,021,858 in respect of transfers to other government units out of which Kshs.29,664,412 was transfers to secondary schools. Out of this amount Kshs.1,449,000 was indicated to have been transferred to Tiwi Boys Secondary School project management committee account for the construction of two classrooms. A site inspection on 6 June 2018 revealed that the project, even though completed, had not been put to use and the site remains abandoned. In addition, the building had been vandalized as some of the metal burglar proofing had been cut and doors removed. Consequently, the value for money of the expenditure amounting to Kshs.1,449,000 for the year ended 30 June 2017 towards the construction of Tiwi Boys Secondary School could not be confirmed.

Management Response

248. During the time of inspection, the project was complete, and the school was undergoing registration with the Ministry of Education to admit students by January 2019. Consequently, the classrooms are now in use. Pictorial evidence of classrooms and completion certificate have been availed.

Committee Observation

249. **The Committee found the explanation satisfactory, and the provided pictorial evidence provided was sufficient. The query was adequately addressed and the matter was marked as resolved.**

2. Use of Goods and Services

250. Note 5 to the financial statements reflects use of goods and services amounting to Kshs. 8,282,710. However, the supporting schedule availed reflected an expenditure of

Kshs.7,980,095.24 under administrative costs and Kshs. 3,421,300 under Monitoring and Evaluation giving a cumulative total of Kshs.11,401,395.24 resulting to unreconciled variance of Kshs. 3,118,685.24. Consequently, the propriety, accuracy and completeness of use of goods and services Consequently, the propriety, accuracy and completeness of use of goods and services balance of Kshs.8,282,710 for the year ended 30 June 2017 could not be confirmed.

Management Response

251. This was an error in the financial statement and the error has since been corrected in the consequent financial statement.

Committee Observation

252. **The Committee noted that the financial statements were amended in the subsequent financial year, and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

3. Cash and Cash Equivalent

253. The statement of assets reflects a bank balance of Kshs. 954,999. The bank reconciliation statement presented for audit revealed that there were payments in the cashbook not in bank statement of Kshs. 3,473,782 out of which cheques amounting to Kshs. 213,501 were stale as at the time of audit. Further, the bank reconciliation reflected an amount of Kshs. 29,599.55 being payments in the bank statement not recorded in the cash book. It is not clear why the management had not recorded this amount in the cash book. Consequently, the accuracy and completeness of bank balance of Kshs. 954,999 as at 30 June 2017 could not be confirmed.

Management Response

254. The stale cheques amounting to Kshs 213,501 were from the education bursary vote head. The amount of Kshs. 29,599.55 was bank charges as at 30th June 2017. The management did not record this in to the cash book. We regret this was an oversight but has since been rectified. A copy of the payment voucher and extract of the cash book have been provided.

Committee Observation

255. **The Committee observed that copies of the cash book extract were availed and verified by the Office of the Auditor General and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

4. Budgetary control and performance

256. During the year under review National Government Constituencies Development Fund – Matuga constituency had a final budget of Kshs.147,559,795 and spent Kshs. 147,039,796 or 99% resulting to under absorption of Kshs. 519,999 as summarized below;

Expenditure	Budget	Expenditure	Utilization Difference	% Of Utilization
Compensation Of Employees	2,581,164	2,581,164	0	100%
Use of goods and services	8,737,709	8,282,710	454,999	95%

Transfers to Other Government units.	73,086,858	73,021,858	65,000	100%
Other grants and transfers	62,663,544	62,663,544	0	100%
Acquisition of Assets	490,520	490,520	0	100%
TOTAL	147,559,795	147,039,796	519,999	99.6

257. The National Government Constituency Development Fund - Matuga Constituency had an absorption rate of 99.6% of the funds disbursed during the year.

Management Response

258. Kshs. 454,999 was a balance of goods and services (administration costs). Utilization of the funds was almost 100%.

Committee Observation

259. **The Committee noted that the fund utilization was nearly 100%, and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

5. Project Implementation Status

260. The projects status report availed for audit review indicated that a total of Kshs.73,582,561.63 was approved for thirty-two (32) projects by the National Government Constituencies Development Fund Board for projects implementation out of which Kshs.72,831,561.63 was disbursed. A review of the project status report indicated that:

- i. Twenty-six (26) projects with an allocation of Kshs. 53,404,928 were initiated and completed during the year under review.
- ii. Six (6) projects with a total allocation of Kshs.19,426,633.60 were on going.

261. Slow implementation of projects may affect delivery of goods and services to the residence of Matuga Constituency

Management Response

262. All the ongoing projects are now completed and in use. Pictorial evidence and completion certificates are provided.

Committee Observation

263. **The Committee observed that completion certificates were provided, and all projects were completed and in use and the query adequately addressed. Consequently, the Committee marked the matter as resolved.**

6. Projects Verification

264. During the audit, twelve (12) projects with a total disbursement of Kshs. 38,634,525.60 were inspected in the month of June 2018 and five (5) of them had various issues as indicated below:

S/No	Project Name	Activity	Project Cost (Kshs)	Disbursement (Kshs)	Status	Remarks
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1	Kombani Primary School	Purchase of 3/4 acre land	600,000	600,000	Complete	Land purchased and registered under the school name. Reallocated funds from 2015/16 Emergency
2	Tumaini Secondary School	Construction of Administration block	3,000,000 1,163,482	4,163,482	Complete	Used local wood materials for all wood works but was paid for solid hardwood, cedar and solid core flush doors Used 30G iron sheet but paid for 28G – Kshs 136,500 Did not fit gutters – Kshs 13,000 Did not fit mahogany skirting – Kshs 13,200 No internal or external drainage works had been done
3	Matuga Girls' Secondary School	Completion of a Modern Administration block; Windows, fittings & fixtures, plastering, painting, flooring, ceilings (2,901, 633.60), Ramp from ground to 1st floor (2,873,56 0.00) & Floor tiling(851,440)	6,626,633.60	10,400,809.60	Not complete	Project fully paid for but contractor not on site and works have stalled.
4	Kichakasi mba Girls' Secondary School	Construction of Administration block to completion	3,000,000	3,000,000.00	Not complete	Project fully paid but not complete. Contractor not on site and works have stalled. Retention fee not deducted.
5	Tsimba Chief's Office	Construction of chief's office	2,850,000	2,850,000	Complete	The project is not branded to indicate the year it was funded No title deed availed for project land The roof was done with 30 Gauge iron

						sheet instead of gauge 28 as provided by the bills of quantities.
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Management Response

1. **Kombani primary school** - Purchase of land at Kombani primary school was from re-allocation of funds from 2015/2016 emergency reserve. A copy of the approval for re-allocation of fund from the NG-CDF Board is provided.
2. **Tumaini secondary school**- The project was rectified and completed. Completion certificate has been provided.
3. **Matuga girls' secondary school** - The contractor was not on site because of disagreement between the directors. The project is now complete and in use.
4. **Kichakasimba girls' secondary school** - The contractor was not on site because of an application he had made for cost variation. The project had been under funded but the committee allocated additional funds for completion. The project is now completed and in use. Completion certificate has been provided
5. **Tsimba chief's office** - The project is branded and in use. The PMC is still pursuing the processing of the title deed. The contractor corrected the anomaly. Transfer agreements and completion certificate were provided.

Committee Observation

265. **The Committee observed that completion certificates were submitted, all projects were successfully completed, and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

3.3.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018

1. Use of Goods and Services

1.1 Committee Allowances

266. Note 5 to the financial statements for the year ended 30 June 2018 reflects use of goods and services amounting to Kshs. 13,368,428. This amount includes Kshs.4, 129,183 incurred on committee expenses. Records availed for audit indicated that the committee held 51 meetings against the maximum 24 meetings provided for by Section 43(11) of the National Government Constituency Development Fund Act 2015 which requires that a constituency committee shall meet at least six times in a year but the committee shall not hold more than twenty-four meetings in the same financial year. This resulted to an irregular expenditure of Ksh. 745,000.
267. Further the Fund Accounts Manager, District Accountant, Deputy District Accountant, Deputy county commissioner, Procurement officer and works officer were paid allowances totaling to Kshs.507,000. The Management failed to explain how ex official and officers not employed by the board were paid allowances. Consequently, it has not been possible to confirm the regularity and validity of Kshs.4,129,183 incurred on Committee allowances for the year ended 30 June 2018.

Management Response

268. The supporting schedules presented to the auditors combined all the committee expenses. In the financial year 2017/2018 Matuga NG-CDF held the following under committee expenses:
- i. 24 NGCDFC meetings inclusive of sub-committee meetings

- ii. 6 monitoring and evaluation activities
 - iii. 5 days public participation.
 - iv. 6days going for benchmarking.
 - v. 4 days recruitment of NGCDFC Staff.
 - vi. 2days handing over and taking over exercise.
 - vii. 2days entry and exit meetings with the auditors.
 - viii. 2days (Tender opening and evaluation of renovation of NG-CDF Office).
269. A schedule showing breakdown of all these activities was provided. The allowances paid to officers are allowances approved by the NGCDFC members in their meeting held on 10/1/2018. The minutes approved these allowances to be paid to officials when accompanying NGCDFC members on projects monitoring and evaluation exercise and bench marking. The approved minutes to support these expenditures is provided

Committee Observation

270. **The Committee observed that the verified response confirmed that the 51 meetings combined were held during the year and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

2. Cash and Cash Equivalent

271. The statement of assets as at 30 June 2018 reflect a bank balance of Kshs. 3,231,768. The bank reconciliation statement presented for audit revealed that there were payments in the cash book not in bank statement amounting to Kshs.3,406,346 out of which cheques amounting to Kshs. 93,170 were stale and not reversed in the cash book as at the time of audit.
272. Further, the bank reconciliation reflected an amount of Kshs.22,029.55 being payments made in the bank statement not recorded in the cash book. No explanation was given as to why the amounts were not accounted for in these financial statements. Consequently, the accuracy and completeness of bank balance of Kshs. 3,231,768 as at 30 June 2018 could not be confirmed.

Management Response

273. The stale cheques were reversed in the cash book at the beginning of the financial year 2018/2019 as evidenced by an extract of the cashbook provided. The amount of Ksh. 22,029.55 were bank charges as at 30th June 2018. The management did not record this in cash book at the end of the financial year but has since been rectified. A copy of the payment voucher has been provided.

Committee Observation

274. **The Committee observed that the amounts queried could not be traced in the cashbook extract provided for audit review. The matter was partially addressed.**

Committee Recommendation

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

3. Outstanding Imprest

276. The statement of assets as at 30 June 2018 reflect outstanding imprest of Kshs. 150,000. Records availed for audit indicate that the imprest was advanced to a government employee in March 2018 who has since been transferred. Although the Fund Manager has written to the principal secretary Ministry of Interior and Coordination of National Government, the amount had not been surrendered as at March 2019. It was not clear how an officer who is not an employee of the board was directly advanced imprest.
277. Consequently, the recoverability of outstanding imprest of Kshs. 150,000 as at 30 June 2018 is doubtful.

Management Response

278. A temporary imprest of Ksh. 150,000 for the supply of relief food was advanced to the Deputy County Commissioner Mr. Benson Maisori P/NO 2010056 who was then a member of Matuga NGCDFC. But the imprest is now surrendered. a copy of the surrender voucher has been provided.

Committee Observation

279. **The Committee observed that the surrender voucher was substantiated with evidence of expenditure and the query was adequately addressed and the matter was marked as resolved.**

Other Matter

4. Budgetary Control and Performance

4.1 Revenue Budget Analysis.

280. During the year under review, National Government constituencies Development Fund – Matuga Constituency had a revenue budget of Kshs. 99,144,654 against actual receipts of Ksh. Kshs. 43,905,172 or 44%., resulting to an under disbursement of budget of Ksh. 55,239,482 or 56% from the Constituency Development Fund Board. The management explained the delay was caused by the CDF Board’s failure to release funds in time.
281. Failure by the Board to disburse funds as per the budget may adversely affect delivery of goods and services to the residents of Matuga Constituency contrary to values and principles of public service as provided for under Article 232(1)(c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

Management Response

282. The low utilization of the budget was due to the delay in disbursement of funds from the NGCDF Board. Copies of the delayed AIEs have been provided.

Committee Observation

283. **The Committee observed that the AIEs showing the release of funds in July 2018 were availed for audit review and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

4.2 Expenditure Budget Analysis.

284. During the year under review, National Government Constituencies Development Fund- Matuga Constituency had a final expenditure budget of Kshs. 99,144,655 and actual

expenditure of Kshs. 41,578,403, resulting to net under expenditure of Kshs. 57,566,252 being 58% as summarized below:

Expenditure	Budgeted Kshs	Actual Expenditure Kshs.	Utilization Kshs.	% Under Utilization
Compensation Of Employees	2,517,200	2,468,759	48,441	2%
Use of goods And services	14,016,657	13,368,428	648,229	4%
Transfers to Other Government Units.	45,092,630	6,128,630	38,964,000	86%
Other grants And transfers	32,314,869	19,492,586	12,822,283	40%
Acquisition of Assets	526,272	120,000	406,272	14%
Other Payments	4,677,027	-	4,677,027	100%
Totals	99,144,655	41,478,403	57,666,252	58%

285. From the above analysis, Kshs. 57,666,252 was unspent funds as at 30 June 2018. The under expenditure of Kshs. 57,666,252 or 58% may have curtailed delivery of goods and services to the residents of Matuga Constituency contrary to values and principles of public service as provided for under Article 232(1)(c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services. There is need therefore for the management to re-look at its budget making process with a view to focusing on the priority projects which will be implemented during the year for effective and efficient service delivery to the residents of Matuga Constituency

Management Response

286. The low utilization of the budget was due to the delay in disbursement of funds from the NGCDF Board. Copies of the delayed AIEs have been attached.

Committee Observations

287. **The Committee observed that the underutilization was due to the delay in disbursement of funds from the exchequer. Copies of the AIEs were provided and verified and the query was adequately addressed.**

288. **The Committee marked the matter as resolved.**

4.3 Project Implementation Status

289. The project status report availed for audit review indicated that a total of kshs. 50,989,657 was approved for 32 projects by the national Government Constituency Development Fund board for project implementation. A review of the project status report indicated that:

- i) 7 projects with an allocation of Kshs. 15,648,630 were initiated and completed during the year under review.
- ii) 25 projects allocated Kshs. 35,341,027 had not been started due to non-release of funds from the board.

290. Slow implementation of projects due to late disbursements or no disbursements greatly affects the delivery of services to the residents of Matuga Constituency.

Management Response

291. The late implementation of the projects was as a result of late disbursement of funds by the NG-CDF Board. The projects have since been completed. Completion certificates are attached.

Committee Observation

292. **The Committee observed that the query was adequately addressed as the management submitted photos and completion certificates for audit review. Consequently, the Committee marked the matter as resolved.**

4.4 Projects Inspection

4.4.1 Matuga Girls' Secondary School

293. As reported previously the statement of receipts and payments for the year ended 30 June 2017 reflects an amount of Kshs. 73,021,858 in respect of transfers to other government units out of which Kshs. 29,664,412 was transfers to secondary schools. Out of this amount Kshs. 10,400,809.55 was indicated to have been transferred to Matuga Girls project management committee account for the completion of a modern administration block. The project bank statements availed for audit review, however, revealed that only kshs.6,626,633.60 was received, as per the approved budget, to the project account leaving the balance of Kshs.3,774,175.95 paid vide voucher number 290258 and cheque no.2028 dated 6 April 2017 not accounted for. Further, in the year 2015/2016, Kshs. 18,626,633 had been disbursed towards the project bringing the total funding to date to Kshs.29,027,442.50 whereas the revised contract sum was indicated to be Kshs. 18,626,634 again resulting to disbursement of excess of Kshs. 10,400,808.50 above the contract sum.

294. A project site inspection on 27 February 2019 of Matuga Girls Secondary school revealed that the contractor was not on site and no works were ongoing despite the project being incomplete. The completion stage was observed not to have changed since the last audit site visit on the month of April 2017 of which it was observed that plastering and electrical works were ongoing indicating the works had since stalled. Bank statement availed for audit indicated that the project had a bank balance of Kshs. 2,360.356. However, the project was excluded from annex 4 PMC Bank balances. Consequently, the value for money for this project and propriety of Ksh. 10,400,809.55 transferred to Matuga Girls Secondary School for the year 30 June 2017 could not be confirmed.

Management Response

295. The approved budget for Matuga girls secondary school administration block during the time of audit was as follows:

- i. 2015/2016- Ksh.12,000,000. This was phase 1 for the construction of the administration block
- ii. In 2016/2017 Ksh. 6,626,633.60 was allocated as follows:
- iii. Ksh. 2,901,633.60(windows, fittings, fixtures, plastering, painting and flooring).
- iv. Ksh. 2,873,560 for the construction of a ramp.
- v. Ksh. 851,440 for the floor tiling.

The total disbursement from the NGCDFC to PMC is Ksh. 18,626,633.60 as indicated by the bank statement

296. During the time of inspection, the contractor had abandoned site and a letter of default notice had been issued. The project is complete and in use as evidenced by photos and completion certificates. The project was erroneously excluded in the PMC bank balance schedule but corrected in the financial statement.

Committee Observation

297. **The Committee observed that the query had recurred from the previous year and had been adequately addressed. Consequently, the Committee marked the matter as resolved.**

4.4.2 Other Projects Verification

298. During the audit, seven (7) projects with a total disbursement of Kshs. 10,078,630 were inspected in the month of March 2019 and the following issues were noted;

	Project Name	Details of project	Cost of project Kshs.	Audit verification
1	Rose Mwakwere Girls' secondary school	Construction of 3 No. Classrooms to completion.	4,050,000	Project was found to have been completed and in use.
2	Mkongani secondary school	Renovation of 2No. Classrooms re-roofing, floor screading, plastering and painting.	728,630	Classes were done and completed and in use. No proper PMC file maintained.
3	Kubo police station	Renovation of a police station; re-roofing, floor screading, fixing of ceilings and paintings.	2,500,000	Project was completed and handed over and in use.
4	Mwaluphamba secondary school	Completion of administration block; roofing, plastering, painting and fixing doors and windows.	2,000,000	Project on going but still need more funds. The bill of quantities does not have soak pit, yet the block has flash toilets. It was observed that the roof timber was not treated, and ceilings were fitted. The contractor should treat timber before installing the ceilings
5	Vuga primary school	Construction of pit latrines.	500,000	Done and completed. In use.
6	Madibwani primary school	Construction of 2 door pit latrine.	200,000	Toilets done but were not plastered. No doors and the workmanship was poor.
7	Golini secondary school	Construction of pit latrines after ones in use sank	100,000	Project not branded.

Management Response

1. **Mkongani secondary school** - At the office level, the file is properly maintained but during the time of project verification a new School principal had reported and he could not get all the photocopied details for the project. Continuous PMC training will enhance adherence to the regulations. Copy of PMC file provided for verification.
2. **Mwaluphamba secondary school** - It was an omission in the Bill of Quantities but it has been rectified. The project is complete and in use as per the attached completion certificate.
3. **Madibwani primary school** - The project was rectified and is now complete and in use as per the attached photos and completion certificate.
4. **Golini secondary school** - The project was not branded since the Bill of Quantities had omitted branding element. The project is now branded as per the photos attached.

Committee Observations

299. **The Committee observed that:**

- (i) **Four projects were complete and in use.**
- (ii) **The PMC file, along with completion certificates and photos showcasing branding for the four projects were provided for verification.**
- (iii) **The auditor reviewed the documents provided and the query was adequately addressed.**
- (iv) **The Committee marked the matter as resolved.**

3.3.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019

1. Cash book not updated

300. The statement of assets and liabilities as at 30 June 2019 reflects a bank balance of Kshs.60,543,219. The supporting bank reconciliation statement as at 30 June 2019 reflects payments in cash book not in bank statement of Kshs.1,063,466, out of which thirteen (13) cheques amounting to Kshs.153,447 were stale and not reversed in the cashbook as at 30 June 2019. Further, included in the outstanding cheques of Kshs.1,063,466 were twenty-six (26) stale cheques totaling Kshs.411,947 which had not been reversed at the time of audit in February 2020. No proper explanation was provided for retaining the stale cheques in cash book.
301. In addition, the bank reconciliation statement reflects bank charges amounting to Kshs.792.94 as payments in bank statement not yet recorded in cash book. No explanation was given as to why the bank charges were not recorded in cash book and expended. Consequently, the accuracy and completeness of the bank balance of Kshs.60,543,219 as at 30 June 2019, could not be confirmed.

Management Response

a) Stale cheques not reversed in the cash book.

302. This was an oversight in the management; However, the stale cheques are reversed into the cashbook. A copy of the cash book extract is provided.

b) Bank charges amounting to Kshs. 792.94 not posted in the cashbook.

303. The total bank charges as at 30th June 2019 was Kshs. 16,207.06. the management prepared a voucher of Ksh. 17,000 to offset the bank charges thereby leaving an overcast of Kshs. 792.94.

This balance was catered for in the subsequent month's bank charges. A copy of bank reconciliation statement and payment voucher is provided.

Committee Observation

304. **The Committee observed that the cashbook extract, reconciliation statement and payment voucher were provided for audit review thereby addressing the query. Consequently, the Committee marked the matter as resolved.**

2. Doubtful Recoverability of Imprest

305. As reported in 2017/2018, the statement of assets and liabilities as at 30 June 2019 reflects outstanding imprest of Kshs.150,000. Records provided for audit indicate that the imprest was advanced to a government employee in March 2018 and who has since been transferred. Information available indicates that the Fund Manager has written to the Principal Secretary, Ministry of Interior and Coordination of National Government, for recovery of the money. However, the amount had not been surrendered as at January 2020. It was not clear how an officer who is not an employee of the Board was directly advanced imprest. Consequently, the recoverability of outstanding imprest of Kshs.150,000 as at 2019 is doubtful.

Management Response

306. A temporary imprest of Kshs. 150,000 was advanced to Mr. Benson Maisori P/NO. 20100560 who was then Deputy County Commissioner, Matuga Sub-County. The imprest was for the distribution of relief food. The Fund Account Manager through Sub County Accountant wrote a letter to the Principal Secretary, Ministry of interior Co-ordination of national Government on 11/10/2018 for the recovery of the same but no response. The imprest is surrendered. Copy of the surrender voucher has been provided.

Committee Observation

307. **The Committee observed that the surrender voucher , backed by evidence of expenditure was made available for audit review and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

3. Excess Disbursement to Matuga Girls Secondary School

308. The statement of receipts and payments reflects an amount of Kshs.67,581,000 in respect of transfers to other government units, out of which Kshs.25,550,000 was transferred to secondary schools as disclosed in Note 6 to the financial statements. Out of this amount, Kshs.2,545,653 was transferred to Matuga Girls Secondary School for the completion of a modern administration block. Information available indicates that a total of Kshs.20,626,634 had been transferred to the project since inception compared to the revised contract price of Kshs.18,626,634, resulting in excess disbursements of Kshs.2,000,000. Although the excess disbursement was approved by the National Constituencies Development Fund Board, justification for the same and details of how it was utilized were not provided for audit verification. Consequently, value for money for this project and propriety of Kshs.2,545,653 transferred to Matuga Girls Secondary School for the year 30 June 2019 could not be confirmed.

Management Response

309. Matuga Girls High School administration block was initiated in the financial year 2015/2016 and it has been funded in three phases as follows:

- a. 2015/16- Ksh. 12,000,000
- b. 2016/17- Kshs. 6,626,633
- c. 2018/19- Kshs. 2,000,000

Total- Kshs. 20, 626,633 as per the bank statement.

310. The Kshs.2,000,000 was for the completion of project (flooring and painting works). The project is complete and in use as per the photos, completion and handing over certificates.

Committee Observations

311. **The Committee observed that:**

- (i) **There were no excess disbursements.**
- (ii) **The project was done in phases, and was completed and in use.**
- (iii) **All disbursements were duly requested and approved.**
- (iv) **The query was adequately addressed.**
- (v) **The Committee marked the matter as resolved.**

4. Budgetary Control and Performance

312. During the year under review, National Government Constituencies Development Fund - Matuga Constituency had a revenue budget of Kshs.167,217,127 against actual receipt of Kshs.163,835,359 or 98%, resulting to an under disbursement of budget of Kshs.3,381,768 or 2% from the Constituency Development Fund Board. Further, included in the disbursement of Kshs.163,835,359 is Kshs.55,040,875 or 34% of which Authority to Incur Expenditure (AIE) detailing how the funds were to be utilized was received after the year end on 2 July 2019. In addition, the National Government Constituencies Development Fund - Matuga Constituency had a final expenditure budget of Kshs.167,217,127 and actual expenditure of Kshs.106,523,908 or 64%, resulting to net under expenditure of Kshs.60,693,219 or 36% of the budget. Delays by the Board to disburse funds as per the budget and late release of the AIE may have adversely affected delivery of goods and services to the residents of Matuga Constituency, contrary to values and principles of public service as provided for under Article 232 (1)(c) of the Constitution.

Management Response

313. The low utilization of the budget was due to the delay in disbursement of funds from the exchequer. Copies of the delayed AIEs are provided.

Committee Observation

314. **The Committee observed that the AIEs were received in July 2019 and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

Basis for Conclusion

5. Projects Implementation Status

315. The projects implementation status report as at 30 June 2019 provided for audit review indicated that forty-three (43) development projects with a total allocation of Kshs.61,938,676 were approved by the National Government Constituency Development Fund Board for

implementation in the financial year 2018/2019.

316. Audit review of the project status report and as detailed in Appendix 1 indicated that:

- i) Six (6) projects with an allocation of Kshs.4,713,847 were initiated and completed during the year under review.
- ii) Twenty-two (22) Projects with a total allocation of Kshs.46,552,829 were started and ongoing.
- iii) Fifteen (15) Projects with an allocation of Kshs.10,672,000 were not started.

317. Slow implementation of projects due to late disbursements greatly affects the delivery of services to the residents of Matuga Constituency.

Management Response

318. Slow implementation of projects was due to late disbursements of funds by the NG-CDF Board; however, all the projects are completed as evidenced by completion certificates.

Committee Observation

319. The Committee observed that the matter was partially addressed as the completion certificates had not been provided.

Committee Recommendation

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

6. Projects Inspection

321. An audit inspection was undertaken in the month of December 2019 on fourteen (14) development projects valued at Kshs.32,900,000, out of which four (4) projects with total cost of Kshs.11,200,000 revealed the following state of affairs:

No.	Project Name	Activity	Project Cost (Kshs)	Observations
1	Matuga Girls Secondary School	Completion of a modern administration Block. (Flooring and Painting works)	2,000,000	Contractor not on site. Flooring only done on 2 floors instead of 3 floors, only 1 st coat paint applied.
2	Mwangunga Girls' Secondary School	Construction of 1 No. Administration block to completion	3,700,000	Door frames amounting to Kshs.239,500 were not fixed. Metallic doors fixed instead of hardwood doors as provided for in the Bills of Quantities.
3	Lunguma Primary School	Construction of 4 No. New Classrooms to completion	4,500,000	Ongoing works at slab level.
4	Mkomba Secondary School	Renovation of 2 No. Classrooms (Roofing and painting)	1,000,000	Construction of ring beam completed but plastering had not been completed, Painting works of the half plastered structure was not done.

	Total		11,200,000	
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322. The above state of affairs is an indication of poor project planning, implementation and monitoring which negatively affects quality of work done.

Management Response

1. Matuga girls' secondary school

323. During the project verification, the contractor was not on site since he had gone to ferry building materials i.e. glasses, tiles and paints. The project is complete and in use.as per the attached completion certificates.

2. Mwangunga girls' secondary school.

324. The school administration in the course of implementation of the first phase, requested change of doors from timber to metallic due to their specific security consideration. The Kshs. 239,500 was utilized as per the site instructions by the project manager as per the attached site instructions. The project is complete as evidenced by completion certificate.

3. Lunguma Primary school.

325. Project now complete and in use as evidenced by certificate of practical completion

Committee Observation

326. **The Committee observed that the query was adequately addressed as all the projects were completed and are in use. Consequently, the Committee marked the matter as resolved.**

7. Irregular Procurement of Construction Contracts.

327. The statement of receipts and payments for the year ended 30 June 2019 reflect Kshs. 67,581,000 in respect of transfer to other government units as disclosed in note 6 to the financial statements, for construction contracts. Audit examination of the procurement processes revealed that three (3) contracts with a total cost of Kshs. 14,991,880 were awarded without evidence of the advertisement in a newspaper with countrywide circulation despite being above the threshold Kshs. 4,000,000 required for use of open tender, contrary to section 91 (2) of the Public Procurement and Asset disposal Act, 2015 as detailed below:-

No	Project Name	Project Activity	Contract sum (Kshs)
1	Mwangunga Primary school	Construction of dormitory.	6,000,000
2	Burani Girls Secondary School.	Construction of Laboratory and renovation of 3 classrooms.	4,491,880
3	Lunguma Primary School	Construction of 4 classrooms.	4,500,000
	Total		14,991,880

328. Further, there was no evidence that the bidders submitted any form of tender security as required by Section 61(1). As a result, public funds are exposed to great risk of loss. In addition, there was no evidence that the tender documents included Bills of Quantities as

required by part 4.4.1 of Procurement Manual for Works, 2009. It is therefore not clear how the project costs were arrived at and how value of work done was determined in the absence of Bills of Quantities. As a result, the management was in breach of the laws.

Management Response

329. The tendering process for these three contracts were done by the projects Management Committees and they advertised it locally as shown in the attached adverts. The bidders did not submit any form of tender security since it was not in the advert as one of the evaluation criteria. More training is needed to the PMC so as to abide by the set down rules and procedures. During the time of audit, the works officer had passed on and he was with the BQs. Consequently, they are available for audit. The tender adverts and bill of quantities are provided

Committee Observations

330. **The Committee observed that the tender adverts and bill of quantities provided were satisfactory and the query was adequately addressed.**
331. **The Committee marked the matter as resolved.**

3.3.4 AUDITED STATEMENTS FOR FINANCIAL YEARS 2019/2020

1. Errors in Annual Reports and Financial Statements

332. The annual report and financial statements prepared and presented for audit had the following presentation and disclosure errors;
- i. The annexure in the financial statements are not included under table of contents.
 - ii. The progress on follow up of auditors' recommendations is not signed by the Accounting Officer.
 - iii. The financial statements include guidance notes on preparation of the financial statements.
 - iv. Note 17.4 to the financial statements under other important disclosures reflects PMC account balances of Kshs.20,408,794 for 2018/2019 financial year, however, Annex 5 to the financial statements reflects PMC account balances of Kshs.32,395,668 for 2018/2019.
 - v. The statement of cash flows reflects changes in accounts receivable: outstanding imprest of Kshs.150,000 for 2019/2020 and nil balance for 2018/2019 financial years. However, Note 15 to the financial statements reflects changes in accounts receivable: outstanding imprest of nil balance for 2019/2020 and an amount of Kshs.150,000 for 2018/2019 financial year.
 - vi. The statement of cash flows reflects nil balance for net cash flow from operating activities, however a casting error was noted resulting to correct net cash flow from operating activities of negative Kshs.56,374,356.
333. Consequently, the accuracy, completeness, presentation and disclosure of the annual report and financial statements could not be confirmed.

Management Response

334. The errors and omissions in the financial statement as at 30 June 2020 have been noted and corrected.

Committee Observations

335. **The Committee observed that the errors and omissions were corrected in the subsequent financial year and the query was adequately addressed.**
336. **The Committee marked the matter as resolved.**

2. Unexplained Variances for Transfers from CDF Board

337. The summary statement of appropriation - recurrent and development combined reflects transfers from CDF Board under actual on comparable basis column of Kshs.128,693,219 which differs with the actual transfers from CDF Board of Kshs.68,000,000 shown under the statement of receipts and payments resulting to unreconciled variance of Kshs.60,693,219. In the circumstances, the accuracy and completeness of the transfers from CDF Board figure of Kshs.68,000,000 could not be confirmed.

Management Response

338. In 2019/2020 financial year, Matuga NG-CDF received a total of Kshs. 68,000,000.00. The variance of Kshs. 60,693,219 is a result of balance brought forward from the previous financial years as the attached statement of appropriation and unutilized funds.

Committee Observation

339. **The Committee observed that the unutilized funds were utilized in the subsequent year and the query was adequately addressed. Consequently, the Committee marked the matter as resolved.**

3. Stale Cheques

340. The statement of assets and liabilities as at 30 June 2020 reflects a bank balance of Kshs.4,168,863. The supporting bank reconciliation statement as at 30 June 2020 reflects payments in cashbook not in bank statement amounting to Kshs.1,649,106.10, out of which cheques totaling Kshs.428,500 were stale and not reversed in cash book as at 30 June 2020. No proper explanation was given for retaining the stale cheques in cashbook. Consequently, the accuracy and completeness of bank balance of Kshs.4,168,863 as at 30 June 2020 could not be confirmed.

Management Response

341. Stale cheques amounting to Ksh. 428,500.00 not reversed in the cash book. This was an oversight in the management. However, the stale cheques were reversed into the cashbook as per attached cash book extract.

Committee Observations

342. **The Committee observed that stale cheques were reversed into the cashbook and the query was adequately addressed.**
343. **The Committee marked the matter as resolved.**

Other Matter

4. Budgetary Control and Performance

4.1 Revenue Budget Analysis

344. During the year under review, National Government Constituencies Development Fund - Matuga Constituency had a revenue budget of Kshs.198,095,943 against actual receipts of Kshs.128,728,219 or 65%, resulting to an under disbursement of budget of Kshs.69,367,724 or 35% from the Constituency Development Fund Board. Further, the balance of Kshs.69,367,724 was received between July 2020 and September 2020.
345. Delays by the Board to disburse funds as per the budget and late release of the fund may have adversely affected delivery of services to the residents of Matuga Constituency, contrary to values and principles of public service as provided for under Article 232(1)(c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

Management Response

346. The low utilization of the budget was due to the delay in disbursement of funds from the exchequer. Copies of the delayed AIE's were provided.

Committee Observations

347. **The Committee observed that the underutilization was due to late disbursement of funds from the exchequer. Copies of AIEs were submitted for audit review and the query was adequately addressed.**
348. **The Committee marked the matter as resolved.**

4.2 Expenditure Budget Analysis

349. During the year under review, National Government Constituencies Development Fund - Matuga Constituency had a final expenditure budget of Kshs.198,095,943 and actual expenditure of Kshs.124,559,356 or 37%, resulting to net under expenditure of Kshs.73,536,587. The under expenditure of Kshs.73,536,587 or 37% may have impacted negatively on service delivery to the residents of Matuga Constituency contrary to values and principles of public service as provided for under Article 232(1)(c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

Management Response

350. The low utilization of the budget was due to the delay in disbursement of funds from the exchequer which impaired service delivery. Copies of the delayed AIEs were provided.

Committee Observations

351. **The Committee observed that the underutilization was due to late disbursement of funds from the exchequer and the query was adequately addressed.**
352. **The Committee marked the matter as resolved.**

5. Projects Implementation Status

5.1 Projects Not Started

353. The projects implementation status report as at 30 June 2020 which was provided for audit

indicated that four (4) development projects with a total allocation of Kshs.5,551,674 were approved by the National Government Constituencies Development Fund Board for implementation in the financial year 2018/2019 but were not started. Slow implementation of projects due to late disbursements greatly affects the delivery of services to the residents of Matuga Constituency.

Management Response

354. The project had not started since there was a delay in disbursement of funds from the exchequer. However, the projects are complete and in use as per the attached completion certificates.

- i. Nyando Primary School - (Construction of 2 classrooms) - Kshs. 2,360,000
- ii. Kizibe Primary School - (Construction of toilets) - Kshs. 500,000.
- iii. Mangawani Chiefs office - (Construction of a chief's office) - Kshs. 2,196,320
- iv. Kwale School for the deaf - (Construction of toilets) - Kshs. 495,354

Total- Kshs. 5,551,674

Committee Observations

355. **The Committee observed that:-**

- (i) **Delayed disbursement of funds from the exchequer affected the implementation of the four projects in Matuga.**
- (ii) **The projects were later completed and are in use.**
- (iii) **The management submitted completion certificates for audit review and the query was adequately addressed.**
- (iv) **The Committee marked the matter as resolved.**

5.2 Delayed Completion of Projects

356. Review of the project implementation status report showed that two projects with total allocation of Kshs.24,626,634 have delayed despite commencement in previous financial years and the contractor had abandoned the site at the time of the audit. In the circumstances, value for money has not been realized from the delayed projects.

Management Response

357. The disagreement between the directors had made delayed completion of the projects. However, the two projects have since been completed and in use as per the attached completion certificates.

- i. Matuga Girls High School - (Construction of administration block) - Kshs. 18,626,634
- ii. Bahakanda Primary School - (school fencing and water reticulation) - Kshs. 6,000,000

Total – Kshs.24,625,634

Committee Observations

358. **The Committee observed that while director disagreements delayed project completion, the projects were eventually finished, are in use, and the query was adequately addressed.**

359. **The Committee marked the matter as resolved.**

5.3 Projects Inspection

360. Audit inspection undertaken in the month of January 2021 on four (4) development projects valued at Kshs.13,500,000 showed the following anomalies;

- i. Poor workmanship.
 - ii. Some works which were factored in the Bill of Quantities were not done yet the funds are fully utilized.
 - iii. Incomplete projects
361. This is an indication of poor project planning, implementation and monitoring which negatively affects quality of work done. Delayed projects may also turn out to be costly due to inflation.

Management Response

362. The anomalies were rectified and the projects completed and in use as per the attached photos and certificate of completion. These projects are:
- i. Stephen Kanja Secondary school - (Construction of a dormitory) - Kshs. 3,500,000
 - ii. Bahakanda Primary School - (school fencing and water reticulation) - Kshs. 6,000,000
 - iii. Matuga Girls High School - (Completion of modern administration block-flooring and painting) - Kshs. 2,000,000
 - iv. Lukore secondary school - (Renovation of 4 classrooms) - Kshs. 2,000,000
- Total - Kshs.13,500,000**

Committee Observations

363. **The Committee observed that the following four issues were not adequately addressed:-**
- (i) **poor workmanship not corrected.**
 - (ii) **payment vouchers not submitted.**
 - (iii) **explanation for payments exceeding the provided amount not provided.**

Committee Recommendation

364. **The Committee recommends that within three months upon adoption of this report and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B) the Accounting Officer should submit completion certificates, payment vouchers and a detailed explanation for payments exceeding the amount provided.**

Basis for Conclusion

6. Irregular Payment of Sitting Allowance

365. As disclosed under Note 5 to the financial statements, the statement of receipts and payments reflects use of goods and services expenditure of Kshs.7,784,132 which includes committee expenses of Kshs.2,953,200 which further include sitting allowances of Kshs.497,000 paid to sub-county officials while attending constituency development committee meetings and monitoring and evaluation of projects. This was contrary to Regulation 33 of National Constituencies Development Fund Regulations which states that, “the Cabinet Secretary shall, with the approval of The National Assembly Select Committee on NGCDF, issue guidelines on allowances payable to members of a constituency committee and other government officers involved in the management of the Fund”. The officials did not qualify for sitting allowances and instead they should have been paid lunch allowance.

Management Response

366. The allowances paid to these officials are allowances when they attend monitoring and evaluation, training activities as facilitators and when going for bench marking. These were

authorized in the NGCDFC meeting. NCDFC minutes and schedule of committee meetings are provided.

Committee Observations

367. **The Committee observed that the NGCDFC minutes and schedule of committee meetings were provided for audit review and the query was adequately addressed.**
368. **The Committee marked the matter as resolved.**

7. Failure to Maintain Project Expenditure Status Report

369. The statement of receipts and payments shows that National Government Constituencies Development Fund - Matuga Constituency undertook various projects under transfer to other government entities and other grants and transfers amounting to Kshs.71,972,000 and Kshs.39,446,544 respectively. However, there was no evidence that the Fund Account Manager maintained a monthly record of all receipts, disbursements and expenditure per project and which was tabled before the NGCDF for discussion. This was contrary to Section 38 of the NGCDF Act, 2015, which states that the officer of the Board in every constituency shall compile and maintain a record showing all receipts, disbursements and actual expenditures on a monthly basis in respect of every project and sub-project under this Act. Consequently, the Management was in breach of the law.

Management Response

370. A record showing all receipts and disbursement are shown in the AIE received from the NGCDF Board and NGCDFC minutes to approve disbursements. Due to the Covid-19 pandemic it was not possible to meet regularly and discuss monthly reports. However, the annual expenditure report was tabled and discussed by the NGCDFC not later than 30days after the end of the financial year. The copies of the AIE received in the financial year, minutes approving AIEs, annual expenditure returns and minutes discussing the reports are provided.

Committee Observations

371. **The Committee observed that copies of AIEs, minutes and annual expenditure returns submitted for audit review were satisfactory and the query was adequately addressed.**
372. **The Committee marked the matter as resolved.**

3.3.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021

1. Lack of ownership documents.

373. The statement of receipts and payments reflects Kshs.5,004,150 in respect of acquisition of assets as disclosed in Note 9 to the financial statements. However, the summary of fixed assets registers disclosed in Annex 5 reflects additions during the year of Kshs.5,699,000 hence unexplained variance of Kshs.694,850. Further, review of the fund's asset's register provided for audit revealed that the fund owned a building valued at Kshs.7,385,910. However, the ownership documents for the land where the building is constructed were not provided for audit. In addition, there was no evidence to confirm that the Management had put in place measures to acquire the ownership documents.
374. In addition, the assets were not tagged and serialized and as a result, they could not be traced to their physical locations using the asset numbers as indicated in the assets register. In the

circumstances, the accuracy of Kshs.5,004,150 in respect of acquisition of assets, ownership of the land and completeness of the summary of fixed assets register could not be confirmed.

Management Response

375. This was an error in the fixed asset register. The actual expenditure for the purchase of office motor vehicle is Kshs 4,805,150 and not Ksh 5,500,000. The error was corrected. Matuga NG-CDF Office is located at a Government land donated by then Town council of Kwale in 2007/2008 financial year under free hold. Efforts are being made to acquire land ownership documents from the County Lands office. The Approval Development Plan is provided. The NG-CDF Board had provided bar-codes for assets tagging for all NGCDFC assets countrywide, they were not sufficiently supplied. Pictorial evidence and asset register is provided. Matuga NG-CDF management made follow up with the NGCDF Board to provide enough tags for all assets available and now all the office assets are tagged.

Committee Observation

376. **The Committee observed that the title deed of the land where Matuga NG-CDF Office is located had not been acquired from the County lands office. The matter was partially addressed.**

Committee Recommendations

377. **The Committee recommends that:**

- a) **Within three months upon adoption of this report, and in accordance with Section 53 (1) of the Public Audit Act, (CAP.412B), the Fund Account Manager should submit to the Accounting Officer the pending land matter in the constituency concerning Matuga NG-CDF Office on delayed title deeds processing, succession, transfer and ownership.**
- b) **The Accounting Officer should upon adoption of this report follow up on the matter of land ownership with the relevant Ministry and State Departments and ensure that the constituency acquires ownership documents for land on which the NG-CDF project has been undertaken.**

Other Matter

2. Budgetary Control and Performance

378. The summary statement of appropriation reflects final receipts budget and actual on a comparable basis of Kshs.210,703,466 and Kshs.161,514,587 respectively resulting to an under-funding of Kshs.49,188,879 or 23% of the budget. Similarly, the Fund expended Kshs.132,086,492 against an approved budget of Kshs.210,703,466 resulting to an under-expenditure of Kshs.78,616,974 or 37% of the budget. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public

Management Response

379. The underperformance was due to the delay in disbursement of funds from the exchequer. Copies of the delayed AIEs are provided.

Committee Observations

380. **The Committee observed that the copies of the delayed AIEs were provided for audit review. The query was addressed.**
381. **The Committee marked the matter as resolved.**

3. Project Implementation Status

382. During the year under review, the Board approved a budget of Kshs.124,750,880.90 to implement a total of seventy-six (76) projects. However, analysis of the status report revealed that twenty-six (26) projects with a budget of Kshs.33,041,777 were implemented while fifty (50) projects with a budget of Kshs.91,709,104 or 74% of the budgeted projects were not implemented.

The under-performance in project implementation affected the planned activities and may have impacted negatively on service delivery to the citizens.

Management Response

383. The underperformance was due to the delay in disbursement of funds from the exchequer. Copies of the delayed AIEs are provided.

Committee Observation

384. **The Committee was satisfied with the response given and marked the matter as resolved.**

Basis for Conclusion

4. Management of Bursary funds

385. Expenditure records provided for audit indicated that bursaries totaling Kshs.26,261,150 were disbursed to secondary schools, tertiary institutions and special schools. However, there was no sub-committee of bursary fund established to manage the bursary scheme. This is contrary to Constituencies Development Fund Board Circular reference VOL1/111 dated 13 September 2010 which requires that Constituency Development Fund Committee bursary subcommittee be constituted and to co-opt two members, one who must be the area education officer or representative of the Ministry of Education. In the circumstances, Management was in breach of the Circular.

Management Response

386. During the time of audit, the Constituency bursary sub-committee minutes file had been misplaced due to mix up of documents caused by another concluded audit. Minute files have since been located and copies availed for verification.

Committee Observations

387. **The Committee observed that minutes of the bursary sub-committee were availed for verification and the query was adequately addressed.**
388. **The Committee marked the matter as resolved.**

3.3.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022

1. Inaccurate cash and cash equivalent balance

389. The statement of assets and liabilities as disclosed in note 10 to the financial statement reflects cash and cash equivalents balance of Kshs. 28,974,875. Review of the bank reconciliation statement as at 30 June 2022 revealed nineteen (19) cheques amounting to Kshs. 153,000 which had gone stale but not reversed in the cash book. In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.28,974,875 as at 30 June 2022 could not be confirmed.

Management Response

390. The stale cheques amounting to Kshs. 153,000 are from the education bursary vote head. The stale cheques were reversed and extracts of the cash book are provided.

Committee Observations

391. **The Committee observed that the cheques were reversed, and extract of the cashbook provided, and the query was adequately addressed.**

392. **The Committee marked the matter as resolved.**

2. Unsupported Projects Management Committee (PMC) Account Balance

393. Annex 5 to the financial statements reflects PMC account balances of Kshs.37,488,507 of which certificates of bank balances were not provided for audit. In the circumstances, the accuracy and completeness of the PMC account balance of Kshs.37,488,507 for the year ended 30 June 2022 could not be confirmed.

Management Response

394. Certificates of balances in support of Ksh.37,488,507 has been provided.

Committee Observations

395. **The Committee observed that the certificate of bank balances was provided for review. The query was adequately addressed.**

396. **The Committee marked the matter as resolved.**

Other Matter

3. Budgetary Control and performance

397. The summary statement of appropriation reflects final receipts budget and actual on the comparable basis of Kshs.215,705,853 or 100%. Similarly, the fund expended Kshs. 186,730,978 against a budget of Kshs. 215,705,853, resulting in under- expenditure of Kshs. 28,974,875 or 13% of the budget. The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

398. The under expenditure by Matuga NG-CDF is as a result of late disbursement of funds from the exchequer. Copies of the late AIEs received are provided.

Committee Observations

399. **The Committee noted that the under expenditure by Matuga NG-CDF was delayed disbursement of funds from the exchequer, and this query has been adequately addressed.**
400. **The Committee marked the matter as resolved.**

4. Project Implementation Status

401. During the year under review, the Board approved a budget of Kshs. 183, 333, 293 to implement a total of one hundred and seventeen (117) projects. However, analysis of the project's implementation status report as at 30 June 2022 revealed that seventy-eight (78) projects with an allocation of Kshs.133,122,963 were implemented, sixteen (16) projects with allocation of Kshs.32,845,916 were ongoing while twenty-three (23) projects with an allocation of Kshs. 17,364,414 had not started.
402. The under-performance in projects implementation affected the planned activities of the constituency.

Management Response

403. The under-performance of the project implementation was a result of delay disbursement from the NG-CDF Board. However, the projects are now complete and in use as per attached completion certificates.

Committee Observations

404. **The Committee observed:**
- (i) That the delayed disbursement of funds from the exchequer resulted in the delayed implementation of projects.**
 - (ii) The projects were later completed and are in use.**
 - (iii) The management did not provide completion certificates**

Committee Recommendation

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

Basis for Conclusion

5. Projects Verification

406. Physical inspection of two (2) projects costing Kshs. 6,000,000 carried out on 23rd March 2022 revealed the following anomalies:

No.	Project Name	Project description	Disbursement	Contract price	Value of works done to date	Anomalies
1	Mangawani Police Patrol Base	Request for renovation of the building at Mangawani location chiefs office to be used as a police base.	3,000,000	2,998,368	2,998,368	1.Project complete but not in use. 2.project not handed over by the project Management Committee 3.Emergency project but not in use, thus the community is yet to derive value for money from the project
2	Lukore Police Post.	Construction of a new police post with three rooms to completion.	3,000,000	2,998,020	2,998,020	1.Project complete but not in use. 2.Project not handed over by the project management committee.
	TOTAL		6,000,000	5,996,736	5,996,736	

407. In the circumstances, the constituency may not have achieved value for money on the projects.

Management Response

1. Mangawani police patrol base

408. Members of the public through area chief had requested construction of a police post due to the insecurity in Mangawani area. The request was forwarded to Matuga NG-CDF office through Kubo police station OCS requesting for the proposal. The project was approved and constructed through emergency fund and the project is complete but not in use since administration is waiting for the deployment of police for it to be operational. A copy of letter from area chief and nearby police station OCS is provided.

2. Lukore police post


409. The project was identified through public participation. There was a need of a police station due to insecurity in the area. During the field visit the project was not in use since it was waiting for the deployment of police for it to be operational. The project is now handed over and in use as per the provided photos.

Committee Observations

- 410. The Committee observed that completion certificates were provided, and the audit query was adequately addressed.
- 411. The Committee marked the matter as resolved.

SIGNED  DATE 8/09/2025

HON. DR. GIDEON MUTEMI MULYUNGI, CBS, EBS, M.P.
(CHAIRPERSON)

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 APR 20	DAY: THURSDAY
TABLED BY:	HON GIDEON MULYUNGI (CHAIRPERSON)
CLERK-AT THE-TABLE:	INTOSU MWALE.

REPUBLIC OF KENYA



NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT

DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

ADOPTION SCHEDULE

We, the undersigned members of the Decentralized Funds Accounts Committee, today.....do hereby affix our signatures to this..... **REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE AUDITED FINACIAL STATEMENTS FOR THE NATIONAL GOVERNMENT CONSITUENCIES DEVELOPMENT FUND (NGCDF) FOR LARI, WEBUYE EAST, DAGORETI NORTH, MATUGA AND LURAMBI CONSTITUENCIES FOR FINANCIAL YEARS 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022** to affirm our approval and confirm accuracy, validity and authenticity: -

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

MINUTES OF THE 6TH SITTING OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE HELD ON THURSDAY, 27TH MARCH, 2025 AT 2.00PM IN RWENZORI HALL, FOUR POINTS BY SHERATON, JKIA.

PRESENT

- | | |
|--|-------------------------|
| 1. Hon. Gideon Mutemi Mulyungi, CBS, EBS, MP | Chairperson |
| 2. Hon. Gertrude Mwanyanje Mbeyu, MP | Vice Chairperson |
| 3. Hon. Joseph Kahangara Mburu, MP | |
| 4. Hon. Stephen Mogaka, MP | |
| 5. Hon. Innocent Momanyi Obiri, MP | |
| 6. Hon. David Mboni Mwalika, MP | |
| 7. Hon. Dorothy Muthoni, Ikiara, MP | |
| 8. Hon. Richard Cheruiyot Kilel, MP | |
| 9. Hon. Martin Wanyonyi Pepela MP | |
| 10. Hon. Abdi Barre Hussein, MP | |
| 11. Hon. Joyce Osogo, Bensuda, Atieno, MP | |
| 12. Hon. Adhe Guyo Wario, MP | |

APOLOGIES

1. Hon. Jackson Lentoijoni, Lekumontare, MP
2. Hon. Caroline Jeptoo Ng'elechei, MP
3. Hon. Reuben Kipngor, Kiborek, MP

IN-ATTENDANCE

SECRETARIAT

- | | |
|----------------------------|----------------------------|
| 1. Ms. Ruth M. Gakuya | Clerk Assistant I |
| 2. Ms. Sharon Koskei | Clerk Assistant III |
| 3. Mr. John Mutinda | Clerk Assistant III |
| 4. Mr. Mabuti Mutua | Legal Counsel II |
| 5. Ms. Elizabeth Kibati | Research Officer III |
| 6. Mr. Wilson Mwangi | Fiscal Analyst III |
| 7. Ms. Winfred Kiziah | Media Relations Officer II |
| 8. Mr. Allan Kimani | Audio Intern |
| 9. Mr. Wilson Angatangoria | Sergeant at Arms |
| 10. Ms. Libby Kiragu | Media Intern |

OFFICE OF THE AUDITOR GENERAL

1. Mr. Maurice Oyoo - Principal Auditor

THE NATIONAL TREASURY

1. Ms. Edith Nkanata - Liaison Officer

MIN.NO. NA/DAA&GPC/ DFAC/2025/024 PRAYER & PRELIMINARIES

The Chairperson called the meeting to order at 2:30pm followed by a word of prayer. He thereafter invited all present to introduce themselves.

The agenda was unanimously confirmed as follows:

AGENDA

1. Prayers
2. Preliminaries
3. **Confirmation of Minutes**
4. **Adoption of the sixth report of the Committee on its examination of reports of the Auditor General on the financial statements for the National Government Constituencies Development Fund (NG-CDF) for Webuye East, Dagoretti North and Matuga Constituencies for the Financial Years 2016/2017- 2021/2022**
5. Any Other Business
6. Adjournment

MIN.NO.NA/DAA&GPC/DFAC/2025/025 CONFIRMATION OF MINUTES

The agenda item was deferred to the next sitting.

MIN.NO.NA/DAA&GPC/DFAC/2025/26 ADOPTION OF THE COMMITTEE REPORT ON ITS EXAMINATION OF THE AUDITED FINANCIAL STATEMENTS FOR WEBUYE EAST, DAGORETTI NORTH AND MATUGA CONSTITUENCIES

The Committee adopted the the sixth report on its examination of reports of the Auditor General on the financial statements for the National Government Constituencies Development Fund (NG-CDF) for Webuye East Constituency (Bungoma County), Dagoretti North Constituency (Nairobi County) and Matuga Constituency (Kwale County) for the Financial Years 2016/2017, 2017/2018, 2018, 2019, 2019/2020, 2020/2021 and 2021/2022, on a proposal by the Hon. Joseph Kahangara Mburu, MP and seconded by the Hon. Gertrude Mwanyanje Mbeyu, MP.

MIN.NO.NA/DAA&GPC/DFAC/2025/027 ANY OTHER BUSINESS

There was no business under this agenda item.

MIN.NO.NA/DAA&GPC/DFAC/2025/028 ADJOURNMENT

There being no other business, the meeting was adjourned at 3.35 pm.

SIGNED.......... DATE1/04/2025.....
HON. DR. (Arch) GIDEON MUTEMI MULYUNGI, M.P. CBS, EBS, MP
(CHAIRPERSON)

MINUTES OF THE 35TH SITTING OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE HELD ON WEDNESDAY 5TH JUNE, 2024, AT 3:00PM IN THE COMMITTEE ROOM ON 2ND FLOOR, CONTINENTAL HOUSE.

PRESENT

- | | |
|---|-------------------------|
| 1. Hon. Dr. Gideon Mutemi Mulyungi, CBS, EBS, M.P | Chairperson |
| 2. Hon. Gertrude Mwanyanje Mbeyu, MP | Vice-Chairperson |
| 3. Hon. Innocent Momanyi Obiri, MP | |
| 4. Hon. Jackson Lentoijoni, Lekumontare, MP | |
| 5. Hon. Dorothy Muthoni, Ikiara, MP | |
| 6. Hon. Abdi Barre Hussein, MP | |
| 7. Hon. Adhe Guyo Wario, MP | |
| 8. Hon. Stephen Mogaka, MP | |
| 9. Hon. Mejjadonk Benjamin Gathiru, MP | |

APOLOGIES

1. Hon. Joseph Kahangara Mburu, MP
2. Hon. David Mboni Mwalika, MP
3. Hon. Caroline Jeptoo Ng'elechei, MP
4. Hon. Joyce Osogo, Bensuda, Atieno, MP
5. Hon. Martin Wanyonyi Pepela MP
6. Hon. Reuben Kipngor, Kiborek, MP

IN-ATTENDANCE

1. Hon. Beatrice Elachi, MP Dagoretti North Constituency

SECRETARIAT

1. Ms. Ruth M. Gakuya - Clerk Assistant I
2. Mr. John Mutinda - Clerk Assistant III
3. Ms. Sharon Koskei - Clerk Assistant III
4. Ms. Elizabeth Kibati - Research Office III
5. Mr. Derrick Cheboi - Audio Officer III
6. Mr. Wilson Angatangoria - Sergeant at arms

OFFICE OF THE AUDITOR GENERAL

1. Mr. Maurice Oyoo - Principal Auditor
2. Mr. Paul K. Nzioka - Deputy Director
3. Mr. Samuel M Mburu - Deputy Director Auditor

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND BOARD

1. Mr. James Chebii - Manager Finance Services
2. Mr. Leonard Karori - Principal Internal Audit
3. Ms. Beatrice Otieno - Manager field financial coordinator
4. Mr. Hezron O. Masanga - Manager

DAGORETTI NORTH CONSTITUENCY

- 5. Ms. Mary wanyika - Regional Coordinator Nairobi
- 6. Mr. ABB M Juma - Fund manager Dagoretti North
- 7. Mr. Peter Ngugi - Former Fund Account Manager Dagoretti North

MATUGA CONSTITUENCY

- 8. Mr. Joseph Kumbatha - Fund Account Manager Matuga
- 9. Mr. Peter M. Mwaighonda - Fund Account Manager Mwatate

MIN.NO. NA/DAA&GPC/ DFAC/2024/117

PRAYER & PRELIMINARIES

The Chairperson called the meeting to order at 3:20pm with a word of prayer and thereafter invited all present to introduce themselves. The agenda was unanimously confirmed as follows:

AGENDA

1. Prayer & preliminaries;
2. Adoption of the agenda
3. Confirmation of Minutes.
4. Matters arising
5. **Examination of Reports of the Auditor General for Dagoretti North Constituency for Financial Years 2016/17 to 2021/22.**
6. **Examination of Reports of the Auditor General for Matuga Constituency for Financial Years 2016/17 to 2021/22.**
7. Any other Business;
1. Adjournment.

MIN.NO.NA/DAA&GPC/DFAC/2024/118

EXAMINATION OF REPORTS OF THE AUDITOR GENERAL FOR DAGORETTI NORTH CONSTITUENCY FOR THE FY 2016/17 TO 2021/22

Mr. Aziz Juma Fund Account Manager Dagoretti North Constituency appeared before the Committee on 15th May 2024. The Fund Account Manager tabled the NG CDF management responses and supporting documents on the audited accounts and submitted as follows:

FINANCIAL YEAR 2016/2017

Other Grants and Other Payments

1. The statement of receipts and payments reflects other grants and transfers of Kshs.46,618,131 which as disclosed at Note 7 to the financial statements include bursaries to secondary and tertiary institutions totalling Kshs.29,683,546. However, cheques amounting to Kshs.1,764,487 had not been presented for payment by the recipients as at 30 June 2017, casting doubts on the process of identifying needy cases for bursaries purposes.

Management Response

2. Other grants and other payments figure of Kshs.46,618,131 include bursaries to secondary and tertiary institutions totaling to Kshs.29,683,546. By the end of the year under review cheques amounting to Kshs.1, 764,487 had not been presented for payment by the recipients.

The bursary cheques were done in march, April and May and by the end of the financial year the recipients had collected the cheques but they had not presented the cheques for payment for reasons not clear to the management. The cheques could therefore only be replaced or lapsed in the cash book after a period of six months when they become stale. Replacing these cheques before this period would therefore require a stopping order to the banks that attract some charges which eventually could be very expensive. The cheques however cleared later and the introduction of bulk cheques was introduced to curb this. Attached Annex 1- Bank Statement Copy for July, August, September, October and December 2017.

Committee Observation

3. The committee noted that the bank statements were attached. The matter was resolved.

Net Financial Position

4. The statement of assets as at 30 June 2017 reflects net liabilities instead of net financial Position of Kshs.17,174,542.85 being the difference between the brought forward balance of Ksh.47,174,542.85 and the deficit for the year of Kshs.47,156,586.50. No explanation has been provided for this anomaly.

Management Response

5. The Financial Statement Reporting Template had an error on the Statement of Assets and Liabilities. The error was corrected to read Net Financial Position Instead of Net Liabilities. A copy of the amended Statement of Assets and Liabilities has been availed to the Auditor.

Committee Observation

6. The committee noted that the error in template was corrected in subsequent year. The matter was resolved.

Budget and Budgetary Controls

7. During the year under review, the Fund budgeted to spend Kshs. 178,957,902.55. However, overall actual expenditure for the year amounted to Kshs. 142,991,671.10 resulting in an under expenditure of Kshs. 35,966,231.45, which is equivalent to 20% of the total budget. The under expenditure was mainly on transfers to other government units. 15,765,314.70 and other grants and transfers- Kshs. 18,012,182.10. Analysis of the budget against actual expenditure indicates that administration expenses for the year amounted to Kshs. 10,002,215 against a budget of Kshs. 12,190,950 resulting in an under-expenditure of Kshs.2,188,735. Further, out of the development budget of Kshs.166,766,953, an amount of Kshs.132,989,456 was spent resulting in under expenditure of Kshs.33,777,497, a 20% shortfall. The under-expenditure is an indication that approved programs were not fully implemented which impacted negatively on service delivery to the constituents of Dagoretti North.

Management Response

8. This was occasioned by the delay of funds from the exchequer. A copy of AIE has been availed to the Auditor for review.

Committee Observation

9. The committee was satisfied with the response and the matter was resolved.

Unutilized Project Management Committee (PMC) Funds

10. A review of Project Management Committee (PMC) bank statements revealed that nineteen PMCs were holding bank balances totaling Kshs.48, 069,428.20 as at 30 June 2017. In some cases, there was little or no spending during the year as evidenced by bank transactions. Although management has attributed this to long tendering process and delay in preparation of bills of quantities, this resulted in low absorption of funds by the project management committees which had negative consequences on delivery of services to the residents.

Management Response

11. As at the end of financial year under review Kshs.48,069,428.20 remained in the various PMC accounts. This was occasioned by the tendering process and delay in the preparation of bills of quantities by the technical officers after the funds had been transferred to the PMC accounts.

12. Management has therefore noted this concern positively and put measures to FastTrack the implementation of projects in future where bills of quantities are prepared before the funds are available in readiness for their implementation by capacity building the PMCs.

Committee Recommendations.

13. The committee gave the Fund account manager two weeks to avail the photographs of the projects and a list of the approved projects

FINANCIAL YEAR 2017/2018

Budget Performance

14. Dagoretti North NG-CDF had budgeted to spend Kshs.134,155,887 but the actual expenditure was Kshs.63,301,889 or 47%, resulting in under expenditure of Kshs. 70,853,997 or 53% of the total budget which has not been explained satisfactorily. The development budget was Kshs.117,726,769, against actual expenditure of Kshs. 57,101,305 or 48%, resulting in under expenditure of Kshs. 60,625,464 or 52% of the total budget which equally has not been satisfactorily explained. The under expenditure on the budgeted items implies that some of the planned activities and programmes were not executed and hence, resulting in inefficient and ineffective service delivery to the constituents.

Management Response

15. The under-expenditure is as a result of the late disbursement of funds from the Exchequer.

Committee observation

16. The Committee was satisfied with the response and evidence provided. The matter was resolved.

Unpresented Bursary Cheques

17. The statement of receipts and payments for the year ended 30 June 2018 reflects an expenditure of Kshs.34,122,298 against other grants and other transfers, which includes Kshs.24,050,500 for bursaries to secondary and tertiary schools. However, no satisfactory explanation has been given for failure to present bursary cheques amounting to Kshs.14,406,000 for payments. The unpresented bursary cheques may be an indicator that the evaluation process and final disbursements were not done appropriately and fairly.

Management Response

18. The unrepresented bursary cheques were mainly done in the months of April, May and June. By the closure of the financial year most of them had not been presented. This has been a challenge however the management is working on measures to ensure faster presentation of bursary cheques. The Bank reconciliation for August, September and October 2018 were availed for audit review.

Committee Observation

19. The committee was satisfied with the response and evidence submitted and the matter was resolved.

FINANCIAL YEAR 2018/2019

Budgetary Control and Performance

20. The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.184,926,873 and Kshs.113,816,483 respectively resulting to an under-funding of Kshs.71,110,390 or 39% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.184, 926,873 and Kshs.110, 520,474 respectively resulting to an under expenditure of Kshs.74,406,399 or 40% of the budget.

Management Response

21. The under-expenditure was as a result of late receipt of funds from the Exchequer. A copy of the AIE was available for review by the auditors.

Committee Observation

22. The committee was satisfied with the response given and the matter resolved.

FINANCIAL YEAR 2019/2020

Inaccuracies in Bank Balance

23. As disclosed in Note 10A to the financial statements, the statement of assets and liabilities reflects bank balances total of Kshs. 16,396,351. The bank reconciliation statement for the month of June, 2020 reflected payments in cashbook which were not recorded in the bank statement amounting to Kshs. 15,169,114 out of which cheques totaling to Kshs. 492,995 were stale. However, the cheques had not been written back in the cash book as at 30 June, 2020. Consequently, the accuracy and completeness of bank balances total of Kshs. 16,396,351 reflected in the statement of assets and liabilities as at 30 June, 2020 could not be confirmed.

Management Response

24. At the closure of the financial year there were bursary stale cheques amounting to Kshs.492,995. However, it was not possible to reverse and replace the stale cheques as most of the institutions were closed as a result of the COVID-19 pandemic. The cheques have however been replaced and presented after opening of the institutions in October 2020.

Committee recommendations

25. The committee noted that the reversal of stale cheques was made and the cash book extract was availed for review. The matter was resolved.

Inaccuracies in Statement of Receipts and Payments

26. As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects other grants and other payments totalling to Kshs.52, 241,834. However, the balance includes payments amounting to Kshs.1,292,000 that were charged to other grants and other payments (bursaries account) instead of use of goods and services.The payments included committee allowances amounting to Kshs. 730,000, courier amount of Kshs. 219,000 and stationery amount of Kshs. 343,000. Consequently, the accuracy, completeness and validity of payments amounting to Kshs. 1,292,000 for the year ended 30 June, 2020 could not be confirmed.

Management Response

27. These payments were relating to the issuance of the Bursary exercise that's why they were classified under Bursary Vote. However, this has been noted and we will ensure that all such expenses are drawn from the Administration and Recurrent Expenditure Vote.

Committee Observation

28. The committee directed the fund account manager to provide evidence showing the funds being returned.

Inaccuracy of Project Management Committee Bank Balances

29. Note 17.4 to the financial statements reflects Project Management Committee bank balances amounting to Kshs. 43,833,070 as at 30 June 2020. However, Project Management Committee bank balances for State House Girls High School, State House Primary School, and Kilimani Primary School were not included in Annex 5 to the financial statements. Consequently, the accuracy, completeness, and validity of Project Management Committee bank balances amounting to Kshs. 43,833,070 as at 30 June 2020 could not be confirmed.

Management Response

30. This might have been as a result of omission on the PMC Bank Balances in Annex 5 of the Financial Statements. The omission has been corrected and a copy of Annex 5 of the Financial Statement on PMC Bank Statements availed to the Auditor for review.

Committee Observation

31. The Committee observed that the corrected statements had been availed for audit review and the matter resolved.

Budgetary Control and Performance

32. The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totaling to Kshs. 211,865,667 and Kshs. 142,466,799 respectively, resulting to an under-funding amounting to Kshs. 69,398,868 or 33% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs. 211,865,667 and Kshs. 126,070,448 respectively, resulting to an under expenditure amounting to Kshs. 85,795,219 or 40% of the budget.The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

33. As at the closure of the financial year, most of the Funds for the financial year 2019/2020 were not yet disbursed by the Exchequer. AIES Showing Funds Disbursement were provide for review.

Committee Observation

34. The committee noted that a Copy of AIE showing evidence of delayed funding was availed. The committee was satisfied with the response given and the matter resolved.

FINANCIAL YEAR 2020/2021

Unconfirmed Cash and Cash Equivalents

35. The financial statements reflect cash and cash equivalents balance of Kshs. 42,014,830 as at 30 June, 2021. Review of the bank reconciliation statements provided for audit revealed long outstanding unpresented cheques (stale cheques) totaling Kshs. 55,004.

Date	Chq. No	Payee	Amount Kshs
31.07.19	12276	Commissioner of Domestic Taxes	38,285
29.10.19	12481	NSSF	1,600
18.12.19	12492	Commissioner of Domestic Taxes	3,510
18.12.19	12499	NSSF	1,600
10.06.20	14321	Commissioner of Domestic Taxes	10,009
Total		55,004	

36. The stale cheques, some of which had been outstanding for more than two years had not been reversed in the cash book, thereby understating the cash book balance by the same amount. No explanation was provided for failure to update the cash book. In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs. 42,014,830 reflected in the financial statements could not be confirmed.

Management response

37. The Stale Cheques were reversed to the Cashbook on 30th June 2022 and new cheques drawn. Attached. Bank Reconciliation Copy was provided for audit review.

Committee Observation

38. The committee directed the fund account manager to avail a copy of the cashbook to the auditor in two weeks.

Understated Use of Goods and Services

39. The statement of receipts and payments reflects use of goods and services amount of Kshs. 10,680,729 as disclosed in Note 5 to the financial statements. However, the amount differs with the recomputed amount of Kshs. 11,261,479, resulting into an unexplained variance of Kshs. 580,750. The variance understates the total payments and overstate the surplus by the same amount. In the circumstances, the accuracy of use of goods and services amount of Kshs. 580,750 could not be confirmed.

Management Response

40. There was a typing error of Ksh.580,750 in other Committee Expenses in the preparation of the financial statement in Note 5 on Use of Goods and Service. The Actual Amount was Nil thus totaling to Ksh.10,680,792. The Error was corrected to read nil and amended Note 5 Use of Goods and Services availed to the Auditor.

Committee Observation

41. The committee was satisfied with the response provided and the matter resolved.

Budgetary Control and Performance

42. The summary statement of appropriation reflects that the Fund had budgeted to receive Kshs. 222,852,954 from the NGCDF Board, however, the Board remitted an amount of Kshs. 171,164,075, resulting in a funding deficit of Kshs. 51,688,879 equivalent to 23% of the budget. Similarly, the Fund had a final expenditure budget of Kshs.222,852,954 against an actual expenditure of Kshs.129,149,245, resulting in a budget underutilization of Kshs.93,703,709 equivalent to 42% of the approved budget amount.

Management Response

43. The under expenditure was as a result of late receipt of funds from the Exchequer. AIES Showing Funds Disbursement were availed for audit review.

Committee Recommendations

44. The committee directed the fund account manager to avail the completion certificates to the auditor in two weeks.

Under-Expenditure on Bursaries

45. The statement of receipts and payments and Note 1 to the financial statements reflects transfers from other Government entities of Kshs. 154,767,724. Further, note 7 to the financial statement reflects other grants and other payments of Kshs.99, 164,281, which includes bursary disbursements to secondary schools and tertiary institutions of Kshs. 5,858,500 representing approximately 4% of the amount received.
46. This is contrary to Regulations 21(5) of the National Government Constituencies Development Fund Regulations, which requires a Constituency Committee to allocate not less than twenty-five percent of the funds allocated to a constituency for bursaries. In the circumstances, Management was in breach of the law.

Management Response

47. The under expenditure in Bursary was as result of the Closure of Schools during the Covid 19 Pandemic.
48. The Bursary funds were however released to the public the following financial year. Attached Annex 13- Monthly Expenditure Returns for August 2021 Showing Bursary funds disbursed.

Committee Observation

49. The committee was satisfied with the evidence provided.
50. The matter was resolved.

Non-Implementation of Projects

51. Note 7 to the financial statements reflects other grants and other payments amount of Kshs. 16,149,435. The expenditure includes an amount of Kshs. 200,000 for Kawangware Chief's Office and Kshs. 400,000 for Gatina Chief's Office all totaling to Kshs. 600,000 which were not implemented as at 30 June, 2021. Further, an amount of Kshs. 3,000,000 disbursed for Kileleshwa Police Station for security projects remained unutilized at the end of the financial year. In addition, an amount of Kshs. 800,000 was transferred to Dagoretti Muslim Primary School PMC Account for fixing the school's drainage system. However, audit verification carried out on the project on 1 April, 2022 revealed that, the works had not been procured or commenced.
52. Further, the construction of a water tower for existing borehole at St. Georges Secondary School whose budget was included in the 2019/2020 financial year, had not been implemented although the funds were transferred to the Project Management Committee Account on 2 October, 2020. No explanation was provided for failure to utilize the funds in the year under review. In the circumstances, the public may not have derived value for money from the projects.

Management Response

53. The project funds were transferred to the PMCs but the projects had not commenced due to the nature of the projects. However, with the help of the Public works officer the projects were later implemented fully and handed over for use.

Committee Observation

54. The committee observed that Vouchers, Delivery Notes, Completion Certificate, and Pictures were provide and verified by the auditors and was satisfied with the response provided.
55. The matter was resolved.

Unutilized Project Management Committee Account Balance

56. Annex 5 to the financial statements reflects Project Management Committee (PMC) bank accounts balances totalling Kshs.34,529,732 as at 30 June, 2021. The balance includes projects completed in 2019/2020 and earlier years that had balances in a local bank totalling Kshs.317,355 as analysed belowThe balances were not transferred to the Constituency Fund Account contrary to Section 12(8) of the National Government Constituencies Development Fund Act, 2015 which requires all unutilized funds of the Project Management Committee to be returned to the constituency account.

PMC Name	Account No.	Amount
Nairobi Primary School	1470271830574	235,125
Milimani Primary School	1470269814613	60,925
Dagoretti Sub-County Office	1470268910586	2,780
Kenya High School	1470271829992	18,525
Total		317,355

57. In the circumstances, Management was in breach of the law.

Management Response

58. The balances in the Project Management committee Bank Accounts were those funds waiting for payment of the retention after six months when they become due. The funds were later paid and the balances transferred to the Main Account for reallocation to other projects.

Committee Observation

59. The committee directed the fund account manager to provide Bank statements showing where the Ksh.60,925 for the Milimani primary school went.

Weak Fixed Assets Management

60. Annex 4, the summary of fixed assets register reflects assets with a historical cost of Kshs. 3,720,000. However, the assets register listed some computers, printers and other computer accessories without values. Further, some of the assets whose condition was indicated as not usable were not physically verified while some assets were not tagged. In the circumstances, the assets may be exposed to misuse or loss.

Management Response

61. The Assets that had no values indicated were bought and distributed to Dagoretti North NG-CDFC by the NG-CDF Board. The Assets that were not tagged have since been tagged. Management is in the process of ensuring that the obsolete assets are properly disposed. Picture of Tagged Asset was provided for committee verification.

Committee Observation

62. The committee directed the fund account manager to provide a list of the items and value together with the current status of the said items.

FINANCIAL YEAR 2021/ 2022

Budgetary Control and Performance

63. The summary statement of appropriation reflects a final expenditure budget of Kshs. 230,796,588 against actual expenditure of Kshs. 169,598,554 resulting in budget under-utilization of Kshs. 61,198,034 equivalent to 27% of the approved budget amount.

64. The underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Dagoretti North Constituency.

Management Response

65. The under expenditure was as a result of late receipt of funds from the Exchequer. AIES Showing Funds Disbursement were availed for audit verification.

Committee Observation

66. The committee was satisfied with the response and the evidence provided. The matter was resolved.

Unresolved Prior Year Matters

67. In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and

Governance. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Management Response

68. Management was waiting for invitation by the DFAC to resolve the Audit Issues.

Committee Observation

69. The committee was satisfied with the response and the matter was resolved.

Unutilized Project Management Committee Funds

70. Note 17.4 to the financial statements indicates project management committees unutilized fund balances totalling to Kshs. 16,428,537 as at 30 June, 2022 as analysed in Annex 5 to the financial statements. However, an amount of Kshs. 469,716 in respect of completed and unutilized projects funds had not been returned to the Constituency account contrary to Section 12(8) of the National Government Constituency Development Fund Act, 2015 which requires all unutilized funds of the Project Management Committee to be returned to the constituency account.

Management Response

71. The committee ensured that all the unutilized funds of the Project Management Committee were returned to the Constituency account after payment of all the retention funds that were still held in the various accounts and the accounts closed appropriately. The balances were reversed to the main Account and the Bank Statement provided for audit verification.

Committee Observation

72. The committee noted that the bank statement provided was wrong and directed the fund account manager to avail the correct bank statement.

Weak Controls in Assets Management

73. The financial statements under Annex 4 indicates, the summary of fixed assets register with a historical cost of Kshs. 4,008,000. However, the assets register provided for audit listed some computers, printers and other computer accessories without values. Further, some of the assets had the condition indicated as not usable and were not available for physical verification, while several assets had not been tagged. In the circumstances, the assets may be exposed to misuse or loss.

Management Response

74. The Assets that had no values indicated were bought and distributed to Dagoretti North NG-CDFC by the NG-CDF Board. The Assets that were not tagged have since been tagged. Management is in the process of ensuring that the obsolete assets are properly disposed. Photos of the Tagged Asset was availed for verification.

Committee Observation

75. The Committee observed that Photos of the Tagged Asset were availed for verification and the matter resolved.
76. The fund account manager to provide the bank statements.

**MIN.NO.NA/DAA&GPC/DFAC/2024/119 EXAMINATION OF REPORTS OF THE
AUDITOR GENERAL FOR MATUGA
CONSTITUENCY FOR THE FY 2016/17
TO 2021/22**

Mr. Joseph Kumbatha Fund Account Manager Matuga Constituency appeared before the Committee accompanied by Mr. Peter M. Mwaighonda appeared before the Committee, tabled the NG CDF management responses and supporting documents on the audited accounts and responded to the audit queries as follows:

FINANCIAL YEAR 2016/2017

1.0 Transfer to Other Government Entities

Variance in amount transferred to primary schools

77. The statement of receipts and payments reflects an amount of Kshs.73,021,858 in respect of transfer to other government units out of which Kshs. 43,357,446 was transfers to primary schools as detailed in note 6 to the financial statement. However, schedules and payment vouchers availed for audit indicated that the actual expenditure incurred on transfers to primary schools was Ksh. 46,957,446 resulting to unexplained nor unreconciled variance of Kshs. 3,600,000. Consequently, the accuracy and completeness of transfers to primary school balance of Kshs. 43,357,446 for the year ended 30 June 2017 could not be confirmed.

Management Response

78. The unreconciled variance of Ksh. 3,600,000 was renovation of 12No. classrooms at Kombani primary school. The payment voucher has been presented to the auditor for review.

Committee Observation

79. The committee observed that the payment vouchers and bank statements were provided and the matter was resolved.

Matuga Girls' Secondary School

80. The statement of receipts and payments for the year ended 30 June 2017 reflects an amount of Kshs. 73,021,858 in respect of transfers to other government units out of which Kshs. 29,664,412 was transfers to secondary schools. Out of this amount Kshs. 10,400,809.55 was indicated to have been transferred to Matuga Girls project management committee account for the completion of a modern administration block. The project bank statements availed for audit review, however, revealed that only kshs.6,626,633.60 was received, as per the approved budget, to the project account leaving the balance of Kshs.3,774,175.95 paid vide voucher number 290258 and cheque no. 2028 dated 6 April 2017 not accounted for.
81. Further, in the year 2015/2016, Kshs. 18,626,633 had been disbursed towards the project bringing the total funding to date to Kshs. 29,027,442.50 whereas the revised contract sum was indicated to be Kshs. 18,626,634 again resulting to disbursement excess of Kshs. 10,400,808.50 above the contract sum. In addition, project site inspection on 7 June 2018 revealed that the contractor was not on site and no works were ongoing despite the project

exceeding the budget. The completion stage was observed not to have changed since the last audit site visit on the month of April 2017 of which it was observed that plastering and electrical works were ongoing an indication that works had since stalled. Consequently, the propriety of Kshs. 10,400,809.55 transferred to Matuga Girls Secondary School for the year 30 June 2017, could not be confirmed.

Management Response

82. The approved budget for Matuga girls secondary school administration block during the time of audit was as follows:
- i. 2015/2016- Ksh.12,000,000. This was phase 1 for the construction of the administration block.
 - ii. In 2016/2017 Ksh. 6,626,633.60 was allocated as follows:
 - iii. Ksh. 2,901,633.60 (windows, fittings, fixtures, plastering, painting and flooring).
 - iv. Ksh. 2,873,560 for the construction of a ramp.
 - v. Ksh. 851,440 for the floor tiling. The total disbursement from the NGCDFC to PMC is Ksh. 18,626,633.60 as indicated by the bank statement.
83. During the time of inspection, the contractor was not on site because of disagreement among the company shareholders. However, the project is complete and in use. Bank statement, codelist, Certificate of completion have been availed.

Committee Observation

84. The committee observed that the payment was availed and the projects completed and the audit query was resolved.

Tiwi Boys Secondary School

85. The statement of receipts and payments reflects an amount of Kshs.73,021,858 in respect of transfers to other government units out of which Kshs.29,664,412 was transfers to secondary schools. Out of this amount Kshs. 1,449,000 was indicated to have been transferred to Tiwi Boys Secondary School project management committee account for the construction of two classrooms. A site inspection on 6 June 2018 revealed that the project even though completed, had not been put to use and the site remains abandoned. In addition, the building had been vandalized as some of the metal burglar proofing had been cut and doors removed. Consequently, the value for money of the expenditure amounting to Kshs. 1,449,000 for the year ended 30 June 2017 towards the construction of Tiwi Boys Secondary School could not be confirmed.

Management Response

86. During the time of inspection, the project was complete and the school was undergoing registration with the ministry of Education to admit students by January, 2019. Consequently, the classrooms are now in use. Pictorial evidence of 2No. classrooms and completion certificate have been availed.

Committee Observation

87. The committee observed that explanation was satisfactory and pictorial evidence provided and the matter was resolved.

Use of Goods and Services

88. Note 5 to the financial statements reflects use of goods and services amounting to Kshs. 8,282,710. However, the supporting schedule availed reflected an expenditure of Kshs.7,980,095.24 under administrative costs and Kshs. 3,421,300 under Monitoring and Evaluation giving a cumulative total of Kshs.11,401,395.24 resulting to unreconciled variance of Kshs. 3,118,685.24. Consequently, the propriety, accuracy and completeness of use of goods and services Consequently, the propriety, accuracy and completeness of use of goods and services balance of Kshs.8,282,710 for the year ended 30 June 2017 could not be confirmed.

Management Response.

89. This was an error in the financial statement and the error has since been corrected in the consequent financial statement.

Committee Observation

90. The committee observed that financial statements were corrected in the subsequent financial year and the matter was resolved.

Cash and Cash Equivalent

91. The statement of assets reflects a bank balance of Kshs. 954,999. The bank reconciliation statement presented for audit revealed that there were payments in the cashbook not in bank statement of Kshs. 3,473,782 out of which cheques amounting to Kshs. 213,501 were stale as at the time of audit. Further, the bank reconciliation reflected an amount of Kshs. 29,599.55 being payments in the bank statement not recorded in the cash book. It is not clear why the management had not recorded this amount in the cash book. Consequently, the accuracy and completeness of bank balance of Kshs. 954,999 as at 30 June 2017 could not be confirmed.

Management Response

92. The stale cheques amounting to Kshs 213,501 were from the education bursary vote head. The amount of Kshs. 29,599.55 was bank charges as at 30th June, 2017. The management did not record this in to the cash book. We regret this was an oversight but has since been rectified. A copy of the payment voucher and extract of the cash book have been provided.

Committee Observation

93. The committee observed that copies of the cash book extract were availed and the matter was resolved.

Budgetary control and performance

94. During the year under review National Government Constituencies Development Fund – Matuga constituency had a final budget of Kshs. 147,559,795 and spent Kshs. 147,039,796 or 99% resulting to under absorption of Kshs. 519,999 as summarized below;

Expenditure	Budget	Expenditure	Utilization Difference	% Of Utilization
Compensation Of Employees	2,581,164	2,581,164	0	100%
Use of goods and services	8,737,709	8,282,710	454,999	95%
Transfers to Other Government units.	73,086,858	73,021,858	65,000	100%
Other grants and transfers	62,663,544	62,663,544	0	100%
Acquisition of Assets	490,520	490,520	0	100%
TOTAL	147,559,795	147,039,796	519,999	99.6

95. The National Government Constituency Development Fund- Matuga constituency had an absorption rate of 99.6% of the funds disbursed during the year.

Management Response.

96. Kshs. 454,999 was a balance of goods and services(administration costs).Utilization of the funds was almost 100%

Committee Observation

97. The committee observed that utilization of the funds was almost 100% and the matter was resolved.

Project Implementation Status

98. The projects status report availed for audit review indicated that a total of Kshs. 73,582,561.63 was approved for thirty-two (32) projects by the National Government constituencies Development Fund Board for projects implementation out of which Kshs. 72,831,561.63 was disbursed.A review of the project status report indicated that:

- i. Twenty-six (26) projects with an allocation of Kshs. 53,404,928 were initiated and completed during the year under review.
- ii. Six (6) projects with a total allocation of Kshs. 19,426,633.60 were on going.

99. Slow implementation of projects may affect delivery of goods and services to the residence of Matuga Constituency

Management Response.

100. All the ongoing projects are now completed and in use. Pictorial evidence and completion certificates are provided.

Committee Observation

101. The committee observed that completion certificates were provide and all projects were complete and the matter was resolved.

Projects Verification

102. During the audit, twelve (12) projects with a total disbursement of Kshs. 38,634,525.60 were inspected in the month of June 2018 and five (5) of them had various issues as indicated below:

S/N	Project Name	Activity	Project Cost (Kshs)	Disbursement (Kshs)	Status	Remarks
1	Kombani Primary School	Purchase of 3/4 acre land	600,000	600,000	Complete	Land purchased and registered under the school name. Reallocated funds from 2015/16 Emergency
2	Tumaini Secondary School	Construction of Administration block	3,000,000 1,163,482	4,163,482	Complete	Used local wood materials for all wood works but was paid for solid hardwood, cedar and solid core flush doors Used 30G iron sheet but paid for 28G – Kshs 136,500 Did not fit gutters – Kshs 13,000 Did not fit mahogany skirting – Kshs 13,200 No internal or external drainage works had been done
3	Matuga Girls' Secondary School	Completion of a Modern Administration block; Windows, fittings & fixtures, plastering, painting, flooring, ceilings (2,901,633.60), Ramp from ground to 1st floor (2,873,560.00) & Floor tiling(851,440)	6,626,633.60	10,400,809.60	Not complete	Project fully paid for but contractor not on site and works have stalled.
4	Kichakasimba Girls' Secondary School	Construction of Administration block to completion	3,000,000	3,000,000.00	Not complete	Project fully paid but not complete. Contractor not on site and works have stalled. Retention fee not deducted.
5	Tsimba Chief's Office	Construction of chief's office	2,850,000	2,850,000	Complete	The project is not branded to indicate the year it was funded No title deed availed for project land The roof was done with 30 Gauge iron sheet instead of gauge 28

						as provided by the bills of quantities.
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Management Response.

1. **Kombani primary school-** Purchase of land at Kombani primary school was from re-allocation of funds from 2015/2016 emergency reserve. A copy of the approval for re-allocation of fund from the NG-CDF Board is provided.
2. **Tumaini secondary school-** The project was rectified and completed. Completion certificate has been provided.
3. **Matuga girls' secondary school-** The contractor was not on site because of disagreement between the directors. The project is now complete and in use.
4. **Kichakasimba girls' secondary school-** The contractor was not on site because of an application he had made for cost variation. The project had been under funded but the committee allocated additional funds for completion. The project is now completed and in use. Completion certificate has been provided
5. **Tsimba chief's office-**The project is branded and in use. The PMC is still pursuing the processing of the title deed. The contractor corrected the anomaly. Transfer agreements, Ccompletion certificate are provided.

Committee Recommendations

103. The committee observed that completion certificates were provide and all projects were complete and the matter was resolved.

FINANCIAL YEAR 2017/2018

Use of Goods and Services

Committee Allowances

104. Note 5 to the financial statements for the year ended 30 June 2018 reflects use of goods and services amounting to Kshs. 13,368,428. This amount includes Kshs.4, 129,183 incurred on committee expenses. Records availed for audit indicated that the committee held 51 meetings against the maximum 24 meetings provided for by Section 43(11) of the National Government Constituency Development Fund Act 2015 which requires that a constituency committee shall meet at least six times in a year but the committee shall not hold more than twenty-four meetings in the same financial year. This resulted to an irregular expenditure of Ksh. 745,000.
105. Further the Fund Accounts Manager, District Accountant, Deputy District Accountant, Deputy county commissioner, Procurement officer and works officer were paid allowances totaling to Kshs. 507,000. The Management failed to explain how ex official and officers not employed by the board were paid allowances. Consequently, it has not been possible to confirm the regularity and validity of Kshs. 4,129,183 incurred on Committee allowances for the year ended 30 June 2018.

Management Response

106. The supporting schedules presented to the Auditors combined all the committee expenses. In the financial year 2017/2018 Matuga NG-CDF held the following under committee expenses:

- i. 24- NGCDFC meetings inclusive of sub-committee meetings
- ii. 6-monitoring and evaluation activities
- iii. 5 days -public participation.
- iv. 6-days going for bench-marking.
- v. 4- days recruitment of NGCDFC Staff.
- vi. 2-days handing over and taking over exercise.
- vii. 2- days entry and exit meetings with the auditors.
- viii. 2- days (Tender opening and evaluation of renovation of NG-CDF Office).

107. A schedule showing breakdown of all these activities was provided. The allowances paid to officers are allowances approved by the NGCDFC members in their meeting held on 10/1/2018. The minutes approved these allowances to be paid to officials when accompanying NGCDFC members on projects Monitoring and Evaluation exercise and bench marking. The approved minutes to support these expenditures is provided

Committee Observation

108. The committee observed that the verified response confirmed that the 51 meetings combined were held during the year and resolved the matter.

Cash and Cash Equivalent

109. The statement of assets as at 30 June 2018 reflect a bank balance of Kshs. 3,231,768. The bank reconciliation statement presented for audit revealed that there were payments in the cash book not in bank statement amounting to Kshs. 3,406,346 out of which cheques amounting to Kshs. 93,170 were stale and not reversed in the cash book as at the time of audit.

110. Further, the bank reconciliation reflected an amount of Kshs. 22,029.55 being payments made in the bank statement not recorded in the cash book. No explanation was given as to why the amounts were not accounted for in these financial statements. Consequently, the accuracy and completeness of bank balance of Kshs. 3,231,768 as at 30 June 2018 could not be confirmed.

Management Response.

111. The stale cheques were reversed in the cash book at the beginning of the financial year 2018/2019 as evidenced by an extract of the cashbook provided. The amount of Ksh. 22,029.55 were bank charges as at 30th June, 2018. The management did not record this in cash book at the end of the financial year but has since been rectified. A copy of the payment voucher has been provided.

Committee Observation

112. The committee informed the fund account manager to provide a copy of the cash book extract to the committee within 2 weeks.

Outstanding Imprest

113. The statement of assets as at 30 June 2018 reflect outstanding imprest of Kshs. 150,000. Records availed for audit indicate that the imprest was advanced to a government employee in March 2018 who has since been transferred. Although the Fund Manager has written to the principal secretary Ministry of Interior and Coordination of National Government, the amount had not been surrendered as at March 2019. It was not clear how an officer who is not an employee of the board was directly advanced imprest.
114. Consequently, the recoverability of outstanding imprest of Kshs. 150,000 as at 30 June 2018 is doubtful.

Management Response

115. A temporary imprest of Ksh. 150,000 for the supply of relief food was advanced to the deputy county commissioner Mr. Benson Maisori P/NO 2010056 who was then a member of Matuga NGCDFC. But the imprest is now surrendered. A copy of the surrender voucher has been provided.

Committee Observation

116. The committee observed that the surrender voucher is supported by evidence of expenditure and resolved the matter.

Budgetary Control and Performance

Revenue Budget Analysis.

117. During the year under review, National Government constituencies Development Fund – Matuga constituency had a revenue budget of Kshs. 99,144,654 against actual receipts of Ksh. Kshs. 43,905,172 or 44%, resulting to an under disbursement of budget of Ksh. 55,239,482 or 56% from the Constituency Development Fund Board. The management explained the delay was caused by the CDF Board's failure to release funds in time.
118. Failure by the Board to disburse funds as per the budget, may adversely affect delivery of goods and services to the residents of Matuga Constituency contrary to values and principles of public service as provided for under Article 232 (1-c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services

Management Response

119. The low utilization of the budget was due to the delay in disbursement of funds from the NGCDF Board. Copies of the delayed AIEs have been provided.

Committee Observation

120. The committee observed that the AIE were received in July 2018 and the matter was resolved.

Expenditure Budget Analysis.

121. During the year under review, National Government Constituencies Development Fund- Matuga Constituency had a final expenditure budget of Kshs. 99,144,655 and actual expenditure of Kshs. 41,578,403, resulting to net under expenditure of Kshs. 57,566,252 being 58% as summarized below:

Expenditure	Budgeted Kshs	Actual Expenditure Kshs.	Utilization Kshs.	% Under Utilization
Compensation Of Employees	2,517,200	2,468,759	48,441	2%
Use of goods And services	14,016,657	13,368,428	648,229	4%
Transfers to Other Government Units.	45,092,630	6,128,630	38,964,000	86%
Other grants And transfers	32,314,869	19,492,586	12,822,283	40%
Acquisition of Assets	526,272	120,000	406,272	14%
Other Payments	4,677,027	-	4,677,027	100%
Totals	99,144,655	41,478,403	57,666,252	58%

122. From the above analysis, Kshs. 57,666,252 was unspent funds as at 30 June 2018. The under expenditure of Kshs. 57,666,252 or 58% may have curtailed delivery of goods and services to the residents of Matuga Constituency contrary to values and principles of public service as provided for under Article 232 (1-c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services. There is need therefore for the management to re-look at its budget making process with a view to focusing on the priority projects which will be implemented during the year for effective and efficient service delivery to the residents of Matuga Constituency

Management Response

123. The low utilization of the budget was due to the delay in disbursement of funds from the NGCDF Board. Copies of the delayed AIEs have been attached.

Committee Observation

124. The matter was resolved.

Project Implementation Status

125. The project status report availed for audit review indicated that a total of kshs. 50,989,657 was approved for 32 projects by the national Government Constituency Development Fund board for project implementation. A review of the project status report indicated that:

- i) 7 projects with an allocation of Kshs. 15,648,630 were initiated and completed during the year under review.
- ii) 25 projects allocated Kshs. 35,341,027 had not been started due to non-release of funds from the board.

Slow implementation of projects due to late disbursements or no disbursements greatly affects the delivery of services to the residents of Matuga Constituency.

Management Response

126. The late implementation of the projects was as a result of late disbursement of funds by the NG-CDF Board. The projects have since been completed. Completion certificates are attached.

Committee Observation

127. The committee observed photos and completion certificate attached and the matter resolved

Projects Inspection

Matuga Girls' Secondary School

128. As reported previously the statement of receipts and payments for the year ended 30 June 2017 reflects an amount of Kshs. 73,021,858 in respect of transfers to other government units out of which Kshs. 29,664,412 was transfers to secondary schools. Out of this amount Kshs. 10,400,809.55 was indicated to have been transferred to Matuga Girls project management committee account for the completion of a modern administration block. The project bank statements availed for audit review, however, revealed that only kshs.6,626,633.60 was received, as per the approved budget, to the project account leaving the balance of Kshs.3,774,175.95 paid vide voucher number 290258 and cheque no.2028 dated 6 April 2017 not accounted for. Further, in the year 2015/2016, Kshs. 18,626,633 had been disbursed towards the project bringing the total funding to date to Kshs.29,027,442.50 whereas the revised contract sum was indicated to be Kshs. 18,626,634 again resulting to disbursement of excess of Kshs. 10,400,808.50 above the contract sum.

129. A project site inspection on 27 February 2019 of Matuga Girls Secondary school revealed that the contractor was not on site and no works were ongoing despite the project being incomplete. The completion stage was observed not to have changed since the last audit site visit on the month of April 2017 of which it was observed that plastering and electrical works were ongoing indicating the works had since stalled. Bank statement availed for audit indicated that the project had a bank balance of Kshs. 2,360.356. However, the project was excluded from annex 4 PMC Bank balances. Consequently, the value for money for this project and propriety of Ksh. 10,400,809.55 transferred to Matuga Girls Secondary School for the year 30 June, 2017 could not be confirmed.

Management Response

130. The approved budget for Matuga girls secondary school administration block during the time of audit was as follows:

- i. 2015/2016- Ksh.12,000,000. This was phase 1 for the construction of the administration block
- ii. In 2016/2017 Ksh. 6,626,633.60 was allocated as follows:
- iii. Ksh. 2,901,633.60(windows, fittings, fixtures, plastering, painting and flooring).
- iv. Ksh. 2,873,560 for the construction of a ramp.
- v. Ksh. 851,440 for the floor tiling.

The total disbursement from the NGCDFC to PMC is Ksh. 18,626,633.60 as indicated by the bank statement

131. During the time of inspection, the contractor had abandoned site and a letter of default notice had been issued. The project is complete and in use as evidenced by photos and completion certificates. The project was erroneously excluded in the PMC bank balance schedule but corrected in the financial statement.

Committee Observation

132. The committee resolved the matter.

Other Projects Verification

133. During the audit, seven (7) projects with a total disbursement of Kshs. 10,078,630 were inspected in the month of March 2019 and the following issues were noted;

	Project Name	Details of project	Cost of project Kshs.	Audit verification
1	Rose Mwakwere Girls' secondary school	Construction of 3 No. Classrooms to completion.	4,050,000	Project was found to have been completed and in use.
2	Mkongani secondary school	Renovation of 2No. Classrooms re-roofing, floor screading, plastering and painting.	728,630	Classes were done and completed and in use. No proper PMC file maintained.
3	Kubo police station	Renovation of a police station; re-roofing, floor screading, fixing of ceilings and paintings.	2,500,000	Project was completed and handed over and in use.
4	Mwaluphamba secondary school	Completion of administration block; roofing, plastering, painting and fixing doors and windows.	2,000,000	Project on going but still need more funds. The bill of quantities does not have soak pit yet the block has flash toilets. It was observed that the roof timber was not treated and ceilings were fitted. The contractor should treat timber before installing the ceilings
5	Vuga primary school	Construction of pit latrines.	500,000	Done and completed. In use.
6	Madibwani primary school	Construction of 2 door pit latrine.	200,000	Toilets done but were not plastered. No doors and the workmanship was poor.
7	Golini secondary school	Construction of pit latrines after ones in use sank	100,000	Project not branded.

Management Response

- 1. Mkongani secondary school-**At the office level, the file is properly maintained but during the time of project verification a new School principal had reported and he could not get all the photocopied details for the project. Continuous PMC training will enhance adherence to the regulations. Copy of PMC file provided for verification.
- 2. Mwaluphamba secondary school-** It was an omission in the Bill of Quantities but it has been rectified. The project is complete and in use as per the attached completion certificate.
- 3. Madibwani primary school-**The project was rectified and is now complete and in use as per the attached photos and completion certificate.
- 4. Golini secondary school-** The project was not branded since the Bill of Quantities had omitted branding element. The project is now branded as per the photos attached.

Committee Observation

134. The committee resolved matter

FINANCIAL YEAR 2018/2019

Cash book not Updated

135. The statement of assets and liabilities as at 30 June, 2019 reflects a bank balance of Kshs.60,543,219. The supporting bank reconciliation statement as at 30 June, 2019 reflects payments in cash book not in bank statement of Kshs.1,063,466, out of which thirteen (13) cheques amounting to Kshs.153,447 were stale and not reversed in the cash book as at 30 June, 2019. Further, included in the outstanding cheques of Kshs.1,063,466 were twenty-six (26) stale cheques totaling Kshs.411,947 which had not been reversed as at the time of audit in February, 2020. No proper explanation was provided for retaining stale cheques in cash book.
136. In addition, the bank reconciliation statement reflects bank charges amounting to Kshs.792.94 as payments in bank statement not yet recorded in cash book. No explanation was given as to why the bank charges were not recorded in cash book and expended. Consequently, the accuracy and completeness of the bank balance of Kshs.60,543,219 as at 30 June, 2019, could not be confirmed.

Management Response

Stale cheques not reversed in the cash book.

137. This was an oversight in the management, however the stale cheques are reversed into the cashbook. A copy of the cash book extract is provided.

Bank charges amounting to Kshs. 792.94 not posted in the cashbook.

138. The total bank charges as at 30th June, 2019 was Kshs. 16,207.06. the management prepared a voucher of Ksh. 17,000 to offset the bank charges thereby leaving an overcast of Kshs. 792.94. this balance was catered for the subsequent month bank charges. A copy of bank reconciliation statement and payment voucher is provided.

Committee Observation

139. The committee requested that the fund account manager to provide the cashbook extract and payment voucher before the committee within 2 weeks.

Doubtful Recoverability of Imprest

140. As reported in 2017/2018, the statement of assets and liabilities as at 30 June, 2019 reflects outstanding imprest of Kshs.150,000. Records provided for audit indicate that the imprest was advanced to a government employee in March 2018 and who has since been transferred. Information available indicates that the Fund Manager has written to the Principal Secretary, Ministry of Interior and Coordination of National Government, for recovery of the money. However, the amount had not been surrendered as at January, 2020. It was not clear how an officer who is not an employee of the Board was directly advanced imprest. Consequently, the recoverability of outstanding imprest of Kshs.150,000 as at 30 June, 2019 is doubtful

Management Response

141. A temporary imprest of Kshs. 150,000 was advanced to Mr. Benson Maisori P/NO. 20100560 who was then Deputy County Commissioner, Matuga Sub-County. The imprest

was for the distribution of relief food. The Fund Account Manager through Sub county Accountant wrote a letter to the Principal Secretary, Ministry of interior Co-ordination of national Government on 11/10/2018 for the recovery of the same but no response. The imprest is surrendered. Copy of the surrender voucher has been provided.

Committee Observation

142. The committee observed that the surrender voucher availed supported by evidence of expenditure and the matter was resolved.

Excess Disbursement to Matuga Girls Secondary School

143. The statement of receipts and payments reflects an amount of Kshs.67,581,000 in respect of transfers to other government units, out of which Kshs.25,550,000 was transferred to secondary schools as disclosed in Note 6 to the financial statements. Out of this amount, Kshs.2,545,653 was transferred to Matuga Girls Secondary School for the completion of a modern administration block. Information available indicates that a total of Kshs.20,626,634 had been transferred to the project since inception compared to the revised contract price of Kshs.18,626,634, resulting in excess disbursements of Kshs.2,000,000. Although the excess disbursement was approved by the National Constituencies Development Fund Board, justification for the same and details of how it was utilized were not provided for audit verification. Consequently, value for money for this project and propriety of Kshs.2,545,653 transferred to Matuga Girls Secondary School for the year 30 June, 2019 could not be confirmed.

Management Response

144. Matuga Girls High School administration block was initiated in the financial year 2015/2016 and it has been funded in three phases as follows:

- a)2015/16- Ksh. 12,000,000
- b)2016/17- Kshs. 6,626,633
- c)2018/19- Kshs. 2,000,000

Total- Kshs. 20, 626,633 as per the bank statement.

145. The Kshs. 2,000,000 was for the completion of project (flooring and painting works). The project is complete and in use as per the photos, completion and handing over certificates.

Committee Observation

146. The committee observed that there was no excess disbursement the project was done in phases and all disbursements were duly requested and approved and the matter was resolved.

Budgetary Control and Performance

147. During the year under review, National Government Constituencies Development Fund -Matuga Constituency had a revenue budget of Kshs.167,217,127 against actual receipts of Kshs.163,835,359 or 98%, resulting to an under disbursement of budget of Kshs.3,381,768 or 2% from the Constituency Development Fund Board. Further, included in the disbursement of Kshs.163,835,359 is Kshs.55,040,875 or 34% of which Authority to Incur Expenditure (AIE) detailing how the funds were to be utilized was received after the year end on 2 July, 2019. In addition, the National Government Constituencies Development Fund - Matuga Constituency had a final expenditure budget of Kshs.167,217,127 and actual expenditure of Kshs.106,523,908 or 64%, resulting to net

under expenditure of Kshs.60,693,219 or 36% of the budget. Delays by the Board to disburse funds as per the budget and late release of the AIE may have adversely affected delivery of goods and services to the residents of Matuga Constituency, contrary to values and principles of public service as provided for under Article 232 (1 - c) of the Constitution.

Management Response

148. The low utilization of the budget was due to the delay in disbursement of funds from the exchequer. Copies of the delayed AIEs are provided.

Committee Observation

149. The committee observed that that the AIE was received July 2019 and the matter was resolved.

Basis for Conclusion

Projects Implementation Status

150. The projects implementation status report as at 30 June, 2019 provided for audit review indicated that forty-three (43) development projects with a total allocation of Kshs.61,938,676 were approved by the National Government Constituency Development Fund Board for implementation in the financial year 2018/2019.

151. Audit review of the Project status report and as detailed in Appendix I indicated that:

- i) Six (6) projects with an allocation of Kshs.4,713,847 were initiated and completed during the year under review.
- ii) Twenty-two (22) Projects with a total allocation of Kshs.46,552,829 were started and ongoing.
- iii) Fifteen (15) Projects with an allocation of Kshs.10,672,000 were not started.

152. Slow implementation of projects due late disbursements greatly affects the delivery of services to the residents of Matuga Constituency

Management Response

153. Slow implementation of projects was due to late disbursements of funds by the NG-CDF Board, however all the projects are completed as evidenced by completion certificates.

Committee Observation

154. The committee requested the fund account manager to avail the certificates of completion of the projects to the committee within 2 weeks.

Projects Inspection

155. An audit inspection was undertaken in the month of December, 2019 on fourteen (14) development projects valued at Kshs.32,900,000, out of which four (4) projects with total cost of Kshs.11,200,000 revealed the following state of affairs:

No.	Project Name	Activity	Project Cost (Kshs.)	Observations

1	Matuga Girls Secondary School	Completion of a modern administration Block. (Flooring and Painting works)	2,000,000	Contractor not on site. Flooring only done on 2 floors and of 3 floors Only 1 st coat paint applied
2	Mwamungu Girls' Secondary School	Construction of 1 No. Administration block to completion	3,700,000	Door frames amounting to Kshs.239,500 were not fixed. Metallic doors fixed instead of hardwood doors as provided for in the Bills of Quantities
3	Lunguma Primary School	Construction of 4No. New Classrooms to completion	4,500,000	Ongoing works at slab level
4	Mkomba Secondary School	Renovation of 2No. Classrooms (Roofing and painting)	1,000,000	Construction of ring beam completed but plastering had not been completed, Painting works of the half plastered structure was not done.
	Total		11,200,000	

156. The above state of affairs is an indication of poor project planning, implementation and monitoring which negatively affects quality of work done.

Management Response

1. Matuga girls' secondary school

157. During the project verification, the contractor was not on site since had gone to ferry building materials ie glasses, tiles and paints. The project is complete and in use as per the attached completion certificates.

2. Mwamungu girls' secondary school.

158. The school administration in the course of implementation of the first phase, requested change of doors from timber to metallic due to their specific security consideration. The Kshs. 239,500 was utilized as per the site instructions by the project manager as per the attached site instructions. The project is complete as evidenced by completion certificate.

3. Lunguma Primary school.

159. Project now complete and in use as evidenced by certificate of practical completion

Committee Observation

160. The committee observed that all the projects were complete and in use and therefore the matter was resolved.

Irregular Procurement of Construction Contracts.

161. The statement of receipts and payments for the year ended 30 June, 2019 reflect Kshs. 67,581,000 in respect of transfer to other government units as disclosed in note 6 to the financial statements, for construction contracts. Audit examination of the procurement processes revealed that three (3) contracts with a total cost of Kshs. 14,991,880 were awarded without evidence of the advertisement in a newspaper with countrywide circulation despite being above the threshold Kshs. 4,000,000 required for use of open tender, contrary to section 91 (2) of the Public Procurement and Asset disposal Act, 2015

as detailed below: -

No	Project Name	Project Activity	Contract sum (Kshs)
1	Mwamunga Primary school	Construction of dormitory.	6,000,000
2	Burani Girls Secondary School.	Construction of Laboratory and renovation of 3 classrooms.	4,491,880
3	Lunguma Primary School	Construction of 4 classrooms.	4,500,000
	Total		14,991,880

162. Further, there was no evidence that the bidders submitted any form of tender security as required by Section 61(1). As a result, public funds are exposed to great risk of loss. In addition, there was no evidence that the tender documents included Bills of Quantities as required by part 4.4.1 of Procurement Manual for Works, 2009. It is therefore not clear how the project costs were arrived at and how value of work done was determined in the absence of Bills of Quantities. As a result, the Management was in breach of the Laws.

Management Response

163. The tendering process for these three contracts were done by the projects Management Committees and they advertised it locally as shown in the attached adverts. The bidders did not submit any form of tender security since it was not in the advert as one of the evaluation criteria. More training is needed to the PMC so as to abide by the set down rules and procedures.

164. During the time of audit, the Works officer had passed on and he was with the BQ, s. consequently they are available for audit. The tender adverts and bill of quantities are provided

Committee Observation

165. The committee observed that the tender adverts and bill of quantities provided were satisfactory and the matter was resolved.

FINANCIAL YEARS 2019/2020

Errors in Annual Reports and Financial Statements

166. The annual report and financial statements prepared and presented for audit had the following presentation and disclosure errors;

- i. The annexure in the financial statements are not included under table of contents.
- ii. The progress on follow up of auditors' recommendations is not signed by the Accounting Officer.
- iii. The financial statements include guidance notes on preparation of the financial statements.
- iv. Note 17.4 to the financial statements under other important disclosures reflects PMC account balances of Kshs.20,408,794 for 2018/2019 financial year, however, Annex 5 to the financial statements reflects PMC account balances of Kshs.32,395,668 for 2018/2019.
- v. The statement of cash flows reflects changes in accounts receivable: outstanding imprest of Kshs.150,000 for 2019/2020 and nil balance for 2018/2019 financial years. However, Note 15 to the financial statements reflects changes in accounts receivable: outstanding imprest of nil balance for 2019/2020 and an amount of Kshs.150,000 for 2018/2019

financial year.

vi. The statement of cash flows reflects nil balance for net cash flow from operating activities, however a casting error was noted resulting to correct net cash flow from operating activities of negative Kshs.56,374,356.

167. Consequently, the accuracy, completeness, presentation and disclosure of the annual report and financial statements could not be confirmed.

Management Response

168. The errors and omissions in the financial statement as at 30 June, 2020 have been noted and corrected

Committee Observation

169. The committee observed that the errors and omissions were corrected in the subsequent financial year and the matter was resolved.

Unexplained Variances for Transfers from CDF Board

170. The summary statement of appropriation - recurrent and development combined reflects transfers from CDF Board under actual on comparable basis column of Kshs.128,693,219 which differs with the actual transfers from CDF Board of Kshs.68,000,000 shown under the statement of receipts and payments resulting to unreconciled variance of Kshs.60,693,219. In the circumstances, the accuracy and completeness of the transfers from CDF Board figure of Kshs.68,000,000 could not be confirmed.

Management Response

171. In 2019/2020 financial year, Matuga NG-CDF received a total of Kshs. 68,000,000.00. The variance of Kshs. 60,693,219 is a result of balance brought forward from the previous financial years as the attached statement of appropriation and unutilized funds.

Committee Recommendations

172. The committee observed that the unutilized fund were utilized in the subsequent year and the matter was resolved.

Stale Cheques

173. The statement of assets and liabilities as at 30 June, 2020 reflects a bank balance of Kshs.4,168,863. The supporting bank reconciliation statement as at 30 June, 2020 reflects payments in cashbook not in bank statement amounting to Kshs.1,649,106.10, out of which cheques totaling Kshs.428,500 were stale and not reversed in cash book as at 30 June, 2020. No proper explanation was given for retaining the stale cheques in cashbook. Consequently, the accuracy and completeness of bank balance of Kshs.4,168,863 as at 30 June, 2020 could not be confirmed.

Management Response

174. Stale cheques amounting to Ksh. 428,500.00 not reversed in the cash book. This was an oversight in the management, however the stale cheques were reversed into the cashbook as per attached cash book extract.

Committee Observation

175. The committee observed that stale cheques were reversed into the cashbook and the matter was resolved.

Budgetary Control and Performance

Revenue Budget Analysis

176. During the year under review, National Government Constituencies Development Fund -Matuga Constituency had a revenue budget of Kshs.198,095,943 against actual receipts of Kshs.128,728,219 or 65%, resulting to an under disbursement of budget of Kshs.69,367,724 or 35% from the Constituency Development Fund Board. Further, the balance of Kshs.69,367,724 was received between July, 2020 and September, 2020.

177. Delays by the Board to disburse funds as per the budget and late release of the fund may have adversely affected delivery of services to the residents of Matuga Constituency, contrary to values and principles of public service as provided for under Article 232(1 - c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

Management Response

178. The low utilization of the budget was due to the delay in disbursement of funds from the exchequer. Copies of the delayed AIE's are provided.

Committee Recommendations

179. The committee observed that the low utilization was due to late disbursement of funds and the matter was resolved.

Expenditure Budget Analysis

180. During the year under review, National Government Constituencies Development Fund -Matuga Constituency had a final expenditure budget of Kshs.198,095,943 and actual expenditure of Kshs.124,559,356 or 37%, resulting to net under expenditure of Kshs.73,536,587. The under expenditure of Kshs.73,536,587 or 37% may have impacted negatively on service delivery to the residents of Matuga Constituency contrary to values and principles of public service as provided for under Article 232(1 - c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

Management Response

181. The low utilization of the budget was due to the delay in disbursement of funds from the exchequer which impaired service delivery. Copies of the delayed AIEs are provided.

Committee Observation

182. The committee observed that the low utilization was due to late disbursement of funds and the matter was resolved.

Projects Implementation Status

Projects Not Started

183. The projects implementation status report as at 30 June, 2020 which was provided for audit indicated that four (4) development projects with a total allocation of Kshs.5,551,674 were approved by the National Government Constituencies Development Fund Board for implementation in the financial year 2018/2019 but were not started. Slow implementation of projects due to late disbursements greatly affects the Slow implementation of projects due to late disbursements greatly affects the delivery of services to the residents of Matuga

Constituency

Management Response

184. The project had not started since there was a delay in disbursement of funds from the exchequer. However, the projects are complete and in use as per the attached completion certificates.

- i. Nyando primary school-(Construction of 2 classrooms)-Kshs. 2,360,000
- ii. Kizibe primary school- (Construction of toilets)-Kshs. 500,000.
- iii. Mangawani Chiefs office-(Construction of a chief's office)-Kshs. 2,196,320
- iv. Kwale school for the deaf-(construction of toilets)- Kshs. 495,354

Total- Kshs. 5,551,674

Committee Observation

185. The committee observed that Certificate of completion and photos provided for review and the matter was resolved.

Delayed Completion of Projects

186. Review of the project implementation status report showed that two projects with total allocation of Kshs.24,626,634 have delayed despite commencement in previous financial years and the contractor had abandoned the site as at the time of the audit.In the circumstances, value for money has not been realized from the delayed projects

Management Response

187. The disagreement between the directors had made delayed completion of the projects. However, the two projects have since been completed and in use as per the attached completion certificates.

- i. Matuga Girls High School- (Construction of administration block)-Kshs. 18,626,634
- ii. Bahakanda primary school- (school fencing and water reticulation)-Kshs. 6,000,000)

Total – Kshs.24,625,634

Committee Recommendations

188. The committee observed that projects were complete and the matter was resolved.

Projects Inspection

189. Audit inspection undertaken in the month of January, 2021 on four (4) development projects valued at Kshs.13,500,000 showed the following anomalies;

- i. Poor workmanship.
- ii. Some works which were factored in the Bill of Quantities were not done yet the funds are fully utilized.
- iii. Incomplete projects

This is an indication of poor project planning, implementation and monitoring which negatively affects quality of work done. Delayed projects may also turn out to be costly due to inflation.

Management Response

190. The anomalies were rectified and the projects completed and in use as per the attached photos and certificate of completion. These projects are:

- i. Stephen Kanja Secondary school- (Construction of a dormitory)-Kshs. 3,500,000
- ii. Bahakanda primary school- (school fencing and water reticulation)-Kshs. 6,000,000
- iii. Matuga Girls High School- (Completion of modern administration block-flooring and painting)-Kshs. 2,000,000
- iv. Lukore secondary school-(Renovation of 4 classrooms)- Kshs. 2,000,000

Total- Kshs. 13,500,000

Committee Observation

191. The committee decided that the matter be left pending and the fund account manager to submit a report stating the following

- i. Whether the poor workmanship was corrected or not
- ii. Submit payment vouchers
- iii. Why were payments done beyond the scope of the provided amount
- iv. Attach colors photos of all the projects

Basis for Conclusion

Irregular Payment of Sitting Allowance

192. As disclosed under Note 5 to the financial statements, the statement of receipts and payments reflects use of goods and services expenditure of Kshs.7,784,132 which includes committee expenses of Kshs.2,953,200 which further include sitting allowances of Kshs.497,000 paid to sub-county officials while attending constituency development committee meetings and monitoring and evaluation of projects. This was contrary to Regulation 33 of National Constituencies Development Fund Regulations which states that, "the Cabinet Secretary shall, with the approval of The National Assembly Select Committee on NGCDF, issue guidelines on allowances payable to members of a constituency committee and other government officers involved in the management of theFund". The officials did not qualify for sitting allowance and instead should have been paid lunch allowance

Management Response

193. The allowances paid to these officials are allowances when they attend monitoring and evaluation, training activities as facilitators and when going for bench marking. These were authorized in the NGCDFC meeting. NCDFC minutes and schedule of committee meeting are provided.

Committee Observation

194. The committee observed the NGCDFC minutes and were satisfied and the matter was resolved.

Failure to Maintain Project Expenditure Status Report

195. The statement of receipts and payments shows that National Government Constituencies Development Fund - Matuga Constituency undertook various projects under transfer to other government entities and other grants and transfers amounting to Kshs.71,972,000and

Kshs.39,446,544 respectively. However, there was no evidence that the Fund Account Manager maintained a monthly record of all receipts, disbursements and expenditure per project and which was tabled before the NGCDF for discussion. This was contrary to Section 38 of the NGCDF Act, 2015, which states that, 'the officer of the Board in every constituency shall compile and maintain a record showing all receipts, disbursements and actual expenditures on a monthly basis in respect of every project and sub-project under this Act. Consequently, the Management was in breach of the law.

Management Response

196. A record showing all receipts and disbursement are shown in the AIE received from the NGCDF Board and NGCDFC minutes to approve disbursements. Due to the Covid-19 pandemic it was not possible to meet regularly and discuss monthly reports. However, the annual expenditure report was tabled and discussed by the NGCDFC not later than 30 days after the end of the financial year. The copies of the AIE received in the financial year, minutes approving AIEs, annual expenditure returns and minutes discussing the reports are provided.

Committee Observation

197. The committee observed that copies of AIEs, minutes and annual expenditure returns were satisfactory and the matter was adequately resolved.

FINANCIAL YEAR 2020/2021

Lack of Ownership documents.

198. The statement of receipts and payments reflects Kshs.5,004,150 in respect of acquisition of assets as disclosed in Note 9 to the financial statements. However, the summary of fixed assets registers disclosed in Annex 5 reflects additions during the year of Kshs.5,699,000 hence unexplained variance of Kshs.694,850. Further, review of the Fund's asset's register provided for audit revealed that the Fund owned a building valued at Kshs.7,385,910. However, the ownership documents for the land where the building is constructed were not provided for audit. In addition, there was no evidence to confirm that the Management had put in place measures to acquire the ownership documents.

199. In addition, the assets were not tagged and serialized and as a result, they could not be traced to their physical locations using the asset numbers as indicated in the assets register. In the circumstances, the accuracy of Kshs.5,004,150 in respect of acquisition of assets, ownership of the land and completeness of the summary of fixed assets register could not be confirmed.

Management Response

200. This was an error in the fixed asset register. The actual expenditure for the purchase of office motor vehicle is Kshs 4,805,150 and not Ksh 5,500,000. The error was corrected. Matuga NG-CDF Office is located at a Government land donated by then Town council of Kwale in 2007/2008 financial year under free hold. Efforts are being made to acquire land ownership documents from the county Lands office. The Approval development Plan is provided. The NG-CDF Board had provided bar-codes for assets tagging for all NGCDFC assets countrywide, they were not sufficiently supplied. Pictorial evidence and asset register

is provided. Matuga NG-CDF management made follow up with the NGCDF Board to provide enough tags for all assets available and now all the office assets are tagged.

Committee Observation

201. The committee informed the fund account manager that he e2provides the letter of allotment and submit all the documents of land ownership to the legal department of the NG-CDF Board.

Budgetary Control and Performance

202. The summary statement of appropriation reflects final receipts budget and actual on a comparable basis of Kshs.210,703,466 and Kshs.161,514,587 respectively resulting to an under-funding of Kshs.49,188,879 or 23% of the budget. Similarly, the Fund expended Kshs.132,086,492 against an approved budget of Kshs.210,703,466 resulting to an under-expenditure of Kshs.78,616,974 or 37% of the budget. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public

Management Response

203. The underperformance was due to the delay in disbursement of funds from the exchequer. Copies of the delayed AIEs are provided

Committee Recommendations

204. The committee was satisfied with the response given

Project Implementation Status

205. During the year under review, the Board approved a budget of Kshs.124,750,880.90 to implement a total of seventy-six (76) projects. However, analysis of the status report revealed that twenty-six (26) projects with a budget of Kshs.33,041,777 were implemented while fifty (50) projects with a budget of Kshs.91,709,104 or 74% of the budgeted projects were not implemented.

206. The under-performance in project implementation affected the planned activities and may have impacted negatively on service delivery to the citizens

Management Response

207. The underperformance was due to the delay in disbursement of funds from the exchequer. Copies of the delayed AIEs are provided

Committee Recommendations

208. The committee was satisfied with the response given and the matter was resolved.

Basis for conclusion.

Management of Bursary funds.

209. Expenditure records provided for audit indicated that bursaries totaling Kshs.26,261,150 were disbursed to secondary schools, tertiary institutions and special schools. However, there was no sub-committee of bursary fund established to manage the bursary scheme. This is contrary to Constituencies Development Fund Board Circular reference VOL1/111 dated

13 September, 2010 which requires that Constituency Development Fund Committee bursary subcommittee be constituted and to co-opt two members, one who must be the area education officer or representative of the Ministry of Education. In the circumstances, Management was in breach of the Circular.

Management Response

210. During the time of audit, the Constituency Bursary Sub-Committee Minutes File had been misplaced due to mix up of documents caused by another concluded audit. Minute file have since been located and copies availed for verification

Committee Observation

211. The committee observed that minutes of the sub committee were availed for verification and the matter was resolved.

FINANCIAL YEAR 2021/2022

Inaccurate cash and cash equivalent balance

212. The statement of assets and liabilities as disclosed in note 10 to the financial statement reflects cash and cash equivalents balance of Kshs. 28,974,875. Review of the bank reconciliation statement as at 30 June, 2022 revealed nineteen (19) cheques amounting to Kshs. 153,000 which had gone stale but not reversed in the cash book. In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs. 28,974,875 as at 30 June, 2022 could not be confirmed.

Management Response

213. The stale cheques amounting to Kshs 153,000 are from the education bursary vote head. The stale cheques were reversed Extracts of the cash book are provided.

Committee Observation

214. The committee observed that the cheques were reversed and extract of the cashbook provided and the matter was resolved.

Unsupported Projects Management Committee (PMC) Account Balance.

215. Annex 5 to the financial statements reflects PMC account balances of Kshs. 37,488,507 of which certificates of bank balances were not provided for audit. In the circumstances, the accuracy and completeness of the PMC account balance of Kshs. 37,488,507 for the year ended 30 June, 2022 could not be confirmed.

Management Response

216. Certificates of balances in support of Ksh. 37,488,507 has been provided.

Committee Observation

217. The committee observed that certificate of bank balances were provided for review. The matter was resolved.

Budgetary Control and performance

218. The summary statement of appropriation reflects final receipts budget and actual on the comparable basis of Kshs. 215,705,853 or 100%. Similarly, the fund expended Kshs. 186,730,978 against a budget of Kshs. 215,705,853, resulting in under- expenditure of Kshs. 28,974,875 or 13% of the budget. The under- expenditure affected the planned activities and may have impacted negatively on service delivery to the public

Management Response

219. The under expenditure by Matuga NG-CDF is as a result of late disbursement of funds from the exchequer. Copies of the late AIE received are provided.

Committee Observation

220. The committee was satisfied with the response given and the matter was resolved.

Project Implementation Status.

221. During the year under review, the Board approved a budget of Kshs. 183, 333, 293 to implement a total of one hundred and seventeen (117) projects. However, analysis of the project's implementation status report as at 30 June, 2022 revealed that seventy-eight (78) projects with an allocation of Kshs. 133, 122,963 were implemented, sixteen (16) projects with allocation of Kshs. 32,845,916 were ongoing while twenty-three (23) projects with an allocation of Kshs. 17,364,414 had not started.

222. The under-performance in projects implementation affected the planned activities of the constituency.

Management Response

223. The under-performance of the project implementation was a result of delay disbursement from the NG-CDF Board. However, the projects are now complete and in use as per attached completion certificates.

Committee Observation

224. The committee requested the fund account manager to provide completion certificates and photos of the projects.

Basis for conclusion

Projects Verification

225. Physical inspection of two (2) projects costing Kshs. 6,000,000 carried out on 23rd March, 2022 revealed the following anomalies:

No	Project Name	Project description	Disbursement	Contract price	Value of works done to date	Anomalies
1	Mangawani Police Patrol Base	Request for renovation of the building at Mangawani location chiefs office to be	3,000,000	2,998,368	2,998,368	1.Project complete but not in use. 2.project not handed over by the project Management Committee

		used as a police base.				3. Emergency project but not in use, thus the community is yet to derive value for money from the project
2	Lukore Police Post.	Construction of a new police post with three rooms to completion.	3,000,000	2,998,020	2,998,020	1. project complete but not in use. 2. project not handed over by the project management committee.
	TOTAL		6,000,000	5,996,736	5,996,736	

226. In the circumstances, the constituency may not have achieved value for money on the projects.

Management Response.

Mangawani police patrol base.

227. Members of the public through area chief had requested construction of a police post due to the insecurity in Mangawani area. The request was forwarded to Matuga NG-CDF office through Kubo police station OCS requesting for the proposal. The project was approved and constructed through emergency fund and the project is complete but not in use since administration is waiting for the deployment of police for it to be operational. A copy of letter from area chief and nearby police station OCS is provided.

Lukore police post.

228. The project was identified through public participation. There was a need of a police station due to insecurity in the area. During the field visit the project was not in use since it was waiting for the deployment of police for it to be operational. The project is now handed over and in use as per the provided photos.

Committee Observation

229. The committee observed that Completion certificate and photos were availed and the audit query was resolved satisfactorily.

MIN.NO.NA/DAA&GPC/DFAC/2024/121

ADJOURNMENT

There being no other business, the meeting was adjourned at 5:31pm. The next meeting will be held on notice.

SIGNED.......... DATE 13/06/2024.....

**HON. DR. (Arch) GIDEON MUTEMI MULYUNGI, M.P. CBS, EBS, MP
(CHAIRPERSON)**

MINUTES OF THE 14TH SITTING OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE HELD ON TUESDAY, 21ST MARCH 2024 AT 11:00AM IN THE COMMITTEE ROOM 12, MAIN PARLIAMENT BUILDINGS

PRESENT

1. **Hon. Gertrude Mwanyanje Mbeyu, MP** Vice-Chairperson
2. Hon. Jackson Lentoijoni, Lekumontare, MP
3. Hon. Dorothy Muthoni, Ikiara, MP
4. Hon. Abdi Barre Hussein, MP
5. Hon. Joyce Osogo, Bensuda, Atieno, MP
6. Hon. Adhe Guyo Wario, MP
7. Hon. David Mboni Mwalika, MP
8. Hon. Stephen Mogaka, MP
9. Hon. Martin Wanyonyi Pepela MP

APOLOGIES

1. **Hon. Gideon Mutemi Mulyungi, CBS, EBS, MP** Chairperson
2. Hon. Mejjadonk Benjamin Gathiru, MP
3. Hon. Joseph Kahangara Mburu, MP
4. Hon. Caroline Jeptoo Ng'elechei, MP
5. Hon. Innocent Momanyi Obiri, MP
6. Hon. Reuben Kipngor, Kiborek, MP

IN-ATTENDANCE

SECRETARIAT

- 1.
2. Ms. Ruth M. Gakuya - Clerk Assistant I
3. Mr. John Mutinda - Clerk Assistant III
4. Ms. Sharon Koskei - Clerk Assistant III
5. Mr. Mabuti Mutua - Legal Officer II
6. Ms. Elizabeth Kibati - Research Officer III
7. Ms. Winfred Kiziah - Media Relations Officer
8. Mr. Muchiri Mwangi - Audio Officer III

OFFICE OF THE AUDITOR GENERAL

1. Mr. Maurice Oyoo - Principal Auditor
2. Mr. Patrick Kimomi - Principal Auditor

THE NATIONAL TREASURY

1. Mr. Simon Kiriiba - Deputy Accountant General

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND

1. Ms. Beatrice Otieno - Manager Field Financial Coordination
2. Mr. Duncan Otieno - Internal Auditor

3. Ms. Mary G.M Wanjala - Regional Coordinator
4. Mr. Kodii K. Duncan - Fund Account Manager- Webuye East
5. Mr. George Shibanda - Fund Account Manager-Webuye West

MIN.NO. NA/DAA&GPC/ DFAC/2024/042

PRAYER & PRELIMINARIES

The Chairperson called the meeting to order at 11:20 am with a word of prayer and thereafter invited all present to introduce themselves. The agenda was unanimously confirmed as follows:

AGENDA

1. Prayers
2. Adoption of the agenda
3. **Examination of the reports of the Auditor's General Report for Webuye East Constituency for the financial year 2016/2017-2021/22**
4. Any Other Business
5. Adjournment

MIN.NO.NA/DAA&GPC/DFAC/2024/043

EXAMINATION OF THE AUDITED ACCOUNTS FOR THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR WEBUYE EAST CONSTITUENCY FOR THE FINANCIAL YEARS 2016/17 TO 2021/2022.

Mr. Kodii K. Duncan current Fund Account Manager appeared before the Committee accompanied by Mr. George Shibanda, Fund Account Manager, Financial Year 2016/2017-2017/2018 and Ms. Ms. Mary G.M Wanjala 2021/2022 and tabled the NG CDF management responses and supporting documents on the audited accounts.

The witnesses took the oath of witness and submitted as follows:

FINANCIAL YEAR 2016/2017

**Overall Opinion: Qualified
Un supported Land Acquisition**

1. Included under transfer to other government entities figure of Kshs 39,216,144 is an amount of Kshs 1,100,000 in respect of acquisition of two (2) acres of land for a primary School in the Constituency. However, the title deed of the acquired land was not availed for audit verification

Management Response

2. The title deed of Sambu Central primary School was under processing during the time of audit and has been availed for verification.

Committee Observation

3. The Committee observed that the title deed was availed for audit verification and the matter was satisfactorily addressed and resolved.

Budgetary Control and Performance

4. During the year under review, the Fund in aggregate spent Kshs 84,755,732 against a Budgeted amount of Kshs. 85,313,641 Resulting to an under –absorption of Kshs. 557,909 or 1 % of the budget as highlighted below

Management Response

2. The treasury had not disbursed all the allocated funds to the Constituency as at the close of June 2017 to ensure full implementation of the projects. Compensation of employees Ksh 200,877, Use of goods Ksh.42, 145. Other Grants and transfers Ksh 314, 887. The funds were fully utilized in the subsequent financial year.

Committee Observation

3. The Committee observed that:
 - i. The issue arose due to delay in disbursement of funds from the exchequer
 - ii. The funds were fully utilized in the subsequent financial year.
 - iii. The matter was satisfactorily addressed and resolved.

2. Project Implementation Status

4. The CDF was to implement a total of 38 projects through various Project Management Committees (PMCs) during the financial year under review. Further analysis indicates that 12 or 32% of the projects were on-going while 26 or 68 % of the projects had been completed as at the time of audit. Consequently, the Fund did not achieve its project completion targets during the year under review and could therefore not fully provide its constituents with all the services planned and budgeted for the year.

Management Response.

5. The delay was due to late disbursement of funds however the projects were implemented in the subsequent year 2017/2018 and they are now complete and in use. Completion certificates were presented for verification and Photos availed.

Committee Observation

6. The Committee observed that:
 - i. The issue arose due to delay in disbursement of funds from the exchequer
 - ii. The projects were implemented in the subsequent year 2017/2018 and are now complete and in use .
 - iii. The matter was satisfactorily addressed and resolved.

FINANCIAL YEAR 2017/2018

Overall Opinion: Qualified
Budgetary Control and Performance
1.1 Budgetary Performance

7. The fund had approved budget of Kshs. 98,747,566 for the year ended 30 June 2018. During the same period the Fund incurred total expenditure of Kshs. 87,101,971 representing 88% of the approved budget resulting to budget under –utilization of Kshs. 11,645,595 representing 12% of the approved budget. Failure to utilise all the funds as budgeted for is an indication that services and approved programs may not have been delivered to Webuye East constituents.

Management Response

8. The under expenditure of the budget was due to the delay in disbursement of funds by the ex-chequer. A sum of Kshs. 11379,310.35 due to the constituency was received on 31/7/2018. AIE NO B005090 .However, the projects were implemented in the subsequent year 2018/2019 and they are now complete and in use.

Committee Observation

9. The Committee observed that:

- i. The issue arose due to delay in disbursement of funds from the exchequer
- ii. Copies of the AIEs were availed for audit verification.
- iii. The matter was satisfactorily addressed and resolved.

Project Implementation Status

10. The project implementation status of the Fund since 2013/2014 was summarized. From the report, five (5) projects with an approved budget and total disbursements of Ksh. 10,696,152 were on-going from 2013/2014 to 2015/2016 although they should have been completed by 2017/2018. No reason was however provided for the failure to implement all the projects as budgeted. Consequently, the Webuye east Constituents may not have benefited from the incomplete projects.

Management Response

11. The delay was due to phased implementation and delayed funding, the projects are now complete and in use. Project implementation status, photos and completion certificates were provided for audit review..

Committee observation

12. The Committee observed that:

- i. The delays in the implementation of projects resulted from the delays in the disbursement of funds by the exchequer.
- ii. Project implementation status, photos and completion certificates were availed for audit verification.
- iii. The matter was satisfactorily addressed and matter resolved.

1.Acquisition of Assets

13. Included in the for acquisition of assets figure of Kshs. 1,257,909 is a payment of Kshs.700,000 to a contractor for fencing of the Funds offices. According to the bills of quantities, the contractor was to use cracked precast concrete posts and six (6) strand galvanized barbed wire to fence at a contract sum of Kshs. 1,200,000. However, physical verification of the fencing conducted in April 2019 revealed that the contractor used wooden posts instead of the precast concrete posts and four (4) strand galvanized wire instead of six (6) as per the bills of quantities. Although the management has explained that the contractor was given site instructions to increase the length and compensate with the changed specifications, details of the instructions and accompanying measured works were not availed for audit verification. Consequently, the probity of the expenditure of Kshs.700,000 for year ended 30 June 2018 could not be confirmed

Management Response

14. The board approved fencing of which the public works issued instruction for use of materials which could complete the work within the approved amounts -(fencing of 200 Linear Meters) Re-measurement was done as per the recommendations of the audit. The project was later properly completed with cracked precast concrete posts. Report of public works, Code list and Photos had been availed for audit review.

Committee Observation

15. The Committee observed that the management provided the report of public works, code list and photos to the auditors for verification and the matter was satisfactorily addressed and resolved.

2.1 Stalled Project

16. The fund undertook to construct a library at Magemo Friends Secondary School at a total cost of Kshs.9,742,132. The tender was awarded to a contractor on 16th October 2017 and was to be completed within six months from the date of the award hence expected to have been completed by April 2018. Project verification conducted in April 2019 showed that the sub –structure and walling work up to and including ring beam had been done and a total of Kshs.4,432,912 had been paid to the contractor. However, no work had been done since February 2018 and the contractor was not on site. The management did not however explain the steps that were being taken to ensure the project is completed as designed. Consequently, the delay in the project completion could have resulted to cost overruns due to inflation and contract variations.

Management Response

17. The project had additional funding in the financial year 2018/2019 which was awaiting funding so that the project could go on. The Project is now complete and in use, the

completion certificate, Project Photos and Project Implementation Status have been availed for review

Committee Observation

18. The Committee observed that the management provided the completion certificate, project photos and project implementation status to the auditors for verification and the matter was satisfactorily addressed and resolved.

2.2 Failure to Obtain Ownership Documents for Land

19. The Fund incurred Kshs. 2,501,000 on acquisition of three pieces of land for its project, Sipala Chiefs Camp Kshs. 141,000, Njata DEB Primary School Kshs. 1,160,000 and St. Pauls Kibisi Primary School Kshs. 1,200,000. Consequently, probity of the expenditure of Kshs. 2,501,000 on acquisition of land for the year ended 30 June 2018 could not be confirmed.

Management Response

20. During the time of audit, the title deeds had not been acquired however the constituency allocated funds to be used by the schools in processing of the title deeds. The processing of the title deeds has since been completed and availed for verification.

Committee Observation

21. The Committee observed that :

- i. The title deed of the land had not been provided;
- ii. The initiation of the process of purchasing the land was by the local community and that the succession matter was still in court pending which the title deed will be produced;
- iii. The land was in use by the assistant chief.

And directed that the management submits court documents on the succession and any other relevant evidence on to the auditors for verification.

2.3. Construction of classroom at Friends School Lutacho

22. The fund undertook the construction of 3 classrooms at Friends School Lutacho at a cost of Kshs. 4,590,120. physical verification of the project done in April 2019 revealed that the floors had severely damaged and in need of repairs barely 12 months after the project was completed, an indication of poor workmanship. Although the management indicated that the project had not been handed over and would ensure that the defects were repaired before hand over, no documentary evidence was provided to show that the contractor has been advised of the poor workmanship considering that the six months liability period had elapsed. Consequently, the public did not receive value for Kshs. 4,590,120 spent on the construction of the classrooms.

Management Response

23. During the time of audit, the project had developed some damages, however, the contractor was contacted to make good defects- The certificate of making good defects from public works has been availed for review.

Committee Observation

24. The Committee observed that the management availed the certificate of making good defects to the auditors for verification and the matter was satisfactorily addressed and resolved.

3.Other Payments

25. Included in other payments figure of Kshs.6, 677,027 is the cost of four projects amounting to Kshs.4,677,028 for provision of internet access and associated services for constituency innovation hubs. The cost of each project was Kshs. 1,169,257. According to the NG-CDF circular dated 25 July 2017, the Ministry of information Technology and Telkom Kenya entered into contract which indicates that the Fund was to install WiFi internet services through three Project Management Committees namely St. Cecilia Girls High School– Misikhu, St. Mathews ACK Secondary School, Ndivisi and Constituency Development Fund offices.
26. Physical verification on the projects conducted in April 2019 confirmed that installation had been done at the Constituency Development Fund Offices and evidence in form of certificates was produced in support of installation at St. Mathews ACK Secondary School. However, installation of the equipment had not been done at St. Cecilia Girls High School – Misikhu .in addition, according to the schedule of the project implementation committee bank balances, St. Cecilia Girls High School –Misikhu did not have bank balances relating to the project as at 30 June 2018.
27. Further, it was noted that the two projects at which the equipment had been installed were not operational as internet services were not available as at the time of audit in April 2019. Interviews carried out with the intended users of the service revealed that the services have never been available consistently due to unreliable internet connection. Consequently, value for money for Kshs. 4,677,028 incurred on the project may not have been realised.

Management Response.

28. The project was done in three sites i.e., St. Mathews ACK secondary school, Ndivisi girls secondary and the constituency development Fund offices as at the time of Audit. Telkom Kenya in conjunction with the Ministry of information upgraded the internet in respective sites and the net is now available and stable. The money for St. Cecilia was sent to the School PMC on 24th May 2019 as per the statement attached. Photo of the project attached for verification.

Committee Observation

29. The Committee observed that the management did not provide sufficient evidence to support the expenditure and directed that additional documents be provided to the Auditors for verification within two weeks including communication from the school or PMC on whether the internet is functional.

FINANCIAL YEAR 2018/2019

Overall Opinion: UnQualified

1. Budgetary Control and Performance

1.1 Budgetary Performance

30. The statement of comparative budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.120,686,468 and KSHS 65,645,593 respectively resulting to an under -funding of Kshs.55,040,875 or 46% of the budget. Similarly, the fund spent Kshs. 60,977,044 against an approved budget of Kshs.120,686,468 resulting to an under-expenditure of Kshs.59,709,424 or 49% of the budget. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery to the residents of Webuye East Constituency.

Management Response

31. The balance of Kshs. 55,040,875 were received in two phases; Kshs.54,790,875 on 25th July 2019 and Kshs.250,000 on 20th March 2020 and subsequently disbursed to the respective institutions as per AIEs B....and B104138 respectively. Projects now complete and in use.

Committee Observation

32. The Committee observed that:

- i. The issue arose due to delay in disbursement of funds from the exchequer
- ii. Copies of the AIEs were availed for audit verification.
- iii. The matter was satisfactorily addressed and resolved.

2 Project Implementation Status

2.1 Projects for the Year Under Review.

33. The Fund was to implement a total of 29 projects/programme under security, education and Sports sectors during the financial year under review. Further analysis indicated that 10 projects representing 34% were on going and 19 projects representing 66% were completed.

Management Response.

34. The funds were received after the financial year in July 2019 and subsequently dispatched to the respective projects as per the PIS, Completion certificates and photos provided for audit review.

Committee Observation

35. The Committee observed that:

- i. The issue arose due to delay in disbursement of funds from the exchequer
- ii. Copies of the project implementation status, completion certificates and photos were provided to the auditors for verification.
- iii. The matter was satisfactorily addressed and resolved.

2.2. Incomplete Projects for Prior Years

36. The Project Implementation status report submitted for audit review shows that eleven 11 Projects with total estimated cost of Kshs.82,314,744, which were to be implemented during the 2014/2015, 2016/2017 and 2017/2018 financial years were still ongoing as at 30 June ,2019. Consequently, the Fund may not have achieved its projects completion targets and could therefore not provide its constituents with all the services planned and budgeted for , for the three years .Further ,management may not be prioritizing on-going projects when allocating funds as required by Section 46 2 of the National Government Constituencies Development Fund Act ,2015

Management Response

37. The projects were completed after the receipt of funds in the subsequent financial years, the completion certificates and photos have been availed for review

Committee Observations

38. The Committee observed that the management had not provided sufficient evidence to support the expenditure and directed that the completion certificates and photos of the said projects be availed to the auditors for verification within two weeks.

Basis for Conclusion

39. Failure to Insure fixed and Movable Assets Annex 4, summary of fixed assets register to the financial statements for the year under review reflects total fixed assets of Kshs.42,080, 596, which were not insured. This is contrary to Section 36 3 of the National Government Constituencies Development Fund Act,2015 which stipulates that all fixed and movable assets, including equipment bought under this Act for use by the Constituency committee shall be property of the Board and shall be insured in the name of the Board.

Management Response

40. This was an oversight of not ensuring the movable assets however this was corrected and currently, our Motor vehicle has a comprehensive insurance cover from Britam (K) Limited..

Committee Observation.

41. The Committee observed that:

- i. The management provided the motor vehicle insurance cover to the auditors for verification.
- ii. Currently, constituencies are only insuring motor vehicles only and not fixed assets as the 6% allocated to constituencies for administrative expenses is not sufficient to insure buildings and other fixed assets.

1. Unutilized Project Management Committee PMCs Bank Accounts

42. Included in the PMC balances at annex 4 to the financial statement are bank account balances totaling Kshs.2,088,623 whose respective projects were, according to project implementation status report, complete and operational as at 30 June ,2019. However, these unutilized balances had not been transferred back to the Constituency Bank Account as at 30 June ,2019 as required by section 12 8 of the National Government Constituencies Development Fund

Act,2015. Management indicated that the process of transferring these balances to the Constituency Account had been initiated

Management Response.

43. The PMCs balances for complete projects are now being transferred to the main NG-CDFC bank account and the funds reallocated to fund other projects. The unutilized funds were transferred to the main account as per attached Request for closure letter and bank statement of 28th June 2022.

Committee Observation

44. The Committee observed that:

- i. The management provided documents showing that the unutilized funds were returned to the main account.
- ii. The matter was satisfactorily addressed and resolved.

Committee Recommendation

45. The Committee recommends that the NGCDF Board should provide guidelines on retention of funds in PMCs accounts.

FINANCIAL YEAR 2019/2020

Overall Opinion: Qualified

1. Unsupported Expenditure

46. The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects use of goods and services balance of Kshs. 6,582,700. However, supporting documents for expenditure of Kshs.3,273,223 were not provided. Consequently, the accuracy and completeness validity of the expenditure of Kshs.3,273,223 for the year under review could not be confirmed.

Management Response

47. At the time of audit, the supporting documents for the expenditure of Kshs.3,273,223 could not be availed to the auditor due to misplaced files. However, the files were later located and the supporting documents availed for verification.

Committee Observations

48. The Committee observed that the management had not provided schedules supporting the expenditure to the auditors for verification and directed that the same be availed to the auditors for verification within two weeks.

2. Inaccuracy of Comparative Figures

49. The comparative figures of the Project Management Committee (PMC) account as disclosed in Note 8.3 and Annex 4 reflects balance brought forward of Kshs.17,232,708 which differs with the corresponding balance of Kshs. 14,821,539 in the audited financial statements for the year 2018/2019 by Kshs. 2,411,169. Consequently, the accuracy and completeness of Kshs. 17,232,708 could not be confirmed.

Management Response.

50. The comparative figures of Kshs. 17,232,708 were updated from the Kshs. 14,821,539 as some PMCs had not submitted their balances during that financial year. The PMC balances that were not declared initially were eventually updated. The updated FS extracts are attached for verification.

Committee Observation

51. The Committee observed that the management availed extracts of the updated financial statements to the auditors for verification and the matter was satisfactorily addressed and resolved.

Other Matter

1.0 Budgetary Control and Performance

52. The statement of comparative budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs. 197,077,148 and KSHS 127,709,425 respectively resulting to an under -funding of Kshs. 69,637,724 or 35% of the budget. Similarly, the fund expended Kshs. 121,940,675 against an approved budget of Kshs. 197,077,148 resulting to an under-expenditure of Kshs. 75,136,473 or 38% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

53. The underfunding was due to the lack of disbursements from the exchequer. However, the funds were later received in the subsequent financial year and the projects undertaken to completion. The AIE's A823745(Ksh.26,577,724), B104516 (Ksh.15,000,000) and B104691(Kshs.19,000,000) had been availed for review.

Committee Observation

54. The Committee observed that:

- i. The issue arose due to delay in disbursement of funds from the exchequer
- ii. Funds were received in the subsequent financial year and the projects undertaken to completion.
- iii. Copies of AIES were availed to the auditors for verification.
- iv. The matter was satisfactorily addressed and resolved

Committee Recommendation

55. The Committee recommends that the management avails photos of the completed projects for verification.

2. Project Implementation Status

56. The Fund's Project Implementation Status (PIS) Report as at 30 June,2020 shows that the Fund was to implement a total of thirty-two (32) projects with estimated cost of Kshs. 298,858,756 under security, education, sports and environment sectors during the financial year under review. The audit noted that eight (8) projects had been completed, nineteen (19) projects were still ongoing and nine (9) projects had not started as at 30 June, 2020.

Management Response.

57. The delay in implementation of projects was due to the delay in funding from the exchequer. However, the projects were implemented to completion and the photos and completion certificates availed for review.

Committee Observation

58. The Committee observed that the management had not provided completion certificates and photos of the complete projects and directed that the management provided the documents to the auditors for verification within two weeks.

Basis for Conclusion

1. Uninsured Assets

59. The summary of fixed assets registers as disclosed in Annex 3 to the financial statements for the year under review reflects total fixed assets of Kshs. 40,822,686 which were not insured. This is contrary to Section 36(3) of the National Government Constituencies Development Fund Act, 2015 which stipulates that all fixed and movable assets, including equipment bought under this Act for use by the Constituency Committee shall be the property of the Board and shall be insured in the name of the Board. The Fund Management is therefore in breach of the Act.

Management Response

60. This was an oversight of not insuring the movable assets however this was corrected and currently, the Motor vehicle has a comprehensive insurance cover from Britam (K) Limited

Committee Observation.

61. The Committee observed that:
- i. The management provided the motor vehicle insurance cover to the auditors for verification.
 - ii. Currently, constituencies are only insuring motor vehicles only and not fixed assets as the 6% allocated to constituencies for administrative expenses is not sufficient to insure buildings and other fixed assets.

2. Incomplete Buildings

62. The summary of fixed assets register also reflects buildings and structures figure of Kshs. 30,943,058 as at 30 June 2020. However, audit inspection carried out on buildings at the head office revealed the following unsatisfactory matters:
- i. As previously reported, the main office block remained incomplete especially the lower section of the suspended block, despite it being in use.
 - ii. An ablution block of undetermined value, which was put during the 2016/2017 financial year remained in disuse and its plumbing works were vandalized.
 - iii. The assets register did not reflect this building as separate from the main office block and also had no tag number different from the other buildings.

Management Response.

63. During the time of audit, the section of the office block was still under construction and the other section being used in the office. The section was completed and is currently in use. The completion certificate and photos had been availed for review. The ablution block had been vandalized by unknown people. However, it was repaired and is currently in use. The asset register included the ablution block as part of the office block since they were approved alongside each other and undertaken as one project.

Committee Observation

64. The Committee observed that the management availed completion certificate and photos to the auditors for verification and the matter was satisfactorily addressed and resolved.

FINANCIAL YEAR 2020/2021

Overall Opinion: Qualified

1.Unsupported Other Receipts

65. The statement of receipts and payments and Note 3 to the financial statements reflects Kshs. 14,900 in respect of other receipts. However, the receipts were not supported by any documents. Consequently, the accuracy and completeness of other receipts of Kshs.14,900 could not be confirmed.

Management Response

66. The Kshs. 14,900 was a banking reversed by KCB Bank on 2nd February, 2021. The money having been a receipt in the particular year under review, had to be declared. Attached is a copy of the bank statement extract on the same marked.

Committee Observation

67. The Committee observed that the management provided copies of the bank statements to the auditors for verification and the matter was satisfactorily addressed and resolved.

2.Unsupported Project Management (PMC) Account Balances

68. Note 17.4 to the financial statements reflects Project Management Committee balances totaling Kshs. 23,273,754 which, as shown under Annex 5, comprises balances held by PMCs in sixty-one (61) bank accounts in Kenya Commercial Bank. However, bank reconciliation statements and certificates of bank balances in support of the bank balances were not provided for audit.

Management Response.

69. The PMC bank balances were based on the account's balances given by the bank as at the time of preparing financial statements. It's regrettable that reconciliation statements were not prepared at the time. However, the bank statements showing the balances at the end of the year have been availed for review.

Committee Observations

70. The Committee observed that:

- i. The management failed to maintain proper and accurate books of record and did not avail the relevant documents during the audit.
- ii. The bank statements were subsequently provided to the auditors for audit verification.
- iii. The matter was satisfactorily addressed and resolved.

3. Inaccuracies in the Statement of Receipts and Payments

71. The statement of receipts and payments reflects expenditure on other grants and transfers of Kshs 43,369,646 as disclosed in Note 7 to the financial statements. However, the statement of appropriation reflects an amount of Ksh.44,930,646 resulting in a variance of Kshs. 1,561,000. Further, the statement reflects expenditure on use of goods and services of Kshs.5,770,304 as disclosed in Note 5 to the financial statements. However, supporting schedules reflects an expenditure of Kshs. 5,731,030 resulting in an unreconciled variance of Kshs. 39,274. In addition, the expenditure on use of goods and services includes Kshs.1,448,000 paid as CDF committee allowances. However, payment vouchers and related supporting documents reflect an expenditure of Kshs.2,279,000 resulting in an unexplained variance of Kshs. 831,000.

Management Response.

72. The arithmetic errors in the statement of receipts and payments were regrettably noted and were corrected in the subsequent financial year. The various variances were noted, reconciled and updated in the subsequent financial year. The Kshs. 831,000 was an expenditure on NG-CDFC induction and bursary issuance as per the attached Voucher.

Committee Observation

73. The Committee observed that:

- i. The arithmetic errors were corrected in the subsequent financial years;
- ii. The management did not provide sufficient documents to support the expenditure of Kshs. 831,000;

And directed that the management provides the payment vouchers to the Auditor General for verification within two weeks.

4. Unsupported Adjustment

74. The statement of assets and liabilities reflects prior year adjustment balance of Kshs.537,751. However, the balance was not supported by documentation, analysis or detailed Note to the financial statements. In the circumstances, the accuracy and completeness of the prior year adjustment balance of Kshs. 537,751 could not be confirmed

Management Response

75. The prior year adjustment of Kshs. 537,751 was as a result of stale cheques which were for the past years and had to be reversed and received back into the cash book and awarded to other beneficiaries as per attached PV and beneficiary list.

Committee Observation

76. The Committee observed that the management provided the payment vouchers to the auditors for verification and the matter was satisfactorily addressed and resolved.

Other Matter

Budgetary Control and Performance

77. The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs. 212,240,253 and Kshs. 158,361,374 respectively resulting to an under-funding of Kshs. 53,878,879 or 23% of the budget. Similarly, the statement of appropriation reflects final expenditure budget and actual on comparable basis of Kshs. 212,240,253 and Kshs. 99,681,573 respectively resulting to an under expenditure of Kshs. 112,558,681 or 53% of the budget. Based on the approved estimates, under funding and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

78. The under-funding and under-expenditure were as a result of late disbursement of funds by the exchequer. AIE's A895082, A888515 and B105326 totaling to Kshs.53,878,879 together with cash book extract were availed for review.

Committee Observation

79. The Committee observed that:

- i. The issue arose due to delay in disbursement of funds from the exchequer;
- ii. Funds were received in the subsequent financial year and copies of AIES and cash book extract availed to the auditors for verification.
- iii. The matter was satisfactorily addressed and resolved

FINANCIAL YEAR 2021/2022

Overall Opinion: Qualified

1.Accuracy of Unutilized Funds Balance

80. The financial statements reflect a comparative balance of Kshs. 112,558,681 in respect of unutilized funds, as detailed in Annex 3. However, the balance is at variance with the corresponding closing balance of Kshs. 112,588,681 reflected in the audited financial statements for the year ended 30 June 2021. The variance of Kshs. 30,000 has not been explained or reconciled. Further, annex 3 reflects only sub-total for unutilized funds but does not show the individual balances supporting the sub totals.

Management Response.

81. The variance was due to arithmetic error in the computation of the balances for the year ended 30th June 2021. The actual amount is Kshs.112, 558,681. The Financial Statements were corrected in respect of all noted errors. An extract of the corrected Financial Statement was availed for audit review.

Committee Observation

82. The Committee observed that the management provided an extract of the corrected Financial Statements to the auditors for verification and the matter was satisfactorily addressed and resolved.

2.Unsupported Expenditure on bursaries

83. The statement of receipts and payments reflects an amount of Kshs.83,938,965 in respect to other grants and transfers which, as disclosed in Note 7 to the financial statements, includes Kshs.42,702,843 and Kshs. 24,588,490 being bursary disbursements to secondary schools and tertiary institutions respectively, totaling Kshs.67,291,333. However, the disbursements were not supported by minutes of vetting committee, list of beneficiaries and acknowledgement documents from the recipient institutions. In the circumstances, the propriety of Kshs.67,291,333 on bursaries could not be confirmed.

Management Response

84. The bursary disbursements amounting to Kshs.67, 291,333 are fully supported by all the documentations: Minutes, beneficiary lists and acknowledgements. Sample documents including Minutes, Beneficiary list and Acknowledgements are availed for verification. In addition, the payment vouchers have also been attached to confirm propriety of the funds.

Committee Observation

85. The Committee observed that the management provided Sample documents including Minutes, Beneficiary list and Acknowledgements to the auditors for verification and the matter was satisfactorily addressed and resolved.

3.Accuracy of Comparative Balance on Project Management committee balance

86. The Financial statement reflects PMC comparative balance of Kshs. 33,574,738 which however is at variance from the corresponding closing balance of Kshs. 23,273,754 reflected in the audited financial statements for the year ended 30 June 2021. The variance of Kshs. 10,300,984 was not explained or reconciled. In the circumstances, the accuracy and completeness of the PMC comparative balance of Kshs. 33,574,738 could not be confirmed.

Management Response

87. The management noted that the presentation of the PMC balances for the year ended 30th June 2021 was not accurate resulting to the inaccuracy of the balances for the current year of audit. However, the discrepancies have been looked into and corrected/reconciled. An extract of the corrected Financial Statement showing the accurate PMC balances was availed for audit review.

Committee Observation

88. The Committee observed that the management provided an extract of the corrected Financial Statement to the auditors for verification and the matter was satisfactorily addressed and resolved.

4.Other Matter: Budgetary Control and Performance

89. The summary statement of appropriation reflects total actual expenditure of Kshs.230, 170, 871 against approved budget of Kshs.251,397,447 resulting to under expenditure of Kshs.21,226,576 or 8 % of the budget. The under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

90. The underutilization was due to late disbursement of funds by the Exchequer as evidenced by the AIE numbers A888515 and A 895082 of Kshs.12,088,879.30 and Kshs.8,790,000 respectively received on 15th June 2022. However, the balances which were carried forward to the subsequent financial year were fully utilized in the year into various sectors i.e, Admin and recurrent expenditure, Bursaries, Emergency, Projects and part of it Re- allocated for other uses. Copies of the AIEs were availed for audit review.

Committee Observation

91. The Committee observed that:
- i. The issue arose due to delay in disbursement of funds from the exchequer;
 - ii. Funds were received and utilized in the subsequent financial year and copies of AIES availed to the auditors for verification;
 - iii. The matter was satisfactorily addressed and resolved

5.Other Matter: Failure to Insure Fixed and Moveable Assets.

92. The financial statements reflect, under Annex 4 on summary of fixed assets register, fixed assets valued at Kshs.43,392,196 as at 30 June, 2022 classified under various categories. However, only assets with values totaling Kshs. 8,107,630 under transport equipment category have been insured while the balance of assets with values Totaling Kshs. 35,284,566 have not been insured contrary to Section 36(3) of the National Government Constituencies Development Fund Act, 2015 which stipulates that all fixed and movable assets, including equipment bought under this Act for use by the Constituency Committee shall be the property of the Board and shall be insured in the name of the Board.In the circumstances, the Fund Management was in breach of the law

Management Response

93. The balance of assets totaling Kshs.35,284,566 is made up of the NG-CDF building and other assets including furniture and ICT equipment. The management has complied to the law by insuring the moveable assets estimated at Kshs.8,107,630 i.e, the NG-CDFC vehicle and Motor cycle. Evidence of insuring the moveable assets was availed for verification. The management has noted the recommendation of insuring the fixed assets and will forward the matter to the NG-CDF Board to seek further guidance and/or approval.

Committee Observation.

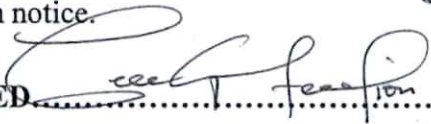
94. The Committee observed that:
- i. The management provided the motor vehicle and motor cycle insurance cover to the auditors for verification.
 - ii. Currently, constituencies are only insuring moveable assets and not fixed assets as the 6% allocated to constituencies for administrative expenses is not sufficient to insure buildings and other fixed assets.

MIN.NO.NA/DAA&GPC/DFAC/2024/045

ADJOURNMENT

There being no other business, the meeting was adjourned at 1:20pm. The next meeting will be held on notice.

SIGNED



DATE

11 / 4 / 2024

HON. DR. (ARCH) GIDEON MUTEMI MULYUNGI, CBS, EBS, M.P
(CHAIRPERSON)