



REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

13TH PARLIAMENT – FOURTH SESSION

.....

EIGHTH REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE
(DFAC)

ON ITS EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF THE NATIONAL GOVERNMENT AFFIRMATIVE
ACTION FUND (NGAAF) FOR THE FINANCIAL YEARS 2016/2017, 2017/2018,
2018/2019, 2019/2020, 2020/2021 AND 2021/2022

*Approved
SAA
2/12/25*

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

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CLERK-AT THE-TABLE:	02/12/2025 - IBM

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
CoK	Constitution of Kenya, 2010
CS	Cabinet Secretary
DFAC	Decentralized Funds Account Committee
FY	Financial Year
GOK	Government of Kenya
IPSAS	International Public Sector Accounting Standards
KSG	Kenya School of Government
Kshs	Kenya Shillings
LPO	Local Purchase Order
LSO	Local Service Order
M&E	Monitoring and Evaluation
MP	Member of Parliament
NGAAF	National Government Affirmative Action Fund
OAG	Office of the Auditor General
PFM	Public Finance Management
PLWD	People Living with Disabilities
PP&E	Property, Plant and Equipment
PPRA	Public Procurement Regulatory Authority
PSASB	Public Sector Accounting Standards Board
SCMO	Supply Chain Management Officers
WEE	Women Economic Empowerment

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 is established pursuant to the National Assembly Standing Orders 205B and is mandated to examine reports of the Auditor-General for the National Government Constituencies Development Fund, among other funds.

Oversight over national revenue and expenditure is amongst the roles of the National Assembly as stipulated under Article 95 (4) (c) of the Constitution of Kenya, 2010. Further, Article 226 of the Constitution provides that an Act of Parliament shall provide for the designation of an Accounting Officer in every public entity at the national level who is accountable to the National Assembly for its financial management. In addition, Article 229(8) mandates this House to debate and take appropriate action on audit reports from the Auditor-General.

In fulfilment of these constitutional provisions, the Committee examines reports of the Auditor-General for the National Government Constituencies Development Fund, National Government Constituencies Development Fund Board, the National Government Affirmative Action Fund and the National Government Affirmative Action Fund Board.

In examining the reports of the Auditor General on the Accounts of the National Government Affirmative Action Fund, the Committee held three sittings where it invited and received oral and written submissions from the Principal Secretary of the National Government Affirmative Action Fund for financial years 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 to 2021/2022, being the Accounting Officer of the NGAAF as provided under Section 67 (1) of PFM Act, 2012.

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

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

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

Hon. Speaker, on behalf of the Decentralized Funds Accounts Committee pursuant to Standing Orders 199, it is my pleasant duty and honor to present to the House the report of the Committee on audited financial statements for the National Government Affirmative Action Fund (NGAAF) for the financial years 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 and 2021/2022.



HON. DR. (Arch) GIDEON MULYUNGI, CBS, M.P.
CHAIRPERSON, DECENTRALISED FUNDS ACCOUNTS COMMITTEE

EXECUTIVE SUMMARY

The eighth report of the Decentralized Funds Account Committee contains the Committee's examination of audited financial statements of the National Government Affirmative Action Fund for the financial years 2016/2017 to 2021/2022.

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

This was done guided by the relevant public financial management principles in the Constitution of Kenya, 2010, the Public Audit Act, 2015, the Public Finance Management Act, 2012 and the attendant Regulations, the Public Procurement and Asset Disposal Act, 2015 and the attendant Regulations and the International Public Sector Accounting Standards (IPSAS). The Committee has elaborated on these various provisions and the remedies that are prescribed for their breaches elsewhere in this report.

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

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

Chapter three of the report contains the examination of reports of each specific financial years, the specific audit reservations raised by the Auditor-General; management Response to each audit query by the Accounting Officer; Committee Observations/ findings after consideration of the respective audit reservation; and finally, Committee Recommendations on each audit query.

CHAPTER ONE

1.0 PREFACE

1.1 Establishment and mandate of the Committee

1. The Decentralized Funds Accounts Committee is a Select Committee established pursuant to the National Assembly Standing Orders 205B and is responsible for the examination of the reports of Auditor-General on the accounts of:
 - a) The National Government Constituencies Development Fund
 - b) The National Government Constituencies Development Fund Board
 - c) The National Government Affirmative Action Fund
 - d) The National Government Affirmative Action Fund Board.
2. The National Assembly's roles include oversight over the national revenue and expenditure as per Article 95(4) (c) of the Constitution of Kenya. Article 229(8) mandates the National Assembly to debate and take appropriate action on audit reports within three months of receipt of the reports from the Auditor-General. The Committee in considering the Audited Accounts is guided by various legal provisions as contained in various Acts of Parliament which include:
 - i) The Constitution of Kenya, 2010
 - ii) The Standing Orders
 - iii) Public Audit Act, 2015
 - iv) Public Finance Management Act, No. 18 of Cap.412A and PFM (National Government) regulations of 2015
 - v) Public Procurement & Asset Disposal Act, Cap.412C and its regulations of 2020
 - vi) Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016.
 - vii) National Government Constituency Development Fund Act, Cap.414A and its regulations of 2016
3. Further, section 68(1) of the Public Finance Management Act, Cap.412A requires accounting officers for national government entities, including public funds, Parliamentary Service Commission, and the Judiciary, to be accountable to the National Assembly through the relevant Committee.
4. The Decentralized Funds Accounts Committee is among the Committees of Parliament established under Article 124 of the Constitution of Kenya, 2010, to assist the National Assembly in undertaking its constitutional mandate geared towards enhanced accountability in handling public funds.

1.2 Guiding Principles: Constitutional and Legal Provisions on Public Finance

5. The principles of public finance under Article 201 of the Constitution of Kenya, 2010 guided the Committee in the execution of its mandate. The principles require openness, accountability, public participation in financial matters, prudence, and responsible use of public funds, Further, Article 226 (5) provides that “If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not”.
6. The various legal provisions, include;
 - i) the Public Finance Management (PFM) Act, Cap.412A;
 - ii) the Public Audit Act, Cap.412B;
 - iii) the Public Procurement and Asset Disposal Act, Cap.412C
7. As well as established customs, traditions, practices, and usages also guided the Committee. Section 68 (1) of the PFM Act, 2012 provides, inter alia, that- “An accounting officer for a national government entity including Public Funds, Parliamentary Service Commission and the Judiciary is accountable to the National Assembly. The Accounting Officer is required to ensure that the resources of the respective entity for which he or she is responsible are used in a way that is lawful and authorized, and effective, efficient, economical, and transparent”.
8. The Committee relied on these Constitutional and Legal Provisions as the basis for inviting the accounting officers of the Funds to respond to issues raised by the Auditor-General. During consideration of the audit reports, the Committee also relied on additional information submitted to it on the administration and performance of the Funds to come up with general recommendations geared towards effective management and operations of the Funds as well as improved accountability and financial reporting.

1.3 Committee Membership

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

Chairperson

Hon. Dr. Gideon Mutemi Mulyungi, M.P.
Member for Mwingi Central Constituency

Wiper Patriotic Front

Vice-Chairperson

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

Orange Democratic Movement

Hon. Kilel Richard Cheruiyot M.P.
Member for Bomet Central Constituency

United Democratic Alliance

Hon. Kahangara Joseph Mburu M.P.
Member for Lari Constituency

United Democratic Alliance

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

Independent Member

Hon. Barre Hussein Abdi M.P.
Member for Tarbaj Constituency

United Democratic Alliance

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

Ford Kenya

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

KANU

Hon. Kipngor Reuben Kiborek M.P.
Member for Mogotio Constituency

United Democratic Alliance

Hon. Mboni David Mwalika M.P.
Member for Kitui Rural Constituency

Wiper Patriotic Front

Hon. Momanyi Innocent Obiri M.P.
Member for Bobasi Constituency

Wiper Patriotic Front

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

Jubilee Party

Hon. Dorothy Muthoni Ikiara M.P.
Nominated Member

United Democratic Alliance

Hon. James Onyango K'Oyoo M.P.
Member for Muhoroni Constituency

Orange Democratic Movement

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

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1.4 Committee Secretariat

10. The Secretariat facilitating the Committee comprises of the following staff:

Mr. Ahmad Guliye
Clerk Assistant I/Lead Clerk

Mr. John Mutinda
Clerk Assistant III

Ms. Sharon Cherotich Koskei
Clerk Assistant III

Mr. Mabuti Mutua
Legal Counsel II

Ms. Elizabeth Kibati
Research Officer III

Mr. Wilson Mwangi
Fiscal Analyst III

Ms. Winifred Kiziah
Media Relations Officer I

Mr. Wilson Angatangoria
Serjeant-at-Arms II

Mr. Eric Ogolo
Protocol Officer I

Mr. Muchiri Mwangi
Audio Officer III

1.5 Committee proceedings

Examination of reports of the Auditor-General for the National Government Constituencies Development Fund (NGCDF) for the 290 Constituencies, the NGCDF Board and the National Government Affirmative Action Fund is amongst the mandate of the Decentralized Funds Accounts Committee as outlined in the National Assembly's Standing Order number 205B.

The Committee held eleven sittings where its considered and examined the audited accounts of the National Government Affirmative Action Fund.

CHAPTER TWO

GENERAL OBSERVATIONS AND RECOMMENDATIONS

11. The Committee observed that the National Government Affirmative Action Fund had the following audit opinions: Disclaimer of Opinion in FY 2016/2017, Adverse Opinion in FY 2017/2018, Disclaimer of Opinion in FY 2018/2019, Qualified Opinion in FY 2019/2020, Qualified Opinion in FY 2020/2021 and Qualified Opinion in FY 2021/2022.
12. Having examined the reports of the Auditor General for the National Government Affirmative Action Fund for the aforementioned financial years, the Committee made the following general observations and recommendations; —

1. Poor Accounting Standards

Committee Observation

13. The Committee observed that non-compliance with the various provisions of the law pointed to lack of responsibility of the Accounting Officer, leading to various breaches such as inaccuracies in financial statements, failure to reconcile accounts at the NGAAF Board and all the forty-seven (47) NGAAF County Committee accounts and consistent failure to address prior year matters.

Committee Recommendations

14. The Committee recommends that: -
 - i) **The Accounting Officer should at all times comply with the provisions of Sections 81 (3) of the PFM Act, Cap.412A .**
 - ii) **The Accounting Officer should at all times comply with the provisions of regulation 26 (1) of the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016.**
 - iii) **The Accounting Officer should at all times comply with the provisions of Regulation 97 (3) of the PFM (National Government) Regulations, 2015.**
 - iv) **The Accounting Officer should in consultation with the Public Sector Accounting Standards Board (PSASB) should ensure regular capacity building on financial reporting standards to its staff.**

2. Failure to maintain and inaccuracies in monthly bank reconciliation statements

Committee Observation

15. The Committee observed that the Accounting Officer did not maintain proper and accurate monthly reconciliation statements both from the NGAAF Board account and the forty-seven (47) NGAAF County Committee accounts leading to errors in the financial statements.

Committee Recommendations

16. The Committee recommends that: -

- i) **The Accounting Officer should at all times comply with the provisions of Regulation 90 (1) of the PFM (National Government) Regulations, 2015.**
- ii) **The Accounting Officer should at all times comply with the provisions of Regulation 90 (2) of the PFM (National Government) Regulations, 2015.**
- iii) **The Accounting Officer should at all times comply with the provisions of Regulation 90 (3) of the PFM (National Government) Regulations, 2015.**

3. Non-disbursement of entire allocations to the NGAAF County Committees

Committee Observation

17. The Committee observed that the NGAAF Board was not disbursing all the funds allocated to counties which include monitoring and evaluation costs and funds were being spent by the NGAAF Board instead of the NGAAF County Committee. Failure of the NGAAF Board to disburse funds to NGAAF County Committees disrupted the functions of the County Committee highlighted in regulations 16 (2) of the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 and would lead to under-absorption of funds.

Committee Recommendations

18. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Section 27 (1) and (2) of Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016.**
19. The Committee recommends that the Accounting Officer should at all times comply with the provisions of regulation 21 of the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016.

4. Irregular Reallocation of Funds

Committee Observation

20. The Committee observed that the NGAAF Board management and County Coordinators at the NGAAF County Committees made irregular reallocation of funds from approved projects to new projects. Further, the Committee observed that, recurrent expenditure such as funds meant for M&E was spent on activities not related to M&E including purchase of motor vehicle, Board Members' insurance and payment of NHIF (medical scheme) for the staff. The reallocations were made without proper approvals or justifications. This was a breach of law and indicated lack of responsibility of the NGAAF Board and the Accounting Officer.

Committee Recommendation

21. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Regulation 48 (1) of the PFM (National Government) Regulations, 2015.**

5. Management of imprest

Committee Observation

22. The Committee observed that staff at the NGAAF Board were issued multiple imprests contrary to the PFM act and its regulations. In addition, temporary imprest was applied in procuring goods and services contrary to the Public Procurement and Asset Disposal Act, 2015. Further, some issued imprest remained outstanding even after the closure of a financial year.

Committee Recommendations

23. The Committee recommends that: -
- i) **The Accounting Officer should at all times comply with the provisions of Regulation 93 (5) of the PFM (National Government) Regulations, 2015.**
 - ii) **The Accounting Officer should at all times comply with the provisions of Regulation 93 (6) of the PFM (National Government) Regulations, 2015.**
 - iii) **The Accounting Officer should at all times comply with the provisions of Regulation 93 (8) of the PFM (National Government) Regulations, 2015.**
 - iv) **The Accounting Officer should at all times comply with the provisions of Regulation 93 (2) of the PFM (National Government) Regulations, 2015.**

6. Procurement of Goods, Works and Services

6.1. Wrong procurement methods despite meeting stipulated thresholds

Committee Observation

24. The Committee observed that NGAAF County Committees used wrong procurement methods despite goods, works and services meeting the stipulated thresholds as prescribed by procurement law and regulations.

Committee Recommendations

25. **The Committee recommends that the Accounting Officer should comply with the provisions of Sections 91 to 114 of the Public Procurement and Asset Disposal Act, Cap.412C which provides for the Methods of Procurement of Goods, Works and Services.**

6.2. Splitting procurement of goods and services

Committee Observation

26. The Committee observed that NGAAF County Committees were splitting procurement into two or more procurements for the purpose of avoiding the use of a procurement procedure contrary to Section 54 of the Public Procurement and Asset Disposal Act, 2015.

Committee Recommendation

27. **The Committee recommends that the Accounting Officer and the County Coordinators should comply with the provisions of Section 54 (1) of the Public Procurement and Asset Disposal Act, Cap.412C.**

6.3. Maintaining copies of procurement and asset disposal documents

Committee Observation

28. The Committee observed that NGAAF Board and NGAAF County Committees did not maintain proper procurement records such as advertisements; tender documents; opening and evaluation minutes; award and regret letters; professional opinions; and signed contracts.

Committee Recommendation

29. **The Committee recommends that the Accounting Officer and the County Coordinators should at all times comply with the provisions of Section 68 (1) of the Public Procurement and Asset Disposal Act, Cap.412C.**

6.4. Tender Opening and Evaluation by the Same Committee Members

Committee Observation

30. The Committee observed that NGAAF County Committees used the same committees during the opening and evaluation of tender documents contrary to procurement laws and regulations.

Committee Recommendations

31. The Committee recommends that: -
- i) **The Accounting Officer and the County Coordinators should comply with the provisions of Section 78 (1) of the Public Procurement and Asset Disposal Act, Cap.412C.**
 - ii) **The Accounting Officer and the County Coordinators should at all times comply with the provisions of Section 46 (1) of the Public Procurement and Asset Disposal Act, Cap.412C.**

6.5. Fair and equitable distribution of tenders

Committee Observation

32. The Committee observed that award of tenders was not fair and equitable as prescribed by procurement laws and regulations.

Committee Recommendations

33. The Committee recommends that: -
- i) **The Accounting Officer and the County Coordinators should at all times comply with the provisions of Regulation 91 (5) of the Public Procurement and Asset Disposal Regulations, 2020.**

- ii) **The Fund Account Manager should ensure that procurement of goods, works and services should be competitive in accordance to the Public Procurement and Asset Disposal Act of Cap.412C and the Regulations, 2020.**
- iii) **The Accounting Officer should, in consultation with the Public Procurement Regulatory Authority (PPRA), conducts continuous capacity building to all County Coordinators on procurement laws and regulations.**

6.6. Annual procurement plan

Committee Observation

34. The Committee observed that the annual procurement plan was not prepared in the format set out in the Regulations and within the approved budget prior to commencement of the financial year as part of the annual budget preparation process.

Committee Recommendation

35. **The Committee recommends that the Accounting Officer and the County Coordinators should at all times comply with the provisions of Regulation 40 (1) of the Public Procurement and Asset Disposal Regulations, 2020.**

7. Submission of documents during audit

Committee Observation

36. The Committee observed that the Accounting Officer and the NGAAF County Coordinators did not avail some documents that were subject of examination by the Auditor-General for verification at the time of audit. The documents not availed for audit included cash books, bank statements, monthly reconciliations statements, payment vouchers, procurement records, M&E reports and expenditure reports. As such, the Accounting Officer contravened Section 62 (1) (b) and (c) of the Public Audit Act which provides that *it is an offence for a person without justification to fail to provide information required under the Act.*

The Committee further observes that section 62(2) of the Public Audit Act provides that a person who contravenes subsection 1 commits an offence and is liable for conviction to a fine not exceeding five million shillings or to imprisonment for a term not exceeding three years, or to both.

Committee Recommendations

37. The Committee recommends that: -
- i) **The Ethics and Anti-Corruption Commission, should within three months following the adoption of this report investigate the cash books, bank statements, monthly reconciliations statements, payment vouchers, procurement records, M&E reports and expenditure reports that were not submitted to the Office of the Auditor General.**

- ii) **The Accounting Officer should issue administrative circular directing County Coordinators to comply with provisions of the Constitution of Kenya, 2010, the Public Audit Act, No. 34 of Cap.412B, the Public Finance Management Act, No. 18 of Cap.412A and Public Procurement and Asset Disposal Act, Cap.412C.**
- iii) **The Accounting Officer should ensure that staff at the NGAAF board and County Coordinators maintain proper records such as copies of cash books, bank statements, monthly reconciliations statements, payment vouchers, procurement records, M&E reports and expenditure reports to ensure that documents are available at the time of audit.**

8. Preparation and Presentation of Financial Statements

Committee Observation

38. The Committee observed that the NGAAF Board submitted only one financial statement in a financial year which only indicated the disbursements to the forty-seven NGAAF county committees and not their expenditures. This led to challenges of expenditure returns and reports from the NGAAF county committees not being availed for audit purpose on time and when availed expenditure returns not expensing the full disbursement.

Committee Recommendation

39. **The Committee recommends that the Accounting Officer should ensure that at the end of every Financial Year, each NGAAF county committee prepares separate financial statements and submit to the Board in a format prescribed by the Public Sector Accounting Standards Board, for submission to the NGAAF Board and the Office of the Auditor-General.**

9. Internal control weaknesses

Committee Observation

40. The committee observed that the NGAAF Board did not have effective and efficient internal controls which led to loss of public resources through theft, poor asset management and record keeping, failure to address prior year audit issues and irregular payment of allowances and irregular expenditures at the NGAAF county committees.

Committee Recommendations

41. The Committee recommends that: -

- i) **The Accounting Officer should ensure there is digitization and automation of the NGAAF Board's operations, to promote accuracy of data and improvement of the organization's financial management through enhanced management of financial transaction. This is pursuant to section 68 (2) (b) and (c) of the PFM Act, Cap.412A.**
- ii) **The Committee recommends the Accounting Officer should ensure the NGAAF Board has effective and efficient internal controls pursuant to Regulation 23 (1) (c) of the PFM (National Government) Regulations, 2015.**

- iii) **The Committee recommends that the Accounting Officer ensures the NGAAF Board has established sub-committees such as audit committee pursuant to Section 73 (5) of the PFM Act, Cap.412A.**
- iv) **The Committee recommends the Accounting Officer ensures the NGAAF Board and the County Coordinators are in compliance to Regulation 167 (1) to (4) of the Public Procurement and Asset Disposal Regulations, 2020.**

10. Amendment of the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016

Committee Observations

- 42. The committee observed that the Cabinet Secretary for The National Treasury and Economic Planning, made an amendment to the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 through a gazette notice Vol. CXXI – No. 88 dated 12th July, 2019 amending the composition of the NGAAF Board. Further, the amendment was done without the approval of the National Assembly therefore the Cabinet Secretary usurped the role of Parliament and contravened Article 94 (5) and (6) of CoK 2010.
- 43. The Committee also observed that the Statutory Instruments Act provides the various processes that should be followed whenever a state officer or any other person to whom delegated power is bestowed seeks to exercise such power. It provides that before a regulation making authority makes a statutory instrument, the regulation making authority shall make appropriate consultations with persons who are likely to be affected by the proposed instrument. Further, the regulatory making authority must conduct sufficient public participation in accordance with articles 10 and 118 of the constitution. Finally, section 11(1) of the Act provides that ‘every Cabinet Secretary responsible for a regulation-making authority shall within seven (7) sitting days after publication of a Statutory Instrument, ensure that a copy of the statutory instrument is transmitted to the responsible Clerk for tabling before the relevant House of Parliament.
- 44. The Committee observed that by gazette notice Vol. CXXI – No. 88 dated 12th July 2019, the then Cabinet Secretary for National Treasury and Planning published the Public Finance Management (National Government Affirmative Action Fund)(Amendment) Regulations, 2019 (the Amendment Regulations) which reconstituted the Board by including the Principal Secretary for Economic Planning and removed guaranteed representation for both Youth and a Person living with disability and introduced a provision that only allows either a person living with disability or a youth to be appointed to the Board. Additionally, the amendment removed the Chief Executive Officer of the Fund appointed under regulation 17 from being member and secretary to the Board.
- 45. The Committee further observed that whereas the amendment regulations were published by the then Cabinet Secretary for National Treasury and Planning in accordance with the powers delegated to him under section 24(4) of the Public Finance Management Act, publication by the rightful authority alone is not sufficient to give statutory instruments legal force. Both the

Statutory Instruments Act and the Public Finance Management Act sanction for parliamentary approval. Section 24(4) of the Public Finance Management Act thus provides “*the Cabinet Secretary may establish a national government public fund with the approval of the National Assembly.*” Further, Section 11 of the Statutory Instruments Act provides that every Cabinet Secretary responsible for a regulation making authority shall within seven (7) sitting days after publication of a statutory instrument, ensure that a copy of the statutory instrument is transmitted to the responsible Clerk for tabling before the relevant House of Parliament. As per the Statutory Instruments Register of 2019, **there is no record that the amendment regulations were tabled before the National Assembly as required under the Public Finance Management Act Cap. 412A and the Statutory Instruments Act Cap. 2A consequently the amendment regulations have no force of Law.**

Committee Recommendation

- 46. The Committee recommends that the Public Finance Management (National Government Affirmative Action Fund) (Amendment) Regulations, 2019 published via Gazette notice Vol. CXXI – No. 88 dated 12th July 2019 amending the composition of the NGAAF Board be annulled by the National Assembly Committee on Delegated Legislation upon adoption of this report.**

11. Accounting officer to the National Government Affirmative Action Fund

Committee Observation

47. The Committee observed that the financial statements submitted were not signed by the designated Fund administrator contrary to Section 84 of the Public Finance Management Act, 2012. The Committee vide a letter dated 6th June 2023 wrote to the Solicitor General seeking clarity as to who between the Principal Secretary State Department for Gender and Affirmative Action and the Chief Executive Officer of the Fund was the Accounting Officer of the Fund, within the meaning of Regulation 15(1) and 26 (40) of the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016. The Solicitor General vide a letter dated 15th June ,2023 advised that “...the person designated as the administrator of the Fund is also the accounting officer....and it is our considered opinion that the Principal Secretary should be treated as such for purposes of filing the report of accounts for examination.”
48. During a meeting, the Principal Secretary for Gender affairs requested the Committee Members to consider amending the legal framework under which NGAAF is based to an Act of Parliament to improve the administration of the Fund.

Committee Recommendation

- 49. The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 84 (1) of the PFM Act, Cap.412A.**

CHAPTER THREE

3.0 CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL GOVERNMENT AFFIRMATIVE ACTION FUND (NGAAF) ACCOUNT FOR FINANCIAL YEARS 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022.

3.1 AUDITED STATEMENTS FOR FINANCIAL YEAR 2016/2017

50. The Committee noted that during the Financial Year 2016/2017 the NGAAF Board received a **Disclaimer audit opinion** from the Auditor General. The OAG could therefore not express an opinion on the financial statements and could not obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements that would confirm that public money has been applied lawfully and in an effective way.

1. Cash and Cash Equivalents

51. The cash and cash equivalent balance of Kshs.127,358,483 as reflected on the statement of financial position as at 30 June, 2017 represents cash held at the Central Bank as disclosed in Note 14 (b) to the financial statements. Although it is evident that the Fund operated additional bank accounts in the forty-seven counties, no cashbooks, bank statements and bank reconciliations for the bank accounts were provided for audit review. In addition, the cash balances held in these bank accounts have not been included in the statement of financial position as at 30 June, 2017.
52. The Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 under Regulation 24 (4) requires that a bank account be opened for each county committee. Although, it is evident that the county bank accounts were opened and funds transferred from the main account to these accounts, no information was provided on the specific approval by the National Treasury to opening these bank accounts. It was also not possible to verify whether the accounts operating mandates were in line with the regulations or not.
53. The Public Finance Management (National Government Affirmative Action Fund) Regulations 2016, Regulation 24(8) requires that balances held at the end of the financial year be returned to the National Government Affirmative Action Fund account. However, no evidence was provided to show that the above regulation was adhered to by any of the county committees for the year ended 30 June 2017.

Management Response

54. Documents for the additional bank accounts in the forty-seven (47) Counties are maintained at the Sub-County Treasury. However, Management took note of auditors' observations and in the subsequent periods the expenditure returns are shared with the head office. In addition, the balances held at the counties' accounts were not included in the financial position since

the transfers were recognized as expenditures under Note 7. In the subsequent periods, the balances are clearly captured as cash and cash equivalent.

55. The Board opened bank accounts in each County through authority from The National Treasury via their letter ref AG: 13/083 Vol (2) dated 7th and 23rd September 2015. Further, the signatory to these accounts derives their mandates from the PFM Act (NGAAF) Regulations 2016 Sec 24 (6) to which they adhere to without deviations.
56. During the period under review, the Board made a decision to retain the funds not utilized at the county level at the closure of the financial year. However, this has since changed and there has been adherence to the Regulations in the subsequent periods, and a memo issued in subsequent period.

Committee Observations

57. The Committee observed that:
 - (i) The Accounting Officer failed to submit documents pursuant to the Public Audit Act of Cap.412B.
 - (ii) A detailed list of NGAAF County Offices and their respective bank account details were not provided during audit. Additionally, the NGAAF Board operated additional bank accounts in the forty-seven counties, however, no cashbooks, bank statements and bank reconciliations for the bank accounts were provided for audit review. The cash balances held in these bank accounts were not included in the statement of financial position as at 30 June, 2017.
 - (iii) Samples of the returns were subsequently submitted and verified by the Office of the Auditor General.
 - (iv) The Authority letter from National Treasury was availed and verified.
58. The Committee observed that at the time of audit, the Accounting Officer failed to submit a copy of Board Resolution, financial statements of NGAAF indicating adherence to the regulation in the subsequent financial years and a list of all bank accounts in the forty-seven counties where they operate. However, the documents were subsequently provided and verified by the Office of the Auditor general and the matter was adequately addressed.

Committee Recommendations

59. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

2. Presentation of Financial Statements

60. Although the financial statements have been prepared on accrual basis of accounting, the statement of financial performance, reflects account items for the expenses which differs from the format prescribed by the Public Sector Accounting Standards Board. No justification has been provided for this deviation from the prescribed reporting format.

61. In addition, an amount of Kshs.163,496,536 spent on acquisition of motor vehicles as disclosed in Note 8 to the financial statements has been expensed and presented in the statement of financial performance instead of being capitalized and presented as non-current assets under property, plant and equipment in the statement of financial position. This is contrary to the requirement of International Public Sector Accounting Standard (IPSAS) 17, Paragraph 13, which requires tangible assets that are held for use in the production or supply of goods or services for administrative purposes or otherwise and are expected to be used for more than one reporting period, to be classified and treated as part of property, plant and equipment.
62. Further, the financial statements for the year ended 30 June 2017 reflect comparative figures for 2015/2016 in the statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows and notes to financial statements. However, the comparative figures have not been supported with any relevant documentation to show the conversion of prior year figures from IPSAS cash basis accounting to IPSAS accrual basis of accounting.

Management Response

63. The Fund prepared the accounts on accrual basis of accounting in the format prescribed by the Public Sector Accounting Standards Board. However, subsequent presentations of the financial statements conform to the National Treasury's template
64. The acquisition of motor vehicles valued at Kshs.163,496,536 bought by the State Department for Planning was expensed instead of being capitalized. The error was corrected and proper adjustments done in the financial year 2018/19. Further, a note on property, plant and equipment was included.
65. The funds financial statements for the year ended 30 June 2017 reflect comparative figures for 2015/2016 which not been supported with any relevant documentation to show the conversion of prior year figures. The presentation of these financial statements was guided by the National Treasury.

Committee Observations

66. The Committee observed that:
 - i) the Accounting Officer admitted the error and noted that subsequent financial statements conform to the National Treasury's PSASB template.
 - ii) that the error was corrected and adjustments done in the financial year 2018/2019.
 - iii) the matter was adequately addressed as the Office of the Auditor General was satisfied with the management response and furnished with supporting evidence.

Committee Recommendations

67. The Committee recommends that the Accounting Officer should at all times ensure compliance with the provisions of Sections 81 (3) of the PFM Act, Cap.412A by ensuring that

financial statements are prepared in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

3. Annual Budget for Year 2016/2017

68. The financial statements include a statement of comparison of budget against actual amounts. However, the approved budget for the year 2016/2017 was not provided for audit verification. Consequently, it has not been possible to confirm whether the expenditure for various account items were within the approved budget.

Management Response

69. The budget for the financial year 2016/2017 was approved by the Board as a one-line item. The approval was done during the thirty-seventh (37) Board meeting held on 13th April 2017. However, subsequent budgets have been itemized as per the auditors' recommendations.

Committee Observation

70. The Committee observed that although the matter was adequately addressed, the Committee noted that Section 53 (2) and (5) of the Public Procurement and Asset Disposal Act, 2015 requires entities to have in place procurement and asset disposal plans that are based on indicative or approved budgets which shall be integrated with the applicable budget process.

Committee Recommendations

71. **The Committee recommends that the Accounting Officer should at all times ensure that an itemized budget is prepared before the commencement of each financial year and ensure there are proper vote control procedures pursuant to Regulation 52 (1) (j) of the PFM (National Government) Regulations, 2015; and ensure that Section 53 (2) and (5) of the Public Procurement and Asset Disposal Act, Cap.412C is adhered to.**

4. Responsibility for Preparation and Submission of Financial Statements

72. The Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 regulation 15 designates the accounting officer of the State Department responsible for matters relating to gender affairs as the designated administrator of the Fund with the responsibility of keeping proper books of accounts, preparing and signing the financial statements for each year and submitting to the Auditor-General for audit. However, the financial statements submitted have not been signed by the designated Fund administrator contrary to the regulations and Section 84 of the Public Finance Management Act, 2012.

Management Response

73. The financial statements were signed by the Chief Executive Officer (CEO), the Board's Chairperson and the Finance Officer as guided by the IPSAS template. The CEO is the accounting officer of the Fund while the Principal Secretary (PS) is the administrator of Fund.

The IPSAS Board guides on financial presentation at the end of each financial year which the Fund has complied to.

Committee Observations

74. The Committee observed that:
- (i) The financial statements submitted were not signed by the designated Fund administrator contrary to the Section 84 of the Public Finance Management Act, 2012.
 - (ii) The Committee vide a letter dated 6th June 2023 wrote to the Solicitor General seeking clarity as to who between the Principal State Department for Gender and the Chief Executive Officer of the Fund was the Accounting Officer of the Fund within the meaning of Regulation 15(1) and 26(40) of the Public Finance Management (National Government Affirmative Action Fund Regulations, 2016.
 - (iii) The Solicitor General vide a letter dated 15th June ,2023 guided that *“...the person designated as the administrator of the Fund is also the accounting officer....and it is our considered opinion that the Principal Secretary should be treated as such for purposes of filing the report of accounts for examination.”*
75. During a meeting, the Principal Secretary for Gender affairs requested the Committee Members to consider amending the legal framework under which NGAAF is based to an Act of Parliament to improve the administration of the Fund.

Committee Recommendations

76. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 84 (1) of the PFM Act, Cap.412A.**

5. Accuracy of Financial Statements

77. The following inaccuracies were noted with regard to the financial statements:
- i) The brought forward balance of Kshs.2,313,420,402 in respect of revenue from non-exchange transactions reflected in the statement of financial performance did not agree with the figure of Kshs. 2,130,000,000 disclosed in Note 1 to the financial statements.
 - ii) Exchequer receipts comparative figure of Kshs.4,050,000,000 reflected in the statement of financial performance differs with the figure of Kshs. 2,130,000,000 disclosed in Note 2 to the financial statements. In addition, the receipts were described differently as “exchequer receipts” and “operational grants” in the statement of financial performance and Note 2, respectively.

Management Response

78. The financial statements had a balance brought forward balance of Kshs.2,313,420,402 as reflected under note 19 of the financial statements. The amount of Kshs. 2,130,000,000 was exchequer receipt from State Department for Gender as reflected under note 2 or revenue from non-exchange transaction. This was an error in numbering the notes in the financial statements.

79. The exchequer receipts comparative figure of Kshs. 4,050,000,000 reflected in the financial performance is a consolidated figure of total revenue from non-exchange transactions as indicated under note 5 of the financial statement. The figure of Kshs. 2,130,000,000 as disclosed in notes 2 is transfer from State Department for Gender in FY 2016-2017 but not a comparative figure as indicated. Further, the use of exchequer receipts and operational grants was an error in numbering the notes.

Committee Observations

80. The Committee observed that the Accounting Officer:
- i) Acknowledged the error in numbering the notes in the financial statements during preparations of the financial statements.
 - ii) Failed to maintain effective systems of internal controls and did not ensure that effective measures were taken to prepare financial reports that reflected a true and fair financial position of the entity.
 - iii) The explanations provided were sufficient and the matter was adequately addressed.

Committee Recommendations

81. **The Committee recommends that the Accounting Officer should at all times adhere to Regulation 23(c) and (d) of the Public Finance Management (National Government) Regulations during the preparation of financial reports.**

6. Unexplained Adjustments

82. An adjustment of Kshs. 7,258,321 processed against the expenditure on transfer to other Government units which increased the initial reported figure of Kshs. 4,006,699,872 to the final figure of Kshs. 4,013,958,193 as reflected in the statement of financial performance has not been explained. Consequently, the accuracy of the figure could not be ascertained.

Management Response

83. The adjustment of Kshs.7,258,321 was an erroneous error reflected on acquisition of assets instead of transfer to other government units. This increased the initial reported figure of Kshs.4, 006,699,872 to the revised figure of Kshs. 4, 013,958,193. The journal correcting the error was availed for audit verification.

Committee Observation

84. The Committee observed that the adjustment was an error reflected on acquisition of assets instead of transfer to other government units. The error was corrected and the matter was adequately addressed.

Committee Recommendations

85. **The Committee recommends that the Accounting Officer should at all times adhere to Regulation 23(c) and (d) of the Public Finance Management (National Government) Regulations during the preparation of financial reports.**

7. Transfer to Secretariat

86. The statement of financial performance reflects against board expenses amounts of Kshs.192,326,620 and Kshs.40,000,000 for 2016/2017 and 2015/2016 financial years, respectively. The amounts, however, relate to transfers to the Fund's Secretariat. The following has also been noted:
- i) The transfer to the Fund's Secretariat is required to be 5% of the total disbursements but in this case, there is no indication of the basis on how the amounts transferred have been derived. The total transfers to the Secretariat for the two years should have been 5% of Kshs.6,180,000,000 amounting to Kshs.309,000,000. The short fall of Kshs.76,673,371 has not been explained.
 - ii) No documentation was provided to support how the amounts have been utilized by the Fund management.
 - iii) Although 60% of these amounts were to be transferred to the county committees, no documentary evidence was provided to show that the amounts were transferred to the committees and if so, how the county committees had utilized the funds.
 - iv) Accountabilities statement for transfers to the Secretariat have not been prepared and provided for audit verification.
 - v) A separate bank account was not maintained for the Fund's Secretariat.

Management Response

87. The PFM (NGAAF) Regulations 2016 sec 15 (5) provides that 5% of the annual allocation be set aside for the Fund's secretariat for administration purposes. In the financial years 2015/16 and 2016/17 the board received Ksh 4,180,000,000 from the exchequer that is Kshs. 2,050,000,000 and Kshs. 2,130,000,000 respectively. Therefore, the Fund did not receive Ksh. 6,180,000,000 as reflected in the audit report. 5% of Ksh 4,180,000,000 is Kshs. 209,000,000 and was the amount transferred for Secretariat/Board expenses.
88. Management provided payment vouchers and cashbook during the audit exercise in support for the expenditures.
89. The amount transferrable to County Committees (3%) was retained at the National secretariat to cater for salaries for county coordinators and drivers. The Payment vouchers were availed during the audit process.
90. The transfers to the Secretariat were included in the statement of financial performance as Board expenses.
91. A separate bank account for the Fund's Secretariat was maintained in accordance with the PFM Act.

Committee Observations

92. The Committee observed that:
- i) The differences in amounts were not clarified and no documentation was provided showing how the amounts were utilized by Fund Management.

- ii) The Accounting Officer did not maintain proper accounting documents and had poor record keeping. Consequently, the Accounting Officer failed to avail documents to the Office of the Auditor General during the audit cycle.
- iii) The management adduced evidence showing that a separate bank account was maintained for the Fund's Secretariat.

Committee Recommendations

93. The Committee recommends that: -

- i) **The Accounting Officer at all times comply with the provisions of Regulation 15 (4) of the PFM (National Government Affirmative Action Fund) Regulations, 2016.**
- ii) **The Accounting Officer should at all times comply with the provisions of Regulation 25 (4) of the PFM (National Government Affirmative Action Fund) Regulations, 2016.**
- iii) **The Accounting Officer and recommends compliance with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B.**
- iv) **The Accounting Officer and recommends compliance with the provisions of Regulation 100 of the PFM (National Government) Regulations, 2015.**
- v) **The Accounting Officer and recommends compliance with the provisions of Sections 68 (1) of the PFM Act, Cap.412A.**

8. Transfer to Other Government Units

94. Transfer to Other Government Units amounting to Kshs.4,013,958,103 shown in the statement of financial performance relates to disbursement made by the Fund to the county committees. However, the following has been noted:

- (i) Even though there were Board minutes to support approval of transfer of funds to the county committees detailing the amounts and the period, the basis of approvals in form of approved work plans were not provided for audit verification.
- (ii) In addition, the Board's approved county committees projects' reports were not provided for audit verification.
- (iii) There were no accountability statements from the county committees and supporting documents for the payments made out of the funds from the county committees' bank accounts.
- (iv) The county committees' cash and bank balances as at 30 June 2017 were not accounted for in the financial statements but assumed to have been utilized and forming part of the expenditure which is incorrect.
- (v) Records of the county committees' bank accounts were not provided for audit examination. Consequently, it has not been possible to ascertain compliance with the Fund's regulations, receipt of funds and validity of payments out of these bank accounts by the county committees. Under the circumstances, the propriety and accuracy of transfers to other government entities expenditure of Kshs.4,103,958,103 could not be confirmed.

Management Response

95. The funds were released as per NGAAF Regulations 2016 and the approvals for the projects were based on available funds. However, the subsequent disbursement is based on Regulations and approved work plans.
96. The reports on approved projects were maintained at the Counties. However, subsequent reports are always shared with the Board through programme department.
97. Supporting documents for all payments made out of the funds from the County Committees' bank accounts are maintained at the sub counties treasury. In the subsequent periods, the auditors have conducted field visit in counties.
98. In the year under review, County Committees' cash and bank balances were not included in the financial statements since Management recognized transfers as expenditures. This has changed and balances thereof is recognized as cash & cash equivalent.
99. Records of the county committees' bank accounts are maintained at the sub county level and therefore, the assumption is that these records were verified during field inspections. However, in the subsequent periods, the records are shared with headquarters.

Committee Observations

100. The Committee observed that: -
 - i) The accountability documents for West Pokot, Trans-Nzoia, Bungoma and Nyandarua counties provided for audit review and verified by the Office of the Auditor General . Documents for the other counties were not provided.
 - ii) The documents submitted included, bank statements, approved expenditure schedules, requests for approvals of project proposals, minutes of county committees and copies of cashbooks.
 - iii) At the inception of the Fund in the FY 2016/17, the Fund was still in the process of putting structures in place and records management systems were weak. Most of the documents requested could therefore not be retrieved. However, the Management has since put in place proper record management systems as well as digitized records and currently has no challenges in maintenance or retrieval of documents.
 - iv) The committee was satisfied with the explanation provided by the management and the matter was adequately addressed.

Committee Recommendations

101. **The Committee reprimands the Accounting Officer for failing to comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and recommends that henceforth, the Accounting Officer should at all times ensure that documents are provided for audit verification within the prescribed time.**

9. Emergency Reserves

102. Legal Notice No. 52 of 1 April 2016, Clause 13 stipulates that there shall be an emergency reserve for the Fund made up of 2% of the allocations and which shall be un-allocated to cater for emergencies. The expected emergency reserve balance should have been 123,600,000 as at the 30 June 2017 less any utilization that should be in line with the Regulations. However, no emergency reserve has been reflected and disclosed in the financial statements in terms of the amount. The Fund's management appeared not to have implemented or adhered to the Regulations with regard to the emergency reserve.

Management Response

103. It's true that clause 13 stipulates that there shall be an emergency reserve for the Fund made up of 2% of the allocations which shall be un-allocated to cater for emergencies. In 2016/17 the board had emergency reserve of Kshs. 83,600 000 (2% of Kshs. 4,180,000,000). The board authorized release of Ksh 56, 893,340.40 for emergency interventions. As at 30th June 2017 the Fund held in the CBK account amounting Kshs. 127,358,483 included the emergency reserve.

104. Expenditure returns for Emergency from the various counties for FYs 2016/2017 to 2021/2022 were provided for audit review. Unutilized expenditure for emergency is held in the CBK Account. The evidences were attached for audit verification and the following analysis of emergency reserve for the Fund since its inception provided: -

EMERGENCY RESERVE'S ANALYSIS					
FINANCIAL YEAR	EXCHEQUE R RECEIPT	BALANCE AS PER FINANCIAL STATEMENT	ALLOCATION FOR THE YEAR	EXPENDITURE/ DISBURSEMENT	CLOSING BALANCES
2016/ 2017	2,130,000,000	66,267,550.00	42,600,000.00	56,143,340.40	52,724,209.60
2017/2018	2,130,000,000	52,724,209.60	42,600,000.00	17,863,576.00	77,460,633.60
2018/2019	2,075,000,000	77,460,633.60	41,500,000.00	49,760,986.00	69,199,647.60
2019/2020	2,130,000,000	69,199,647.60	42,600,000.00	50,825,648.00	60,973,999.60
2020/2021	2,130,000,000	60,973,999.60	42,600,000.00	14,502,180.00	89,071,819.60
2021/2022	2,130,000,000	89,071,819.60	42,600,000.00	40,492,800.00	91,179,019.60

Committee Observation

105. The Committee was satisfied with the management response and the query was addressed.

3.2 AUDITED STATEMENTS FOR FINANCIAL YEAR 2017/2018

106. The Committee noted that during the Financial Year 2017/2018 the NGAAF Board received an **Adverse audit opinion** from the Auditor General. The financial statements did not present fairly, the financial position of National Government Affirmative Action Fund as at 30 June 2018, and its financial performance and its cash flows for the year then ended, in accordance with international Public Sector Accounting Standards (Accrual Basis) and did not comply with the Public Finance Management Act, Cap.412A.

1. Presentation of Financial Statements

107. Although the financial statements were prepared on accrual basis of accounting, the statement of financial performance, reflects account items for the expenses which differs from the format prescribed by the Public Sector Accounting Standards Board. No justification was provided for this deviation from the prescribed reporting format.

108. In addition, an amount of Kshs.163, 496,536 spent on acquisition of motor vehicles in the financial year 2016/2017 was expensed and presented in the statement of financial performance instead of being capitalized and presented as non-current assets under property, plant and equipment in the statement of financial position. This is contrary to the requirement of International Public Sector Accounting Standard (IPSAS) 17, Paragraph 13, which requires tangible assets that are held for use in the production or supply of goods or services for administrative purposes or otherwise and are expected to be used for more than one reporting period, to be classified and treated as part of property, plant and equipment.

109. Consequently, the financial statements for the year ended 30 June 2018 does not conform to IPSAS (Accrual Basis) of accounting and the prescribed reporting format by the Public Sector Accounting Standards Board.

Management Response

110. The amount of Kshs.163,496,536 spent on acquisition of motor vehicles in the financial year 2016/2017 was capitalized and presented as non-current assets under property, plant and equipment in the statement of financial position for financial year.

Committee Observations

111. The Committee observed that:

- (i) The management did not prepare the financial statement in the prescribed format by the Public Sector Accounting Standards Board.

- (ii) The error was corrected and proper adjustments done in the financial year 2018/19 thereby addressing the matter.

Committee Recommendations

112. The Committee recommends that: -

- i) **The Accounting Officer should at all times comply with the provisions of Sections 81 (3) of the PFM Act, Cap.412A and ensure that financial statements are prepared in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.**
- ii) **The Accounting Officer in consultation with the Public Sector Accounting Standards Board (PSASB) should ensure regular capacity building on financial reporting standards to its staff.**

2. Transfers to Other Government Units

113. The statement of financial performance reflects a figure of Kshs.1,431,879,801 as transfers to Other Government Units. This amount refers to the amounts transferred to the forty-seven Counties Affirmative Action Fund Committees. However, the following anomalies were observed:

- i) No evidence was provided to show that the Counties Committees submitted record of the amounts received, record of expenditures made out of the amounts so received and copies of the relevant bank statements to the Board within the stipulated period after the closure of the financial year.
- ii) The expenditure returns from the Counties Committees showed a total expenditure of Kshs.1,143,252,386 against the recorded total disbursements of Kshs.1,431,879,801. The balance of Kshs.288,627,115 has not been explained or reconciled. Based on the foregoing the accuracy and propriety of the transfers to other Government units of Kshs.1, 431,879,801.00 could not be confirmed.

Management Response

114. During the period, the total disbursements to the counties were Ksh. 1,431,879,501 and the total unspent balances from the various county committees amounted to Ksh 352,596,441.35 as per the attached Cashbook Extract from CBK Account and various returns from the County Committees.

UNSPENT COUNTY BALANCES FOR FY 2017/ 2018					
S/NO	COUNTY NAME	AMOUNT	S/NO	COUNTY NAME	AMOUNT
1	Baringo	3,501,128.00	20	Lamu	282,422.25
2	Baringo	600,000.00	21	Machakos	8,528,247.00
3	Bungoma	11,276,564.10	22	Makueni	115,000.00

4	Busia	29,986.75	23	Meru	14,725,421.50
5	Elgeyo Marakwet	8,228,273.15	24	Migori	5,694,194.20
6	Embu	19,517,951.60	25	Nairobi	95,448,271.00
7	Garissa	28,404,115.60	26	Nakuru	3,507.50
8	Homabay	18,463.41	27	Narok	15,542.00
9	Isiolo	137,705.14	28	Nyandarua	524.1
10	Kajiado	5,142,781.95	29	Nyeri	1,839,533.30
11	Kakamega	56,396,017.09	30	Siaya	24,172,363.95
12	Kiambu	14,738,634.50	31	Taita Taveta	845,076.40
13	Kilifi	6,626,578.80	32	Tharaka Nithi	723,499.55
14	Kirinyaga	9,271,229.90	33	Trans Nzoia	3,500.00
15	Kisii	2,330,180.65	34	Uasin Gishu	2,305,663.90
16	Kisii	906,000.00	35	Wajir	1,154,003.16
17	Kisumu	3,810,827.25	36	West Pokot	3,434.00
18	Kitui	14,669,049.00		TOTAL	352,596,441.35
19	Kwale	11,130,750.65			

Committee Observations

115. The Committee observed that Cashbooks extracts, cash transfer forms to NGAAF CBK Account of the unspent amounts, and schedule of the unspent amounts showing the respective counties were provided to the auditors for review and verified;
116. The Committee was satisfied with the management response and the query was addressed.

Committee Recommendations

117. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

3. Cash and Cash Equivalents

118. The cash and cash equivalent balance of Kshs.708,173,717 as at 30 June 2018 represents the balance as per the bank certificate from Central Bank as at that date. However, the cash book balance was Kshs.690,310,141, the difference being unrepresented cheques. The accounting for the unrepresented cheques of Kshs.17,863,576 was not explained as the amounts paid were already included in the statement of receipts expenses as transfers to counties.
119. The Secretariat's bank account balance as at 30 June 2018 was Kshs.25,010,009. However, although the fund maintained a cash book for this account, the balance was not included in the financial statements and it was not possible to establish whether the transactions arising from this account had been accounted for in the financial statements.

120. The Secretariat's bank account reconciliation statement has bank charges amounting to Kshs.464,371 which have not been included in the financial statements and unrepresented cheques amounting to Kshs.12, 768,699 of which were stale at the time of the audit.
121. Information available for audit showed that thirty-six (36) out of the forty-seven (47) counties committees' bank accounts had unspent balances totaling Kshs.352, 641,446 for the year under review which was not included in the financial statements. Further, no cash books, bank statements or bank balance certificates were provided to support these balances.
122. Eleven (11) of the forty-seven (47) counties committees bank accounts had no cash books, bank statements bank certificates or any other form of record availed for audit examination. The balance in these accounts, if any, have not been included in the financial statements.
123. In view of the foregoing, the completeness, validity, existence and accuracy of the cash and cash equivalent balances of Kshs.708,173,717 could therefore not be confirmed.

Management Response

124. The amount of the Kshs. 17,863,576 was transferred for emergency interventions in various counties on 29 June 2018. The bank did not clear the payments until 2nd July 2018. Therefore, the amount was posted in the cash book on 29 June 2018 but debited in NGAAF bank account on 2 July 2018 after the period under audit.
125. The Fund operates an account in Central bank for disbursement and a Secretariat account in the Cooperative bank for Board/Secretariat expenses. The total amount disbursed to the secretariat was reflected as board/secretariat in the statement of financial performance. Kshs.25,010,009 was unspent balance in the Secretariat account as at 30 June, 2018. The Fund did not recognize the cash book balance as cash & cash equivalent. However, this was corrected and adjusted in the subsequent financial year.
126. The bank charges in the secretariat account were not included in the financial statements since it was yet to be posted in the cash book. However, this was cleared in the subsequent periods. Further, Kshs.12,768,699 on unrepresented cheques were reversed. Attached is bank reconciliation and a copy of the payment voucher for clearing the unrepresented cheques.
127. The amount of Kshs. 352,641,446 was from thirty-six (36) Counties. The amount was supported with RTGs and included in the statement of financial performance for financial year 2018-2019 as receipt. Further, Counties that did not submit their returns, Management has put measures in place to ensure all records are received promptly after the closure of the financial year.

128. For the Eleven (11) Counties that did not avail their records for audit purpose, there were expenditure returns expensing the full disbursement. However, Management has put down measures to ensure future certificates of survey are availed in support of bank balances. This is evidently observed in the subsequent periods where auditors have reviewed all the Counties records.

Committee Observations

129. The Committee observed that:

- i) The Accounting Officer failed to keep up-to-date financial records leading to errors and inaccuracies during preparation of financial statements;
- ii) The errors were corrected in the subsequent financial year;
- iii) The unpresented cheques were reversed;
- iv) County Coordinators did not submit expenditure returns on time to the NGAAF Board.
- v) The management response was satisfactory and the matter adequately addressed.

Committee Recommendations

130. The Committee recommends that: -

- i) The Accounting Officer should in consultation with the Public Sector Accounting Standards Board (PSASB) ensure regular capacity building on financial reporting standards to its staff.**
- ii) The Accounting Officer should at all times comply with the provisions of Regulation 23 (1) (d) of the PFM (National Government) Regulations, 2015 by preparing and submitting financial reports that reflect a true and fair financial position of the entity.**
- iii) The Accounting Officer ensures there are proper internal controls and capacity building to the County Coordinators on record keeping and submission of reports on time to the NGAAF Board.**

4. Board Expenses

131. During the year under audit, individual Board members were issued with temporary imprests by the fund totaling to Kshs. 938,800 for subsistence allowances when carrying out routine monitoring and evaluation activities in the counties. The Board members were also paid sitting allowances totaling to Kshs. 900,249 for the days they were in the field. The payments were however not supported with Board minutes and approvals as required. No field reports from the Board members on the areas they visited were availed for audit review. Further, no minutes of the Board have been provided to show that such reports were ever presented, discussed and filed. As a result, the validity and accountability of the Board expenditure of Kshs1,839,049 could not be ascertained.

Management Response

132. The monitoring and evaluation to Counties was approved during a Board meeting. The Board members are entitled to sitting allowances and daily subsistence allowances while conducting

field activities. The said exercise was carried out with the board's approval and the reports presented during subsequent meeting.

Committee Observation

133. The Committee observed that the Board minutes and approvals were submitted to the OAG for review during examination of the audit report thereby addressing the query.

Committee Recommendations

134. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

5. Staff Cost

135. The amount of Kshs.45,541,449 for staff cost expenses excludes county secretariat staff salaries totaling Kshs.15,180,483 for the fourth quarter that had not been paid and the corresponding liability was also not included in the statement of financial position. Consequently, the staff costs figure of Kshs.45,541,449 is not fairly stated.

Management Response

136. Despite the fact that the fourth quarter exchequer allocation was yet to be transferred from the CBK account to the Secretariat account, the Fund had to meet its financial obligations on staff salaries. Therefore, this was not a liability since the money was in the NGAAF CBK account. This was well reflected in the financial statements under detailed cash & cash equivalent.

Committee Observation

137. The Committee observed that the differences were reconciled and supporting documents availed during examination of the accounts and verified by the Office of the Auditor General. Therefore, the query was addressed.

6. Secretariat Expenses

138. The statement of financial performance reflects a balance of Kshs.63,801,809 as Secretariat expenses for which the following anomalies were noted:
- (i) Included in the Secretariat expenses indicate an amount of Kshs.6,451,100 in respect of emergency expenses of Kshs.6,251,100 and donation of Kshs.200,000 for which no Board or approvals were provided for audit verification.
 - (ii) The Secretariat's expense includes gratuity in respect of County Coordinators amounting Kshs.8,394,166 as disclosed in note 8 of the statements. However, the total gratuity payable to county coordinators was Kshs.9,501,604 out of which a total of Kshs.8,494,166 was paid and Kshs.1,007,438 withheld due to pending cases between the Fund and some of the staff. The amounts will be paid upon determination of the cases and clearance of the staff from the fund. This unpaid expenditure and the commensurate liability however, has not been disclosed or included in the financial statements. In addition, note of the

financial statements reflects a gratuity expense of Kshs.8,394,166 against a total expenditure payment was Kshs.8,494,166 resulting in unreconciled variance of Kshs.100,000.

139. Consequently, the propriety and accuracy of the secretariat expenses balance of Kshs.63,801,809 could not therefore be confirmed.

Management Response

140. The Secretariat expenses amounting to Kshs.6,451,100 was in respect of: Emergency interventions to the following counties:
- a) Elgeyo Marakwet Kshs. 500,000.00
 - b) Garissa Kshs. 1,000,000.00
 - c) Kwale Kshs. 1,000,000.00
 - d) Kisumu Kshs. 750,000.00
 - e) Purchases of a medium size speed Boat for Lamu county Kshs: 2,999,999.95
 - f) Donation of Kshs. 200,000.00 by NGAAF through the Cabinet secretary for the purchase of Toiletries and Sanitary towels for a needy-girls Orphanage through The Samburu Girls Foundations. The Board had approved the above expenditure.
141. The variance of Kshs. 100,000 was a payment recovery to one of the County Coordinators who had been advanced Kshs. 100,000. Therefore, the officer was paid Kshs. 151,858.85 instead of Kshs.251,858.85. In addition, the Fund recognize expenditure for gratuity during payment. However, this has since changed and the Board has been creating a provision for officers on contractual terms. Further, the accrual bases of accounting recognize expenditures and receipts when incurred or received.

Committee Observation

142. The Committee observed that the query was addressed as the Office of the Auditor General was satisfied with the management response and furnished with approvals for Kwale and Kisumu counties.

7. Emergency Reserve

143. As per enabling legislation, the fund should maintain an emergency reserve which should be two (2%) per cent of the Fund allocation and which should remain unallocated and be available to cover emergencies as they arise and utilized upon approval by the Board of Directors. However, although the fund has received a total of Kshs.8,310,000,000 since its inception and as such should have an emergency reserve of Kshs.166,200,000 less any utilized amounts, no reserves is reflected in the financial statements.

Management Response

144. Two (2%) of the fund allocation is maintained as an emergency reserve which remains unallocated and is made available to cover emergencies as and at when they arise upon approval by the Board.

145. The emergency reserve is part of the funds held by the Fund in the CBK account as reflected in the detailed cash and cash equivalent Note 12 (b). However, in the subsequent periods, Emergency reserves is well reflected in the Statement of Financial Position.

Committee Observation

146. The Committee observed that the emergency reserve was included in the detailed cash and cash equivalent thereby addressing the query.

8. Outstanding and Multiple Imprests

147. Information availed for audit indicated that the Fund had imprests amounting Kshs.7,955,584 remained unaccounted for by the close of the year under audit. It was also noted that officers were issued with multiple imprests totaling to Kshs. 7,955,603 before the previous one(s) being surrendered contrary to the regulations.

148. Further, the former Chairperson of the Board had outstanding imprests amounting to Kshs 605,249 as at 30 June, 2018. The State Officer is no longer a member of the Board and the management has not recovered the outstanding amount and no efforts have been made towards the same.

149. In addition, although Note 4(f) to the statements states that the cash and cash equivalents balance include short term cash imprests to authorized officers not surrendered or accounted for at the end of the financial year, the outstanding imprest balance of Kshs. 7,955,584 has not been included or disclosed in the financial statements.

150. Consequently, the cash and cash equivalents balance was understated and the recoverability and or accountability of the imprests of Kshs.7,955,584 could not be ascertained.

Management Response

151. In the year under review, apart from the list provided as outstanding in the financial statement, the rest of the imprests were surrendered in good time. However, the said imprests had not been cleared in the imprest register. The entity had only two officers in the accounts department, making it impossible to clear the surrenders immediately. Currently, Management has put measures in place to ensure surrenders are cleared immediately they are submitted.

152. Further, imprest issued to the former chairperson of the Board was accounted for. Imprest amounting to Kshs. 36,400 and Kshs. 243,249 were surrendered while imprest amounting to Kshs. 325,600 was cancelled.

Committee Observation

153. The Committee observed that Staff at the NGAAF Board were issued multiple imprests contrary to the PFM Act and its regulations. However, the imprests had been fully accounted for and the explanation provided satisfactory.

Committee Recommendations

154. The Committee recommends that the Accounting Officer should at all times ensure compliance with:

- i) **The provisions of Regulation 93 (5) of the PFM (National Government) Regulations, 2015 by ensuring that imprests are surrendered within 7 working days of return to the duty station.**
- ii) **The provisions of Regulation 93 (8) of the PFM (National Government) Regulations, 2015 by ensuring that that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.**
- iii) **The provisions of Regulation 93 (6) of the PFM (National Government) Regulations, 2015 by recovering the full amounts from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate where the imprests are not surrendered within the prescribed time.**

9. Report on effectiveness of internal controls, risk management and governance

i. Loss of Public Resources Through Theft

155. In Bungoma County, a Local Purchase Order (LPO) No. 2588742 was issued for the supply and delivery of thirty-six (36) canvas tents of a hundred persons' seater capacity worth Kshs.5,400,000 and a payment of the same amount was made. Another LPO, No. 2588739, was issued for the procurement of one thousand two hundred (1,200) water tanks worth Kshs.12,000,000 and which was paid for. However, on the night of 1st September, 2017, the Bungoma County NGAAF office lost all the above items worth Kshs.17,400,000 from its office yard. The theft was not reported to the relevant authorities. As at the time of audit the lost items had not been recovered.

Management Response

156. NGAAF involved the Internal Audit Department for fact-findings immediately the issue was brought to the Management's attention. As at the time of disappearance, the tanks were at the office yard and the issue was reported to the County Commissioner. NGAAF reported the issue to the Directorate of Criminal Investigation – Bungoma for investigation. The Board further interdicted the coordinator to allow investigations. After which she went to Court on wrongful dismissal. The coordinator was later cleared that she had no case to answer. The distribution list was later provided but the County Coordinator contract had already been terminated.

Committee Observation on the canvas tents

157. The Committee observed that thirty-six (36) canvas tents worth Kshs. 5.4 million were accounted for and copies of the LPOs, payment Vouchers and other supporting documents availed to the Committee and verified by the Office of the Auditor General. The query is addressed.

Committee Observation on the Loss of water tanks

158. The Committee observed that:

- (i) The loss of one thousand two hundred (1,200) water tanks worth Kshs. 12 million was never reported to the police and no recoveries were made of the lost tanks;
- (ii) Internal investigations conducted with the help of the Directorate of Criminal investigations cleared the County Coordinator from any wrong doing in the matter;
- (iii) Board Minutes approving the purchase of water tanks, Tender notice to purchase tanks, Professional opinion, Form of agreement between Supplier and buyer, Local Purchase Order (LPO), Invoice, payment voucher on payment of water tanks, delivery notes, S13 and the distribution lists of the beneficiaries were availed to the Committee and verified by the Office of the Auditor General but were found to be inadequate.
- (iv) Only two hundred and ten (210) water tanks were distributed and accounted for. Copies of the list of beneficiaries availed to the Committee during examination of accounts, could not be verified as there were inconsistencies with the signatures, number of tanks signed for, telephone numbers of the beneficiaries and the alleged beneficiary groups.
- (v) At the time of procuring the items, the Fund did not have guidelines on how to undertake such activities and there was no requirement for county Coordinators to attach a list of the intended beneficiaries to project proposals before approval. It was therefore not clear for whom the water tanks were intended for at the procurement point;
- (vi) NGAAF has in the subsequent years put in place mechanisms to account for procurable items and provided guidelines to the County Coordinators and County Women Representatives on the documents required before project proposals are approved.

Committee Recommendation

159. **Within three months upon adoption of this report, the Ethics and Anti-Corruption Commission, should investigate the loss of the water tanks with a view to preferring charges against those found culpable for the loss of Ksh. 12,000,000 in Bungoma County.**

ii. Imprests Unaccounted For

160. Two counties had unaccounted for temporary imprest amounting to Kshs.6,059,600 being Kisumu, Kshs.5,259,600 and Uasin Gishu, Kshs.800,000 which had been applied in procuring of goods and services using temporary imprests.

Management Response

161. The expenditure for the unaccounted imprests in Uasin Gishu and Kisumu County was in relation to several activities during the year. The imprests were later surrendered and accounted for as per the attached documents. Further, Kisumu Counties use of imprest was during the Civic Education. The exercise involved hire of tents and chairs, reimbursement of travel costs to participants which is done in cash.

Committee Observations

162. The Committee observed that the imprests were subsequently surrendered in full and the Payment vouchers, cashbook payment extract submitted to the auditor and verified, therefore the query is addressed.

iii. Irregular Direct Procurements

163. The following direct procurement of Kshs.2,931,776 for goods and services were carried out without observing the regulatory guidelines; (a) Bungoma County - procurement of Kuroiler chicks - Kshs.1,000,000 and (b) Embu County - procurement of blankets and chairs - Kshs.1,931,776. The management did not explain why the above items were single sourced without subjecting the process to competition as required. Further, no evidence has been provided to show that the direct procurements were reported to the Public Procurement Regulatory Authority as a mandatory reporting requirement.

Management Response

164. Bungoma County procured Kuroiler chicks at Kshs.1,000,000. However, rearing of chicks is sensitive and subject to so many criteria such mortality rate, resistance to climate and productivity. The County single sourced having looked at the above criteria for which there was need for value for money.
165. In Embu County, the procurement was not single sourced. However, due to reorganization of the districts, the County is yet to submit these documents.

Committee Observations

166. The Committee observed that:
- i) Bungoma and Embu County procured goods through single sourcing and no evidence was provided to show that the direct procurements were reported to the Public Procurement Regulatory Authority.
 - ii) Supporting documents later submitted included a letter from the State Department of Livestock which indicated that Agri boost Network was the only sole prequalified and recognized supplier in Bungoma County hence no prequalified list. By virtue of Agri boost being the only prequalified supplier in Bungoma County, market survey was not carried out to establish the market price of the chicks.
 - iii) Payment Voucher, LPO, Invoice, delivery note, Counter Receipt voucher and Item distribution were availed in support of the expenditure from Embu County.
 - iv) The query is therefore addressed.

Committee Recommendations

167. **The Committee recommends that the Accounting Officer should at all times ensure compliance with Section 124 (13) Public Procurement and Asset Disposal Act, CAP. 412C.**

3.3 AUDITED STATEMENTS FOR FINANCIAL YEAR 2018/2019

168. The Committee noted that during the Financial Year 2018/2019 the NGAAF Board received a **Disclaimer audit opinion** from the Auditor General. Therefore, the OAG could not express an opinion on the financial statements and could not obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements that would confirm that public money has been applied lawfully and in an effective way.

1. Presentation of Financial Statements

1.1. Noncompliance with the Public Sector Accounting Standards

169. The financial statements prepared and submitted for audit are not consistent with the format prescribed by the Public Sector Accounting Standards Board and The National Treasury guidelines. The Corporate Governance Statement did not indicate the number of Board meetings held and details of meetings attendance by the Members of the Board during the year under review. Further, the Head of Finance did not disclose the ICPAK membership registration number as required by the Public Sector Accounting Standards Board. No justification has been provided for this deviation from the prescribed reporting format.

170. Consequently, the financial statements do not conform with the prescribed reporting format by the Public Sector Accounting Standards Board.

Management Response

171. The number of Board meetings held during the financial year was indicated under the statement of Corporate Governance. However, failure to indicate the ICPAK membership number for the Head of Finance as required by the Public Sector Accounting Standards Board was an oversight that has been subsequently corrected.

Committee Observations

172. The Committee recommends that:

- (i) the Accounting Officer in consultation with the Public Sector Accounting Standards Board (PSASB) should ensure regular capacity building on financial reporting standards to its staff.
- (ii) the Accounting Officer should at all times comply with the provisions of Sections 81 (3) of the PFM Act, 2012 by preparing financial Statements that are consistent with the format prescribed by the Public Sector Accounting Standards Board and the National Treasury guidelines.

1.2. Unexplained Adjustments to the Financial Statements

173. The financial statements for the year ended 30 June, 2019 were submitted within the statutory deadline of 30 September, 2019. The financial statements were subsequently amended and revised. However, the adjustments processed between the first set of financial statements and the final revised set of financial statements were not supported with relevant documents to justify the amendments as summarized below:

Component	Initial Financial Statements (Kshs.)	Revised Financial Statements (Kshs.)	Variance (Kshs.)
Transfer to Other Government Units	1,967,866,141	1,969,632,174	1,766,033
Board of directors	12,966,690	16,826,925	3,860,235
Staff Costs	97,254,292	97,543,299	289,007
General Expenses	30,306,454	45,438,110	15,131,656
Emergencies to Counties	67,624,562	49,760,986	(17,863,576)
Gratuity	5,946,296	27,639,317	21,693,021

174. Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

175. The adjustment were issues raised during the audit exercise in the Management Letter and Draft Audit report for which journal entries were not provided as at the submission of the revised financial statements.

Component	Initial Financial Statements (Kshs.)	Revised Financial Statements (Kshs.)	Variance (Kshs.)	Explanation
Transfer to Other Government Units	1,967,866,141	1,969,632,174	1,766,033	This was disbursement to Kirinyaga County erroneously omitted.
Board of directors	12,966,690	16,826,925	3,860,235	This was an error of omission, reallocation of expenditure from M&E and general expenditure to the Board.
Staff Costs	97,254,292	97,543,299	289,007	This was an error of omission.
General Expenses	30,306,454	45,438,110	15,131,656	This was an error of omission.
Emergencies to Counties	67,624,562	49,760,986	(17,863,576)	The variance was unrepresented cheque at the beginning of the financial year erroneously captured as payment in the year under review.
Gratuity	5,946,296	27,639,317	21,693,021	The variance was the inclusion of provision for gratuity for contractual employees initially not provided for.

Committee Observation

176. The Committee observed that the final financial statements were subsequently amended and revised after submission.

Committee Recommendations

177. **The Committee recommends that the Accounting Officer should at all times ensure that the Board and the County Coordinators maintain financial and other accounting records that are accurate, reliable, and complete. In addition, the Accounting Officer should conduct regular capacity building to its staff of financial management and reporting that will mitigate misstatements in the financial statements.**

2. Inaccuracies in the Financial Statements

2.1. Cash and Cash Equivalents

178. The statement of financial position and as analyzed in Note 17 shows cash and cash equivalents figure of Kshs.951,792,041. However, the statement of cash flows shows a cash and cash equivalents balance of Kshs.955,911,652, resulting to an unexplained and unreconciled variance of Kshs.4,119,611. The cash and cash equivalents balance also includes a current account balance of Kshs.14,583,071 which differs with the bank account reconciliation statement as at 30 June, 2019 of Kshs.14,820,864 by unexplained variance of Kshs. 237,793. Further, payments in bank statement not recorded in the cash book of Kshs.4,094,510 under the current account have not been explained with regard to the origin and nature, even though Management indicated that they were cheques made in June, 2018.
179. In addition, from the records in the custody of the Fund Management and Kisumu County Committee, NGAAF Office banked an amount of Kshs.23,793,901 into Chase Bank which was later placed under receivership. Although the Fund now has access to the Funds under IMB Bank through reactivation of the account, the amount of Kshs.23,793,901 has not been included in the cash balances or any form of receivables in the financial statements and no supporting documentation has been provided in support of this transaction. Under the circumstances the accuracy, and existence of the cash and bank balance of Kshs. 951,792,041 could not be confirmed.

Management Response

180. The correct figure for Cash and Cash equivalents was as analyzed under note 17. However, the cash flow did not reconcile due to unreconciled bank statements. Variance of Kshs. 237,793 in the reconciliation statements was as a result of submission of two (2) sets of reconciliation. As at the time of audit, Management was still working on the reconciliation which were reconciled in the subsequent financial year. Further, the cash at Chase bank was received in instalment at a later date. This was not included in the receivable since it had been recognized as an expenditure through cash disbursement. Subsequently, there were

adjustment of accounting procedures recognizing county expenditure based on proof of expenses at the county level.

Committee Observation

181. The Committee observed that the Accounting Officer failed to ensure that monthly reconciliations are done on time. However, the Management reported that the reconciliations were done and reflected in the subsequent financial year.

Committee Recommendation

182. **The Committee recommends that the Accounting Officer should at all times comply with Regulation 90 (1), (2) and (3) of the PFM (National Government) Regulations, 2015, by ensuring bank accounts reconciliations are completed within the timelines provided and necessary action taken in case any discrepancies are detected.**

2.2. Staff costs

183. The statement of financial performance reflects an expenditure of Kshs.97,543,299 incurred on staff costs while data from the Human Resource Department and IPPD shows expenditures of Kshs.97,170,153.14 and Kshs.94,038,892 respectively as summarized below:
184. The variances between the three sets of records have not been explained or reconciled. Further, included under staff costs balance of Kshs.97,543,299 is an amount of Kshs.28,433,012 for travel expenses, out of which expenses amounting to Kshs.2,932,720 were not supported with relevant documents.
185. Consequently, the accuracy of the staff costs totaling Kshs.97,543,299 for the year ended 30 June, 2019 could not be confirmed.

Management Response

186. The amount of Kshs. 97,543,299 as stated under note 10 is the correct figure. The IPPD is a payroll management tool that only captures monthly salaries for the contractual employees of NGAAF. Such payments like wages for casual workers, salaries in arrears and extraneous allowances for staff on secondment are prepared outside the IPPD. Data obtained from the HR desk had unreconciled expenses and had erroneously captured the payments outside IPPD for the month of August, September, October and November, 2018 with a variance of Kshs. 373,145.86. Documents to support the total stated financial amount and voucher for the queried amount of Kshs. 2,932,720 were submitted to the auditor for review.

Committee Observation

187. The Committee observed that documents to support the expenditure of Kshs. 2,932,720 were subsequently availed and verified by the Office of the Auditor General, therefore the query is addressed.

2.3. Gratuity

188. The statement of financial performance reflects a gratuity expense of Kshs.27,639,317 and the statement of financial position reflects a total gratuity liability and provision for gratuity totaling Kshs.26,912,978 which includes Kshs.3,637,853 tax on gratuity. Further, note 15 indicates the gratuity liability balance to be Kshs.5,004,038, while the composition adds up to Kshs.4,692,710 resulting to an unexplained variance of Kshs.311,328. It has also not been explained why the gratuity expense of Kshs.27,639,317 includes the amount of unremitted taxation of Kshs.3,637,853. In addition, the gratuity expense of Kshs.27,639,317 includes gratuity for the Chief Executive Officer, forty-seven (47) County Coordinators, eleven (11) drivers, an Office Administrator and a Support Staff totaling Kshs.21,908,940 all of who are engaged on contracts and are entitled to gratuity at a rate of 31% on gross pay. However, the amount covers periods before the current financial year which would call for prior year adjustments or a restatement of prior year comparatives in line with International Public Sector Accounting Standard No.3.

Management Response

189. The Fund had pending payments for gratuity and KRA remittance for the period under audit review. The variance of Kshs. 311,328 was PAYE payable to three officers whose total gratuity was Kshs. 1,037,668 but only net amount of Kshs. 726,340 was paid. The amount of Kshs. 27,639,317 included PAYE liability since this was payable related to gratuity and therefore it was not possible to post it elsewhere. The Fund recognized expenditures when incurred and thus posting of Kshs. 5,730,377 in the financial performance. The PAYE was not remitted in time due to challenges in generating the E-slip. To surmount the problem, NGAAF engaged KRA and the PAYE was remitted.

Committee Observations

190. The Committee observed that the PAYE was subsequently remitted and supporting documents availed and verified by the Office of the Auditor General, therefore the query was addressed.

2.4. Receivables – Outstanding Imprests

191. Review of the imprest register and imprest warrants revealed that imprest amounting to Kshs.1,011,800 remained outstanding as at 30 June, 2019. However, this amount has not been reflected in the financial statements.

192. Consequently, the accuracy and validity of the outstanding imprests balance of Kshs.218,200 reflected in the financial statements could not be confirmed.

Management Response

193. The outstanding imprest amounted to Kshs. 218,200. The difference for the said amount was already surrendered by the respective officers but were not yet removed from the imprest

register books. Failure to update the imprest register was as a result of lean staff in the Entity. The register has since been updated.

Committee Observations

194. The Committee observed that imprest warrants were submitted and verified by the Office of the Auditor General.

Committee Recommendations

195. **The Committee recommends that the Accounting Officer should at all times ensure compliance with the provisions of Regulation 93 (5) of the PFM (National Government) Regulations, 2015 by ensuring that imprests are surrendered within 7 working days of return to the duty station.**

3. Transfers to Other Government Units

3.1. Unsupported Balances

196. The statement of financial performance and note 8 reflects a balance of Kshs.1,969,632,174 for Transfers to Other Government Units that has not been supported by any form of documents. Further, no evidence from the Counties has been provided for audit verification including copies of relevant bank statements and confirmation of the amounts received by the County Committees from the Fund Secretariat and expenditures of the County Committees in the year under review. The forty-seven (47) County Committees did not submit any of the reports and records required by the regulations within the stipulated period after the closure of the financial year as stipulated in Section 11(7) of the PFM (NGAAF) Regulations.

Management Response

197. The transfers to Other Government Units were previously confirmed by use of Entity's bank statement. The cash disbursed to Counties of Kshs. 1,969,632,174 reflected in the financial performance and under note 8 was implied to be confirmed from CBK bank statement. However, a template was developed for acknowledging the funds received as per auditor's recommendation. Further, from the guidance of the Decentralized Committee, Management requested expenditure returns and most counties have responded.

Committee Observation

198. The Committee observed that CBK Bank statements and acknowledgement receipts were provided and verified by the Office of the Auditor General, therefore the query was addressed.

3.2 Unsupported Disbursements to Counties

199. Note 8 of the financial statements reflects disbursements to Counties totaling Kshs.2,253,547,922. However, the amount has not been confirmed by the various County Committees as having been received. Consequently, the accuracy of the disbursements balance of Kshs.2,253,547,922 could not be confirmed.

Management Response

200. It was implied that disbursement to counties would be confirmed using Entity's bank statement from Central Bank account as per the copy of bank statement. However, Management took note of auditor's recommendation and developed a template for acknowledging funds disbursed.

Committee Observation

201. The Committee observed that CBK Bank statements and acknowledgement receipts were submitted and verified by the Office of the Auditor General, therefore the query was addressed.

3.2. Irregular Reallocation of Funds

202. In the year under review, Migori County was entitled to a total disbursement of Kshs.53,563,537 and out of which Kshs.10,712,707 representing twenty per cent (20%) was for Women Economic Empowerment (WEE) Projects. However, contrary to the PFM (NGAAF) Regulations, the Board approved reallocation in Migori County of Kshs.6,911,521 or about 65% of the funds allocated for WEE projects to Bursary and Scholarships in the second quarter. The reallocation exceeded the maximum limit of ten per cent (10%) of the funds allocated during the year and was for projects which were not in the same sector contrary to the Regulations.
203. In Turkana County, for the fourth quarter, funds for value addition projects amounting to Kshs.2,450,000 were reallocated to other unrelated projects of vehicle maintenance - Kshs.500,000, fuel - Kshs.200,000, launch of sanitary towels expenses - Kshs.350,000, sensitization and mentorship program for students - Kshs.1,000,000 and committee allowances - Kshs.400,000 all which were not in the same sector.
204. Under the circumstances, the propriety and accuracy, of Transfers to Other Government Entities of Kshs.1,969,632,174 for the year ended 30 June, 2019 could not be confirmed.

Management Response

205. The re-allocation of funds from WEE to Bursary in Migori County amounting to Kshs.6,911,521 was informed by the fact that the bursary allocation was inadequate to cater for all the applicants. However, the auditors' observation was noted and the Board is committed to future re-allocation which are within the Regulations and Access to Funds Guidelines only.
206. NGAAF guidelines require that 5% of the total county disbursements be allocated for administration costs. It is however impractical that an amount of Kshs. 488,340, i.e. 5% of the Turkana allocation would suffice to discharge the exercises given the vastness of the region that's characterized by banditry, harsh weather condition, poor networks and

unfavorable terrains. It's in this circumstances that the noted expenditures were charged reallocated from various votes towards the administrative costs. However, the amount queried of Kshs. 1,000,000 towards mentorship programs for students was not a reallocation as it belongs to the countywide allocation/ value addition vote.

Committee Observation

207. The Committee observed that the explanations provided by the Management were satisfactory and supporting documents were availed and verified by the Office of the Auditor General. Therefore, the query was addressed.

Committee Recommendations

208. **The Committee recommends the Accounting Officer should at all times comply with the provisions of Regulation 48 (1) of the PFM (National Government) Regulations, 2015 on reallocations by ensuring that future re-allocations are within the Regulations and Access to Funds Guidelines.**

3.3 Revenue from Non-Exchange Transactions - Receipts from Counties

209. The statement of financial performance reflects an amount of Kshs.352,596,443 as receipts from Counties (unspent amounts in the financial year 2017/2018. However, the supporting Appendix IV to the financial statements has an amount of Kshs.137,705 whose details of the remitting County is not indicated. It is therefore not possible to verify the accuracy of the amount. In addition, the amount of Kshs.352,596,443 was presumably from thirty-six (36) Counties leaving out unknown balances held by the other eleven (11) Counties as at 1 July, 2018. Further, no documentation was provided to support the reported figures in form of cash books, bank statements and bank reconciliation statements. Consequently, the accuracy and completeness of the amount due and received from the Counties could not be ascertained.

Management Response

210. The Fund received as unspent balances for the financial year 2017/2018 amounting to Kshs. 352,596,443 from thirty-six (36) Counties while the eleven (11) Counties returned none. It is through Counties RTGs that Management' confirms the returned cash at the end of period. The amount of Kshs. 137,705 was from Isiolo County. However, the RTGs for the County was not availed in good time and therefore it could not be confirmed the source. However, in the subsequent period, Management has been firm in ensuring all the RTGs are shared immediately.

Committee Observation

211. The Committee observed that Bank reconciliation and balance as per bank certificate were availed to the auditor for verification and the management has put in place mechanisms to ensure that Counties return unspent balances in a timely manner. Therefore, the query is addressed.

4. Unsupported Expenditure

4.1. Repairs and Maintenance

212. The statement of financial performance reflects an expenditure of Kshs.5,458,875 in respect of repairs and maintenance which includes advance payments totaling to Kshs.2,000,000 paid upfront by the Fund during the year for maintenance and repairs of its motor vehicles contrary to the Public Procurement and Asset Disposal Act, 2015. Further, no signed contract documents for the provision of the services were submitted for audit review to show how the obligation for the advance payment was created.
213. In addition, the amounts have been expensed at the point of payment rather than at utilization and holding the amount as a prepayment. No statement of account has been provided to support how much of the Kshs.2,000,000 was used as at 30 June, 2019. Under the circumstances, the repairs and maintenance balance of Kshs.5,458,875 for the year ended 30 June, 2019 could not be confirmed.

Management Response

214. The amount of Kshs. 2,000,000 paid to Toyota Kenya Ltd was because Toyota Kenya were the dealers of the Fund's vehicles which were very new and required quality service while ensuring replacement with original parts. This is supported by Section 103 (2) (d) of the PPADA, 2015. The Fund approached the firm which had only two options:
- a) Open an account with them and deposit a cash guarantee of Ksh. 2,000,000.00 and use Local Purchase Order;
 - b) Make advance payment and use it on a reducing balance every time we needed to service the vehicles.
215. The Fund chose the latter option because there was no budgetary provision. Further, before the payment was done, a contract was signed. The said amount was fully utilized.

Committee Observation

216. The Committee observed that documents were not provided to the Office of the Auditor General on time during the audit cycle. Service tax invoices from Toyota Kenya Limited on how Kshs. 2,000,000 were later availed to the Office of the Auditor General and verified.

Committee Recommendations

217. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within reasonable time.**

4.2. General Expenses-Rent

218. The statement of financial performance reflects an expenditure of Kshs.45,438,110 in respect of general expenses which includes an amount of Kshs.4,938,700 relating to rent expenses. Documents held by Management show that during the year under review, the Fund paid

Kshs.4,938,700 as rent for leased office space. However, no evidence has been provided to show that a formal lease agreement has been signed and registered with the Ministry of Lands. While the Management formally took over the premises on 20 December, 2018, the partitioning works undertaken were completed on 4 November, 2019 and hence translating to a period of more than ten months when the Fund management paid rent for un-occupied premises amounting to Kshs.4,938,700.

Management Response

219. The leasing for office space for the Fund was identified through Ministry of Transport, Infrastructure, Public Works, State Department of Housing and Urban Development as required by Government regulations. A draft lease agreement was drawn by the Ministry, however, the process of finalization and signing took longer. This has since been finalized. After identification of the space, negotiation and acceptance of the offer, the space had to be paid for despite non-occupation. Partitioning process, advertisement and notification is guided by law that is bureaucratic in nature and thus the ten (10) months waiting period.

Committee Observation

220. The Committee observed that the lease agreement, offer of lease and proposed leasing by the Ministry of Land, Infrastructure and Housing and Urban Development were availed and verified by the Office of the Auditor General. Therefore, the query is addressed.

4.3. Emergency to Counties

221. In the year under review, Kshs.49,760,986 was disbursed for emergencies to Counties. However, disbursements totaling to Kshs.34,688,526 were not supported by relevant Board approvals as required by the PFM (NGAAF) Regulations and NGAAF Emergency Guidelines. Further, the disbursements vouchers and supporting documents for disbursements amounting to Kshs.18,760,500, were not submitted for audit review. It was therefore not possible to confirm the accuracy and propriety of the emergency balance to Counties of Kshs.49,760,986 reported in the financial statements.

Management Response

222. The Board approved emergency release of funds worth Kshs. 49,760,986 to the counties as supported in the Board minutes; Minute 58th of the Board held on December 18, Special Board meeting held on 1st March, 2019 and minutes of special board held on 25th March, 2019. NGAAF Regulations 13 reserves the right of emergency disbursement to the Board of Directors. The supporting documents for disbursement amounting to Kshs. 18,760,500 were submitted to the auditor for review.

Committee Observation

223. The Committee observed that Board approvals and CBK Bank account were availed and verified by the Office of the Auditor General. Therefore, the query is addressed.

4.4. Printing, Advertising, Information Supply and Services

224. The Fund engaged the State Department of Heritage for the production of a documentary at a cost of Kshs.6,287,700 and paid Kshs.3,772,620 as the 60% final payment and expenditure charged to printing, advertising, information supply and services. The balance of Kshs.2,515,080 which was explained to be the initial 40% payment as per the agreement has not been accounted for or supported. Further, the Management has not availed the contract documents detailing the terms of engagement.

Management Response

225. The Fund engaged the State Department of Heritage for the production of a documentary at a cost of Kshs 6,287,700. This was to be paid in two instalments of 40% (Ksh. 2,515,080) and 60% (Kshs.3,772,620). The 1st instalment was paid and accounted for in the financial year 2017/2018 while the final payment was paid in the year under review. The contract and payment vouchers in support of the said expenditure were later availed for verification.

Committee Observation

226. The Committee observed that the contract, payment voucher, acceptance award and cashbook extract were availed to the Office of the Auditor General and verified. Therefore, the query is addressed.

Committee Recommendation

227. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412A by submitting documents for audit verification within reasonable time.**

5. Monitoring and Evaluation Expenditure

228. The statement of financial performance reflects an expenditure of Kshs.1,545,200 under Monitoring and Evaluation (M&E). The amount however does not agree with the detailed analysis at Note 13 of the financial statements that has a total expenditure balance of Kshs.26,254,647. The resultant variance of Kshs.24,709,447 has not been explained. Further, the M&E funds have been applied to activities not related to M&E including purchase of motor vehicle – Kshs.14,500,000, Board Members’ insurance – Kshs.352,905 and payment of NHIF (medical scheme) for the staff – Kshs.8,119,022 which amounts to unauthorized reallocation.

229. Also, and contrary to the Regulations, the Fund did not disburse any funds to the County Committees for monitoring and evaluation as required by the regulation but instead all the expenditures reported in the financial statements of Kshs.26,254,647 were actually incurred by the Fund Secretariat and the unspent allocations of Kshs.73,454,803 held in the Fund account. In addition, the Board has also not yet appointed the Monitoring and Evaluation

officers for the secretariats of the County Committees as required by the PFM (NGAAF) Regulations. Under the circumstances, the propriety and accuracy of M&E expenditure for the year ended 30 June, 2019 totaling to Kshs.1,545,200 could not be confirmed.

Management Response

230. Kshs. 26,254,647 was the total amount drawn from M&E allocation. Kshs. 1,545,200 was utilized during the M & E field activities by the secretariat in various counties while Kshs. 24,709,447 was reallocated to other cost items. Further, the Board in its wisdom and by the power provided for in the Regulations felt it's unlawful not to provide medical cover for the staff despite budgetary constraints. Therefore, approval of medical cover (NHIF) for Staff and the Independent Board members. The motor vehicle was purchased under M&E allocation since it was purposed to be used during M&E activities.
231. Further, non-disbursement of M&E funds to the County Committees is because the Fund has no M&E Officers at the County level due to budgetary constraints and therefore retention of the allocation at the Headquarters for head office to conduct the M & E activity. The Fund operates with very lean staff and mostly rely on deployed staff from other State Departments.

Committee Observation

232. The Committee observed that revised Monitoring and evaluation budget 2019/2020, Notes 13(a) M&E Expense for the Financial Statements were availed to the Office of the Auditor General and verified. Therefore, the query is addressed.

Committee Recommendations

233. The Committee recommends that: -
- i) **The Accounting Officer must at all times ensure there is a fully established secretariat of the County Committee pursuant to the provisions of Regulations 18 (1) (a), (b) and (c) of the Public Finance Management (National Government Affirmative Action Fund) Regulations 2016.**
 - ii) **The Accounting Officer should at all times comply with the provisions of Regulation 48 (1) of the PFM (National Government) Regulations, 2015 on reallocations by ensuring that future re-allocations are within the Regulations and Access to Funds Guidelines.**

6. Emergency Reserves

234. Included in the statement of financial performance is a balance of Kshs.49,760,986 under emergency disbursements to the Counties during the year under review. However, the amount of Kshs.49,760,986 disbursed to Counties during the year has not been supported by the requisitions approved by the Board of Directors as required and therefore it has not been possible to confirm the utilization or otherwise of these funds which should remain unallocated as emergency reserves.

235. In addition, the reports by the County Coordinators on the utilization or otherwise of the emergency reserve disbursements as required by the regulations were not submitted for audit review. Consequently, the accuracy of the emergency reserve balance of Kshs.69,199,648 could not be confirmed.

Management Response

236. Emergencies requisitions are usually presented to the Board for vetting and approval. However, the reports on emergencies utilization from the County committees were not availed. The auditor's observation and as guided by NGAAF Regulations and Fund Access guidelines were well noted. Subsequently, Management has put measures in place to ensure expenditure reports are shared in good time.

Committee Observations

237. The Committee observed that County Coordinators did not submit reports on time on the utilization or otherwise of the emergency reserve disbursements;

238. Minutes of the Board meeting were availed to the Office of the Auditor General and verified.

Committee Recommendations

239. **The Committee recommends that the Accounting Officer should at all times ensure there are proper structures of reporting and submissions of financial and non-financial reports by the County Committees to the NGAAF Board.**

240. The Committee recommends that the Accounting Officer should at all times ensure compliance with the provisions of Regulations 16 (2) (g), of the Public Finance Management (National Government Affirmative Action Fund) Regulations 2016 by ensuring that County Committees prepare quarterly and yearly reports on the operations of the Fund.

7. Property, Plant and Equipment

i. Noncompliance with Disclosure

241. The statement of financial position and as analyzed on note 19 of the financial statements reflects a balance of Kshs.178,305,138 for property, plant and equipment as at 30 June, 2019 representing Motor Vehicles, Computers, Furniture and Fittings. However, the financial statements have not been prepared in line with IPSAS 17 in respect to property, plant and equipment which requires an entity to disclose for each class of asset recognized in the statements; the measurement bases for determining the carrying amounts, depreciation methods used, useful lives or depreciation rates used, accumulated depreciation at the beginning and end of the period, additions, reconciliation of the amount at the beginning and end of the period showing additions and disposals, revaluations, impairments, depreciation and net book value.

242. Consequently, the completeness and accuracy of the property, plant and equipment balance of Kshs.178,305,138 (and nil for financial year 2017/2018) as reflected in the financial statements could not be confirmed.

Management Response

243. The Fund did not provide depreciation of PPE's as it does not have a depreciation policy. The policy was in its draft stage.

244. Committee Observation

The Committee observed that the draft policy was submitted to the Office of the Auditor General for verification.

Committee Recommendation

245. Within six (6) upon adoption of this report, the NGAAF Board should finalize on the Fund's Asset Management and Disposal Policy.

ii. Fixed Assets Register

246. No fixed assets register has been maintained by the Fund in support of the property, plant and equipment balance of Kshs.178,305,138. Under the circumstances, the accuracy, completeness, and existence of the Property, Plant and Equipment balance of Kshs.178,305,138 as reflected in the financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

247. As at the time of audit, the Fixed Asset Register was not provided. However, the register is available for audit review and a copy was submitted to the auditor for review.

Committee Observations

248. The Committee observed that the query was addressed as the Office of the Auditor General was satisfied with the management response and furnished with the fixed asset register.

Committee Recommendations

249. The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412A by submitting documents for audit verification within the prescribed time.

iii. Write-off of Motor Vehicle

250. The Management procured a motor vehicle at a cost of Kshs.14,500,000 on 27 May, 2019 and the motor vehicle was registered in the Fund's name on 3 June, 2019. However, on 12 June, 2019 the vehicle was involved in a serious road accident along Mombasa Nairobi Road while on the way to Konza City. The Management has not availed any documents to show the

nature of the Fund's activities at Konza City or board minute on such an activity. According to the accident inspection report by the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works dated 11 July, 2019 it was considered uneconomical to repair the vehicle. However, the same vehicle has been included in the Fund's property, Plant and Equipment. No justification has been provided for its inclusion.

Management Response

251. The said vehicle was procured on 27th May, 2019 and involved in an accident on 12 June, 2019 along Mombasa Nairobi Road. The Board Chairperson was traveling to Makueni County on official duty. From the report issued by the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works dated 11 July, 2019. it was considered uneconomical to repair the vehicle. However, as at the closure of the financial year, the vehicle had not been disposed- off and was still in the Asset Register. This was an oversight that was adjusted in subsequent year.

Committee Observation

252. The Committee observed that the Office of the Auditor General verified that the vehicle was disposed off and the adjustments made in the subsequent financial year. Therefore, the query is addressed.

8. Imprest Management

253. The statement of financial position reflects an amount of outstanding imprests of Kshs.218,200 which remained unaccounted for as at 30 June, 2019 although these imprests were due and should have been surrendered or otherwise recovered in full amount with interest from the salaries of the defaulting officers. In addition, it was also observed that officers were issued with multiple imprests totaling to Kshs.1,438,900 before the previous one(s) had been surrendered contrary to the regulations. Further, two Counties had unaccounted for temporary imprest amounting to Kshs.6,059,600 being Kisumu, - Kshs.5,259,600 and Uasin Gishu, - Kshs.800,000 which had been applied in procuring of goods and services using temporary imprests.

254. Under the circumstances, there is non-compliance with Government Financial Guidelines and no explanation has been provided for the anomaly.

Management Response

255. The outstanding imprests as at 30 June, 2019, was Kshs. 218,200. The imprests were later surrendered and others recovered from the said imprest holders. Further, the issue of multiple imprests was occasioned by several activities running without updating the imprest register after surrendering due to shortage of staff. During this period, NGAAF had only two (2) staff in the accounts department. Strategies have been put in place to ensure work-flow and clearance immediately surrenders are submitted.

256. Further, the temporary imprests in the two Counties quarried as not surrendered were later surrendered and accounted for in the subsequent period.

Committee Observations

257. The Committee observed that:

- (i) Staff at the NGAAF Board were issued multiple imprests contrary to the PFM act and its regulations.
- (ii) Payment and cashbook payment extracts were availed to the Office of the Auditor General for review.

Committee Recommendations

258. The Committee recommends that the Accounting Officer should at all times ensure compliance with:

- i) **The provisions of Regulation 93 (5) of the PFM (National Government) Regulations, 2015 by ensuring that imprests are surrendered within 7 working days of return to the duty station;**
- ii) **The provisions of Regulation 93 (8) of the PFM (National Government) Regulations, 2015 by ensuring that that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary, and;**
- iii) **The provisions of Regulation 93 (6) of the PFM (National Government) Regulations, 2015 by recovering the full amounts from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate where the imprests are not surrendered within the prescribed time.**

9. Unremitted Statutory Deductions

259. The statement of financial position reflects provision for gratuity of Kshs.26,912,978 which include the statutory deductions for PAYE on gratuity from forty (40) County Coordinators of Kshs.4,265,639 due before 30 June, 2019 but remained unremitted contrary to the Income Tax Act and Regulations. Non-remittance of these taxes is likely to attract penalties from the relevant authorities.

Management Response

260. The remittance to KRA was challenges in generating the payment slip from the KRA system. The matter was later addressed through the help of KRA offices and remittance done. However, the amount of Kshs. 4,265,639 includes Kshs. 316,458 relating to three officers whose gratuity was held due to disciplinary cases. Therefore, the pending amount to KRA (PAYE) was Kshs. 3,949,181.

Committee Observation

261. The Committee observed that the query was addressed as the Office of the Auditor General was satisfied with the management response and furnished with the KRA payment slip and NGAAF HQS staff schedule.

10. Operations of the NGAAF County Committees

10.1. Unauthorized Activities and Expenditures

262. The Kiambu County NGAAF Committee incurred expenditures that were not in the budget or the approved work plan for the year totaling Kshs.2,639,235 as detailed below:

(i) Kiambu County NGAAF Office incurred Kshs.1.2 million on a medical camp for breast and cervical cancer screening, general medical check-up, ENT, issuing medicines and NHIF registration all of which are functions of the County Government. The expenses incurred covered event management, mobilization, venue set up, branding, media, marketing and refreshments all costing Kshs.1 million and administration logistics costing Kshs.200,000. No explanation has been provided on why the NGAAF County Committee undertook a function not related to the functions of the National Government contrary to the NGAAF Regulations and the Constitution of Kenya.

(ii) The County Committee also spent Kshs.927,235 and Kshs.512,000 on food items and administration expenses respectively for Kiambu County's temporary rehabilitation for persons admitted for substance abuse through Sober Mothers Self-help Group CBO. This was contrary to the NGAAF Regulations which require that a project shall not include recurrent costs for a facility. No explanation has been provided for this recurrent expenditure totaling Kshs.1,439,235 by the County.

Management Response

263. The activity was approved by the Board after deliberating and considering the beneficiaries. The activity was benefitting the real vulnerable affirmative action groups, elderly sick women and other elderly sick persons in the community, who are the target for NGAAF.

264. The rehabilitation center project is a brain child of public participation exercise of which members of public requested for the government to find ways of mitigating the rampant effects of alcohol and substance abuse in the county. The expenditure was therefore approved by the Board after deliberating and considering the beneficiaries. The beneficiaries were drug addicts who are the real vulnerable affirmative action groups being targeted by NGAAF.

Committee Observations

265. The Committee observed that: -

- i) Kiambu County NGAAF implemented functions not related to the functions of the National Government contrary to the NGAAF Regulations.

- ii) Board approvals were submitted to the Committee and verified by the Office of the Auditor General.

Committee Recommendations

266. The Committee recommends that: -

- i) **The Kiambu County NGAAF Committee should be reprimanded for failing to adhere to the provisions of the NGAAF Regulations;**
- ii) **The Accounting Officer should ensure capacity building for the County Coordinators on the mandates of the County Committees as provided for in the PFM (NGAAF) Regulations.**

10.2. Funding of Ineligible Groups

267. The County Committee in three (3) Counties; Machakos, Meru and Isiolo approved a total of Kshs.16,620,763 funding for sixty-four (64) groups. The amount was released in the third quarter of the financial year. However, the Counties had not fulfilled the funding requirements as set out under Section 2.0 of the NGAAF Fund Access Guidelines, 2017 and the Project Proposal Evaluation Guidelines, as there was no evidence of their minimum group memberships, minimum group funding of at least three hundred thousand shillings and confirmation that the group has been in existence for lesser periods than stipulated.

Management Response

268. While approving groups for funding, the Board approves based on eligibility in accordance to the Regulations and Access to Funds Guidelines. Therefore, the Board used the same criterion in approving groups for funding emanating from the 47 counties including the 3 cited counties. However, Management has noted the auditors' observations and is in the process of reviewing the Regulations since minimum amount is not practical for the affirmative groups to avoid possible future recurrence.

Committee Observations

269. The Committee observed that the query was addressed as the management response was satisfactory.

10.3. Unsupported Projects by County Committees

270. The County Committee in Garissa, Kericho, Kilifi and Nairobi Counties undertook the projects costing a total of Kshs.43,735,600 which no evidence has been submitted in support of their identification process and invitation as required by the regulation before the implementation was approved.

Management Response

271. The identification of projects at the County level is done through public participation in baraza or through County Committees. The County Committees are representatives of

respective Constituencies. In addition, civic education is carried-out on quarterly basis to sensitizing the community. The approval of these projects at the County Committee is vetted as guided in the Regulations and the Fund access guidelines.

272. The counties affected were as follows:

	Project	Amount
(a)	Garissa	
1	Empowering Needy Families with Donkey carts and special wheelbarrows.	3,275,000
2	Restocking Program for 5 extremely drought affected families in 4 sub counties	1,600,000
(b)	Kericho	
1	Farm inputs - certified maize seeds and fertilizer to farmers	964,000
(c)	Kilifi	
1	210 motorbikes to support 210 youth across. Each of the youth was paid for a capital Kes.20,000 and the balance will be paid by themselves in 14 months as per the lender's terms and conditions. Administration=Kes. 50,000	4,250,000
(d)	Nairobi	
1	Support for 17 identified/selected children's homes/institutions that cater for the needy with food items and sanitary items during the festive season.	4,144,200
2	Two 100-seater tents, 500 Maasai vikoi's and 200 plastic chairs for an elderly group, County trackers.	1,000,000
3	Televisions, DSTV decoder, and plastic chairs for youth groups, women groups and PWDs	11,792,000
4	Support of youth Groups to purchase toilets for public use	6,462,500
5	Support Tujenge arts fraternity that has over 100 artists, ranging from painters, sculpturists, culturists and other forms of art. Hold a festival that will attract display of Art forms, expressions and pieces	806,000
6	Ruben Centre, Kurt Fearnley Special Needs Unit to purchase disability friendly items that reduce learning difficulties for the PWDs in Mukuru Centre	941,900
8	Uber riders for 17 groups, one group per constituency. The county funded each group with Ksh. 500,000. The cost of the project is 8.5M	8,500,000
	Total	43,735,600

Garissa

273. In Garissa County, an amount of Ksh 3,275,000 was incurred in empowering needy families with Donkey carts and special wheelbarrows. Attached are Payment vouchers, invoice, delivery note, S11, S13 and LPO. Further, the County incurred a cost of Ksh 1,600,000 in

restocking program for 5 extremely drought affected families. The Payment vouchers, invoice, delivery note, S11, S13, LPO and Bank Statement were availed for audit review.

Kericho

274. In Kericho County, an amount of Ksh 963,810 was incurred in the purchase of Certified Maize Seeds and Fertilizer for farmers. The Payment voucher, cashbook extract, LPO, Delivery note, invoice, S13, County Committee Minutes, Acceptance committee were availed for audit review

Kilifi

275. In Kilifi County, an amount of Ksh 3,780,000 was incurred in purchase of motorbikes to support youths. The payment voucher, County Committee Minutes, Board Approval, cashbook extract, Bank Statement were availed for audit review.

Nairobi

276. During the period, Nairobi County undertook the listed projects below. Attached to the projects listed are procurement and expenditure supporting documents for individual projects;

- i) Supported 17 selected children's homes to cater for the needy with food and sanitary items during the festive seasons.
- ii) Purchased two 100-seater tents, 500 Maasai vikois and 200 plastic chairs for and elderly group, county trackers.
- iii) Purchased televisions, DSTV Decoders and plastic chairs for youth groups, women and PWDs.
- iv) Support of youth groups to purchase toilets for public use.
- v) Supported Tujenge Arts Fraternity with over 100 members.
- vi) Supported Ruben Centre, Kurt Fearnley Special Needs Unit to purchase disability friendly items that reduce learning difficulties for the PWDs in Mukuru Centre.
- vii) The County was to purchase uber riders for 17 groups. However, it was reallocated to the construction of Safe House in the FY 2024/2025.

Committee Observations

277. The Committee observed that the expenditure returns were provided for review and verified. The counties which received project funds were utilized as follows:

- i) Garissa County-The supporting payment vouchers of the respective payments indicated in the response for the four (4) counties. The supporting vouchers were attached though the actual beneficiaries were not disclosed.
- ii) Kericho County-The payment voucher in support of the payments was provided. However, the list of beneficiaries was not availed.
- iii) Kilifi County- The payment voucher in support of the payments for Purchase of Motorbikes, the list of beneficiary groups of the motorbikes and the bank statements were provided to the auditors for review. However, Evidence of receipt and issuance of the motorbikes was not availed.

iv) Nairobi County-

- a) Evidence of support of 17 children's homes with food & sanitary items was provided. The list of the homes and approvals were availed for audit review.
- b) Evidence of purchase of tents, Maasai vikois and plastic chairs for the elderly group was provided.
- c) purchase of T.Vs, DSTV decoders & plastic chairs for youth groups, women and 7 PWDs provided. The lists of groups has not been provided and the actual location of the items was not supported.
- d) Support of 8 youth groups for purchase of toilets for public use -28 toilets were bought per the documents. However, the quantity ordered was 130;
- e) Tujenge arts fraternity with over 100 members was supported. The actual items procured was not supported;
- f) purchase of disability friendly items that reduce learning difficulties for the PWDs in Mukuru Centre- the procurement of the items was not supported.
- g) purchase of uber riders for 17 groups. The money was not spent for 6 years but later reallocated to construction of a safehouse in 2024/2025.

Committee Recommendation

278. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B on submission of documents for audit verification within the prescribed time.**

10.4. Unsupported Procurements

279. The County Committees in eleven (11) Counties undertook procurements amounting to Kshs.130,623,746. However, no procurement supporting documents were availed for audit verification and therefore it was not possible to confirm whether the same was done in strict adherence to the Public Procurement and Asset Disposal Act and the Fund Access Guidelines. It was also not possible to confirm value for money in respect of above expenditures.

Management Response

280. Procurement in counties is guided by respective government procurement agencies i.e. Supply Chain Management Officers (SCMO). For procurement to occur, the technical officers (SCMO), provides the technical advice and he is the custodian of all procurement documents. However, Management has noted the auditors' observations and put measures in place to avoid any possible future recurrence.

281. The counties in question and their projects include:

	Project	Amount
	Nairobi	
1	8 posho mills.	3,475,000
2	50 String canvas shades for women in the market place. Each umbrella cost of Ksh. 15,500	4,540,000

3	The Step-up 4 Autism therapy center in Mathare - Purchase modern therapy services for children with autism and other disabilities.	500,000
4	Equip classrooms for children with disability with autism disability friendly equipment.	1,026,000
5	Equipping 17 classes providing equipment for special children especially the autistic kids to play and learn.	17,442,000
6	Water tanks for carwash machines to youth groups.	2,300,000
	Water Tanks 17 x 93,000 = 1,581,000.00,	
	Branding - 118,405.00,	
	Logistics for 17 x 35,595.00,	
	Launch - 600 000.00	
7	170 heavy duty wheel barrows at a cost of Ksh.12,000 each, 340 rakes at a cost of Ksh.1,500 and 340 industrial gloves at a cost of Ksh. 1,200 for youths and women groups	4,288,000
8	510 hand carts to generate income each costing approximately Ksh.14,000	7,048,250
9	Car washing machines and stations. 17 car washing machines with their well-made work stations	3,000,000
10	Televisions, DSTV decoder, and plastic chairs for youth groups, women groups and PWDs	11,792,000
11	Support of youth Groups to purchase toilets for public use	6,642,500
	Kwale	
1	Mini dairy plant for the KNOT women group - Lungalunga.	3,500,000
	Garissa	
1	70-wheel chairs @19,000 and 140 Clutches @ 3100 for PWD in 7sub counties	1,764,000
2	Tent and chairs for ithil self-help group	930,000
3	Donkey carts and special wheelbarrows	3,275,000
	Kitui	
1	83 No. water tanks to schools /dispensaries. 5,000 litres @ Kes.55,000	5,735,646
	Kericho	
1	23 No. water tanks to schools. 5,000 litres @Kes.45,000 and 500 pcs Sky Plus containers @ 1,800 = 900,000	1,935,000
2	Farm inputs - certified maize seeds and fertilizer for farmers	964,000
3	Water tanks for public institutions.10 - 5,000lts tank @ Ksh. 45,000 - 450,000. 10 10,000lts tanks @80 000 - 800 000	1,144,380
4	20 No. large 100-seater tents @ Kshs. 120,000 for 201 groups within all the sub-counties.	2,319,617

5	Sports equipment – balls, nets, uniforms, boots and first Aid Kits.	1,500,000
6	51 No. plastic tanks for the AAGs supplied to public institutions. 100 tank (3) per ward)	2,321,548
	Kisumu	
1	705 No. double mobile shelter (umbrellas) at Kes.4,000 each.	2,706,220
2	10,000 litres water tanks to market centres and health centres	2,706,220
3	2 No. market shades.	5,412,441
4	335 No. umbrellas at Kes.4,000 each	1,339,327
	Embu	
1	5,000 No. grafted avocado seedling @ 200	1,000,000
2	4,727 No. grafted Macadamia seedling @ 350	1,654,293
3	20 No. 100 seater tents @ 129,000.	2,580,000
4	Plastic chairs for 45 groups to provide with tents @ 800 for 100	2,327,146
5	Market umbrellas 634 umbrellas @ 3,200	2,028,800
6	Establishment of business centres in 3 major towns.	1,546,412
	Nyeri	
1	16 No. Pushcarts (16 per constituency @ Ksh 19,000)	1,710,000
2	Aprons – Ksh.500,000 Overalls - @ Ksh.900,000	1,400,000
3	Water Tanks – 14 No. 5000lts capacity water tanks @ Ksh 1,050,000, 1 No. 10,000 Lts capacity water tank @130,00. 2 tanks per constituency	1,180,000

Nairobi

282. During the period, Nairobi County undertook the listed projects below. Attached to the projects listed are procurement and expenditure supporting documents for individual projects;

- i. Purchased 8 posho mills.
- ii. Bought 50 strings canvas shades for women in the market places.
- iii. Purchased modern therapy services for children with autism in The Step up 4 Autism Therapy Centre in Mathare.
- iv. Equipped 17 classes by providing equipment for special children with autism.
- v. Purchased water tanks for carwash machines for youth groups.
- vi. Bought heavy duty wheelbarrows for youths and women groups.
- vii. Purchased hand carts to generate income.
- viii. Purchased car wash machines with their well-made stations.
- ix. Purchased televisions, DSTV Decoders and plastic chairs for youth groups, women and PWDs.
- x. Support of youth groups to purchase toilets for public use.

Kwale

283. Supporting expenditure returns for Dairy items for Knot Women Group in Lungalunga were provided for audit review.

Garissa

284. In Garissa County, 70 wheelchairs were bought at Ksh 1,764,000 for PWDs. Attached are payment voucher, invoice, delivery note, S13, S11, LPO, County Committee Minutes, quotation evaluation report and RFQs. The County purchased tents and chairs worth Ksh 930,000 from Ithil Self Help Group. Attached is the Board Approval, cashbook extract. In addition, an amount of Ksh 3,275,000 was incurred in empowering needy families with Donkey-carts and special wheelbarrows. Payment vouchers, invoice, delivery note, S11, S13 and LPO were availed for audit review.

Kitui

285. Kitui County bought 5,000 litre tanks from two suppliers, Annlandi Enterprises and Vitrace Enterprise Company Ltd at a cost of Ksh 2,860,000 each. Tender Opening Report, Tender Evaluation Report, Letter of Notification of Award, Regret Letts, County Committee Minutes, Payment vouchers, S11, S13, LPOs, Acceptance Letters, invoices, inspection and acceptance reports relating to the two suppliers are hereby attached for review.

Kericho

286. In Kericho County, an amount of Ksh 963,810 was incurred in the purchase of Certified Maize Seeds and Fertilizer for farmers. Attached are Payment voucher, cashbook extract, LPO, Delivery note, invoice, S13, County Committee Minutes, Acceptance committee. The County further purchased 100-seater tents at a cost of Ksh 2,319,617. Expenditure returns and procurement supporting documents are hereby availed for review. In addition, sports equipment totalling to Ksh 3,248,000 were purchased during the Financial Year. Attached are payment vouchers, Delivery notes, LPOs, S13, County Committee Minutes, Inspection and acceptance Forms, bank statements and cashbook extracts. During the period, the county incurred Ksh 7,470,000 in the purchase of 5,000 litre tanks and procurement and expenditure returns documents availed for review.

Kisumu

287. Please find procurement expenditure and documents relating to the two market sheds constructed in Kisumu County.

Embu

288. During the period, Embu County undertook the following projects;

- i. Purchased grafted avocodo and macadamia seedlings at a cost of Ksh 2,654,450. Attached are payment voucher, LPO, S13, professional opinion, project approval, County Committee minutes, RFQs and recipient's acknowledgement forms.

- ii. Purchased 100- seater tents. Attached are recipient's acknowledgement forms.
- iii. Procured plastic chairs for groups with tents at a cost of Ksh 800,000. Attached are payment voucher, Certificate of Registration, invoice, professional opinion, RFQs, inspection and acceptance minutes and recipient's acknowledgement forms.
- iv. Procured market umbrellas. Attached are payment voucher, invoice, inspection and acceptance committee minutes, Board Approval and RFQs.
- v. Established Business Centres in three major towns within the County. Attached are payment voucher, delivery note, certificate of practical completion, county committee minutes, professional opinion, Tender Documents, Bill of Quantities and RFQs.

Nyeri

289. Nyeri County purchased plastic cylindrical tanks at a cost of Ksh 1,105,000. Payment voucher, S11, Invoice, Delivery note, LPO, Inspection and Acceptance Committee, cashbook extract and distribution list are hereby availed for audit review. Further, the county incurred a cost of Ksh 2,827,000 in the purchase of Apron and Dust coat. Expenditure returns and procurement supporting documents are hereby availed for audit review.

Committee Observations

290. The Committee observed that: -

In Nairobi County;

- i) Relevant procurement documents for the Purchase of 8 posho mills were provided. The items were delivered and distributed
- ii) Evidence of purchase of 50 canvas shades was provided. The order was for 210, delivery was for 110 and invoice was for 210 items. The difference of 100 items between the order and what was delivered not provided;
- iii) purchase of modern therapy services for children with autism. procurement documents were not availed.
- iv) equipping 17 classes with equipment for children with autism- one projector screen per school were delivered to 17 schools.
- v) purchase of water tanks-- 17 water tanks were ordered, delivered and distributed to groups per constituency.
- vi) purchase of heavy wheelbarrows- the order was for 340 rekes industrial gloves and 170 wheelbarrows which were delivered. List of beneficiary youth and women groups was not availed.
- vii) purchase of hand carts- Quantity approved was 510, quantity ordered & delivered is 340. Beneficiaries were not disclosed.
- viii) purchase of car wash machines to groups. 17 machines were ordered and delivered. List of beneficiaries was attached.

a. In Kwale County- The procurement documents for the purchase of mini dairy plant for Knot women group in Lungalunga were availed and reviewed.

b. In Garissa County;

- i. payment voucher, invoice, delivery note, S13, S11, LPO, County Committee Minutes, quotation evaluation report and RFQs for purchase of 70-wheel chairs for PWDs and 140 pieces (70 pairs) crutches as well as Distributions list were availed and reviewed.
- ii. Procurement documents for the purchase of tents & chairs for self-help group not availed.

c. In Kitui County-The procurement documents and distribution list for the purchase of 83 water tanks were provided and reviewed.

d. In Kericho County

- i) Supporting documents for the purchase of certified maize seeds were provided and reviewed.
- ii) purchase of 100-seater tents- Order, delivery and invoice for 20 tents was provided and reviewed. List of beneficiaries was not attached.
- iii) purchase of sports equipment- Quantity ordered (michas -55) adidas -55) and uniform -800 were all received- List of beneficiaries not attached.
- iv) purchase of 5000 litres water tanks- 25 tanks were ordered and delivered. No list of beneficiaries attached.

e. In Kisumu County- construction of market sheds - no supporting documents were provided.

f. In Embu County

- i) purchase of grafted avocado & macadamia seedlings- quantity ordered and received was 5,000 avocados and 4,727 macadamia seedlings. List of Beneficiaries provided.
- ii) purchase of 100-seater tents for groups - Ordered and received 20 tents. Distribution list was availed for review.
- iii) plastic chairs & tents for groups- 1000 chairs ordered, received and distributed. Signed List of distribution availed and reviewed.
- iv) Documents supporting the purchase of 634 market umbrellas availed. No distribution list was attached.
- v) establishment of business centers- 3 containers procured, BQ, inspection and acceptance, certificate of completion and LSO availed and reviewed.

g. In Nyeri County

- i) 15 plastic tanks. Ordered and received- Inspection and acceptance and distribution list availed and verified.
- ii) Inspection and acceptance certificates and Distribution list for purchase of 800 Aprons and 340 branded overall white dust coats availed and verified.

Committee Observations

291. The Committee observed that evidence supporting procurements and expenditure returns from the queried counties were submitted to the Office of the Auditor General for verification.

Committee Recommendations

292. The Committee recommends that: -

- i) **The Accounting Officer should at all times comply with the provisions of Part IX, Section 91 to 114 of the Public Procurement and Asset Disposal Act, Cap.412C on Methods of Procurement of Goods, Works and Services.**
- ii) **The NGAAF Board, in consultation with the Public Procurement Regulatory Authority (PPRA), should conduct continuous capacity building to all County Committees and County Coordinators on procurement laws and regulations regularly.**

10.5. Unsupported Projects Expenditures

293. Various Counties undertook a number of projects costing Kshs.191,345,302 upon approval but which were not supported during the review process and at the approval stage. No explanation has been provided for the anomalies and it has not been possible to confirm whether the Fund obtained value for money in incurring the above expenditure.

Management Response

294. Vetting for county projects for funding by the Board is based on submissions by the County Committee. The Board thoroughly reviews and vets the submitted documents for respective projects for their eligibility in accordance to the Regulations and Access to Funds Guidelines. All projects' documentations are kept by respective county coordinators.

295. The expenditures for the counties in question were:

	Project	Amount
(a)	Nairobi	
1	Planting trees targeting 3-5 public schools and public institutions in every constituency. Target is around 85 institutions to plant 10 trees in each.	1,357,500
2	8 posho mills.	3,475,000
3	17 Laundry shops for women groups.	8,000,000
4	A fully partitioned operational container (40 feet by 40) to a disabled group. For dispensing milking ATM	590,000

5	Cleaning the environment project by collecting plastic bottles across the county which was used for building toilets and walls across public schools. One group in every constituency identified to do the collection and fully puff them with sand	4,000,000
6	Equipping 17 classes providing equipment for special children especially the autistic kids to play and learn. The budget for completing each class is Khs. 1,026,000 per constituency	17,442,000
7	Uber riders for 17 groups - one group per constituency. The county funded each group with Ksh. 500,000. The cost of the project is 8.5M	8,500,000
8	Partnering with FIDA by giving a fully inbuilt container as a reporting desk for domestic violence cases for women. Container - Ksh. 850,000 and partitioning the container Kshs. 150,000	1,000,000
9	Water tanks (Water Tanks 17 x 93,000 = 1,581,000, Branding - 118,405, Logistics for 17 x 35,595, Launch - 600,000)	2,300,000
10	170 heavy duty wheel barrows at a cost of Ksh.12,000 each, 340 rakes at a cost of Ksh.1,500 and 340 industrial gloves at a cost of Ksh. 1,200 for youths and women groups across the county. One group per ward in the 85 wards	4,288,000
(b)	Kajiado	
1	Purchase of 5,000 litres plastic water tanks @ 56,853 for needy public schools	1,933,014
2	Disability centre	3,866,029
(c)	Kisii	
1	GBV Rescue centre. The County already got an approval of Kes.3,479,400 as Phase 1 from the 2nd Quarter allocation. The committee is seeking for approval of Ksh3,479,426 as phase 2 for this project.	6,958,826
2	School fees for the 175 youths who joined the National Industrial Training Authority (NITA)	2,183,540
3	Fund Kisii County mama na mashinani savings and credit cooperative Sacco society Ltd to in turn lend to their members.	2,117,080
(d)	Homa bay	

1	NGAAF ABEDO CBO given the money to fund identified market groups within the county;	2,474,258
2	Construction of Rangwe market shade	1,200,000
3	Bursaries and scholarships to students sponsored for NITA	2,474,258
(e)	Garissa	
1	Mumkin Youth Group- an umbrella group of 20 Women and Youth Groups	2,000,000
2	Water tanks, different capacities to drought affected centres within the County distributed to public institutions schools and hospitals	2,101,000
3	Revision books to 14 secondary schools' libraries, each receiving at least 100 books - 1400 books @1100	1,540,000
4	Empowering Needy Families with Donkey carts and special wheelbarrows.	3,275,000
5	Restocking Program for 5 extremely drought affected families in each of the 4 sub counties 10 goats @8,000 for each family for 5 families in each sub county 10x8000x5x4 = 1,600,000	1,600,000
(f)	Nyandarua	
1	17 branded tents for 17 groups	1,773,000
2	10 car wash machines at ksh 45,000 each, 540 plastic chairs, 7 branded tents (100 sitter)	1,773,000
3	1,500 branded umbrellas @ Kes 4,000 to be distributed to 5 constituencies.	6,000,000
4	Five (10,000 litres) water tanks @ ksh 80,000 each; 35 (1500 litres) tanks at ksh 15,000 each and 57 1000 litre tanks at Ksh 10,000; plus, branding and transport	1,900,000
(g)	Kitui	
1	83 No. water tanks to schools /dispensaries. 5,000 litres @ Kes.55,000	5,735,646
(h)	Kericho	
1	23 No. water tanks to schools. 5,000 litres @Kes.45,000 and 500 pcs Sky Plus containers @ 1,800 = 900,000	1,935,000
2	Farm inputs - certified maize seeds and fertilizer	964,000
3	Water tanks for public institutions.10 - 5,000lts tank @ Ksh. 45,000 - 450,000. 10 10,000lts tanks @80 000 - 800 000	1,144,380
4	20 No. large 100-seater tents @ Kshs. 120,000 for 201 groups within all the sub-counties.	2,319,617
5	Sports equipment – balls, nets, uniforms, boots and first Aid Kits.	1,500,000

6	51 No. plastic tanks for the AAGs supplied to public institutions. 100 tank (3) per ward)	2,321,548
(i)	Kisumu	
1	705 No. double mobile shelter (umbrellas) at Kes.4,000 each distributed to the small-scale business women.	2,706,220
2	10,000 litres water tanks to identified market centres and health centres in all the wards.	2,706,220
3	Enrol 210 needy students for Industrial Skills training. Selection period was on August 2019 after which they were to start their courses at Various NITA training Institution.	2,164,976
4	2 No. market shades. The Public Works are working on the BQs and once ready will be availed.	5,412,440
5	Sponsored 210 Needy Girls being taken to NITA for Vocational Education Training	5,814,309
6	335 No. umbrellas at Kes.4,000 each that distributed to the small-scale business women who have no fixed premises	1,339,327
(j)	Makueni	
1	Poultry farming in three sub counties. Buying Birds - 5000@100 = 500,000, Feeders - 420,000, Drugs - 35,500, Multivitamins - 10,000, Gomboro - 400,000, Charcoal - 50,000, Paraffin - 22,000, Jikos - 16,000, Drinkers - 80,000, Transport	1,000,000
2	Funding for the Ukambani Women Needs Organization (UKAWONE) an umbrella SACCO of 30 other CBOs to facilitate ownership of water tanks	3,100,000
(k)	Embu	
1	Funding 25 women and youth groups across the county engaging in table banking as revolving fund. Each receiving ksh. 100,000	2,500,000
2	Funding ICT Centre for related services to create youth employment and sporting and recreational facilities located at Manyatta Youth empowerment Centre in Embu Town.	4,000,000
3	Sponsorship of 60 unemployed low skilled youth undertake vocational/technical courses under NITA at cost of ksh 40,000/youth	2,673,517
4	5,000 No. grafted avocado seedling @ 200	1,000,000
5	4,727 No. grafted Macadamia seedling @ 350	1,654,293
6	Funding 20 women and youth groups across the county engaging in table banking as revolving fund. Each group will receive ksh.100,000	

7	45 No. 100 seater tents @ 129,285.	5,817,867
8	Plastic chairs for the 45 groups to provide with tents @ 800 for 100	2,327,146
9	Market umbrellas for women, youth and the elderly in open-air markets in small and microenterprises in all sub-counties. 634 umbrellas @ 3,200	2,028,800
10	Establishment of business centres in 3 major towns Embu, Runyenjes, Kiritiri for youths, PWDs and women in business.	1,546,412
(l)	Kilifi	
1	210 motorbikes to support 210 youth. Each was paid for a capital Kes.20,000 and the balance will be paid by themselves in 14 months as per the lender's terms and conditions. Administration=Kes. 50,000	4,250,000
(m)	Nyeri	
1	16 No. Pushcarts to small traders (16 per constituency @ ksh 19,000)	1,710,000
2	Aprons for market traders –Ksh.500,000 Overalls for Pushcart pushers (beba beba traders) @Ksh.900,000	1,400,000
3	Water Tanks – 14 No. 5000lts capacity water tanks @Ksh 1,050,000, 1 No. 10,000 Lts capacity water tank @130,00. 2 tanks per constituency to assist schools	11,800,000
	Total	178,993,223

Nairobi

296. During the period, Nairobi County undertook the listed projects below. Attached to the projects listed are procurement and expenditure supporting documents for individual projects;

- i. Purchased 8 posho mills.
- ii. Purchased laundry shops for women groups- Quantity ordered 7 delivered 17 driers and 17 washing machines. The inspection & acceptance, evaluation minutes were provided.
- iii. Purchased a fully partitioned operational container to a disabled group for dispensing milk ATM. Ordered, delivered & distributed 1. The professional opinion, inspection & acceptance provided. Items were given to shauri moyo disabled group.
- iv. Equipped 17 classes by providing equipment for special children with autism.
- v. The County was to purchase uber riders for 17 groups. The money was however reallocated to Safe House.
- vi. Partnered with FIDA by giving a fully inbuilt container as a reporting desk for domestic violence cases for women. The approval was for 40ft but supplied 20ft.
- vii. Purchased water tanks for carwash machines for youth groups.
- viii. Bought heavy duty wheelbarrows for youths and women groups.

Kajiado

297. Supporting expenditure reports relating to Disability Centre constructed in Kajiado County were availed for audit review. Further, the county procured 5,000 litre water tanks for needy public schools. No supporting procurement documents were provided.

Kisii

298. Kisii County facilitated 175 youths to undertake training through National Industrial Training Institute at a cost of Ksh 3,571,560. The payment voucher, list of beneficiaries were availed for review.

299. The County funded Kisii County Mama na Mashinani Savings and Credit Cooperatives Sacco Society Ltd at a cost of Ksh 3,904,506. Payment voucher, bank statement, Board Approval, SACCO Minutes and MOUs were availed for review.

300. In addition, the County constructed GBV Centre. The payment voucher, Board Approval, authority to construct by County Government were availed for review.

Homabay

301. Construction of Rangwe Market Shed- Payment vouchers, Certificates of payment, Bill of Quantities, Board Approval, NEMA Environmental Impact Assessment License, The Land Registration Act were availed for review.

302. The county awarded bursaries and scholarships to students sponsored for NITA. The payment voucher, Reallocation consent, County Committee Minutes, proforma invoice, list of students were availed for review.

303. Abedo CBO was given money to fund market groups. Payment voucher, County committee minutes, Board approval were availed for review.

Garissa

304. Garissa County incurred in empowering needy families with Donkey carts and special wheelbarrows. Payment vouchers, invoice, delivery note, S11, S13 and LPO were availed for review. Further, the County incurred a cost of Ksh 1,600,000 in restocking program for 5 extremely drought affected families. Payment vouchers, invoice, delivery note, S11, S13, LPO and Bank Statement were availed for review.

305. The County purchased Revision Books to 14 Secondary Schools libraries at a cost of Ksh 1,540,000. Copies of payment voucher, Board Approval, invoice, S11, S13, Delivery note, LPOs, County Committee Minutes, RFQs, request note from the Ministry of Education were availed for review.

306. Mumkin Group purchased umbrellas for 20 women and youth groups. Procurement and expenditure supporting documents. The County further procured different capacities of water tanks for drought affected centers within the county. Procurement and expenditure supporting documents were availed for review.

Nyandarua

307. Nyandarua County purchased Branded tents at a cost of Ksh 1,700,000 for groups. Payment voucher, delivery note, invoice, LPO, S13, RFQs, Inspection and Acceptance Committee, bank statement, Evaluation Committee and professional opinion were availed for review.
308. In addition, the county procured carwash machines at a cost of Ksh 450,000 and Branded chairs for Ksh 486,000. procurement and expenditure supporting documents were availed for review.
309. The County purchased branded umbrellas at a cost of Ksh 6,000,000. payment voucher, invoice, delivery note, LPO, S13, Inspection and Acceptance Committee, opening committee, evaluation report, professional opinion, Board Approval, bank statement, distribution list and S11 were availed for review.
310. Further, the county incurred Ksh 1,887,800 for purchase, supply and delivery of tanks. payment voucher, invoice, S13, LPO, Delivery note, County Committee Minutes, Board Approval, tender opening committee minutes, evaluation report, professional opinion, RFQs, bank statement, distribution list, requisition letters from institutions and CBOs, S11.

Kitui

311. Kitui County bought 5,000 liter tanks from two suppliers, Annlandi Enterprises and Vitrace Enterprise Company Ltd at a cost of Ksh 2,860,000 each. Tender Opening Report, Tender Evaluation Report, Letter of Notification of Award, Regret Letters, County Committee Minutes, Payment vouchers, S11, S13, LPOs, Acceptance Letters, invoices, inspection and acceptance reports relating to the two suppliers were availed for review.

Kericho

312. In Kericho County, an amount of Ksh 963,810 was incurred in the purchase of Certified Maize Seeds and Fertilizer for farmers. The Payment voucher, cashbook extract, LPO, Delivery note, invoice, S13, County Committee Minutes, Acceptance committee were availed for review.
313. The County further purchased 100-seater tents at a cost of Ksh 2,319,617. Expenditure returns and procurement supporting documents were availed for review.
314. In addition, sports equipment totaling to Ksh 3,248,000 were purchased during the Financial Year. The payment vouchers, Delivery notes, LPOs, S13, County Committee Minutes, Inspection and acceptance Forms, bank statements and cashbook extracts were availed for review. During the period, the county also incurred Ksh 7,470,000 in the purchase of 5,000 liter tanks. procurement and expenditure returns documents were availed for review.

Kisumu

315. Procurement expenditure and documents relating to the two market sheds constructed in Kisumu County were availed for review.

Makueni

316. Makueni County funded Ngunguuni Self Help Group with grants for poultry farming at a cost of Ksh 1,000,000. payment voucher, Board Approval, County Committee Minutes, MOU, Certificate of Registration, Bank Statement, cashbook extract, distribution list, project proposals and project funding requests were availed for review.
317. During the period, the county further funded Ukambani Women Needs Organization with grants to facilitate ownership of water tanks to members at a cost of Ksh 3,100,000. payment vouchers, Board Approval, County Committee Minutes, Certificate of Registration, Bank Statement, pictorial evidence, distribution list, project proposal, project funding request were availed for review.

Embu

318. During the period, Embu County undertook the following projects;
- i. Purchased grafted avocado and macadamia seedlings at a cost of Ksh 2,654,450. Attached are payment voucher, LPO, S13, professional opinion, project approval, County Committee minutes, RFQs and recipient's acknowledgement forms.
 - ii. Purchased 100- seater tents. Attached are recipient's acknowledgement forms.
 - iii. Procured plastic chairs for groups with tents at a cost of Ksh 800,000. Attached are payment voucher, Certificate of Registration, invoice, professional opinion, RFQs, inspection and acceptance minutes and recipient's acknowledgement forms.
 - iv. Procured market umbrellas. Attached are payment voucher, invoice, inspection and acceptance committee minutes, Board Approval and RFQs. Established Business Centres in three major towns within the County. Attached are payment voucher, delivery note, certificate of practical completion, county committee minutes, professional opinion, Tender Documents, Bill of Quantities and RFQs.

Kilifi

319. In Kilifi County, an amount of Ksh 3,780,000 was incurred in purchase of motorbikes to support youths. The payment voucher, County Committee Minutes, Board Approval, cashbook extract, Bank Statement were availed for review.

Nyeri

320. Nyeri County purchased plastic cylindrical tanks at a cost of Ksh 1,105,000. Payment voucher, S11, Invoice, Delivery note, LPO, Inspection and Acceptance Committee, cashbook extract and distribution list were availed for audit review. The county further incurred a cost of Ksh 2,827,000 in the purchase of Apron and Dust coat. Expenditure returns and procurement supporting documents were availed for audit review.

Committee Observations

43. The Committee was satisfied with the management response as the management provided the expenditure returns and supporting documents for the various counties. Therefore, the query is addressed.

Committee Recommendations

321. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B on submission of documents for audit verification within the prescribed time.**

10.6. Ineligible Projects

322. Projects worth Kshs.35,917,698, although approved for funding by the Board as value addition projects, did not comply with the NGAAF Fund Access Guidelines, 2017. Section 2.0, and Project Proposal Evaluation Guidelines, which require projects and activities to be funded only if they are processing farm and livestock products, green energy innovations and any other economic activity involving value addition.
323. Consequently, the accuracy and validity of the expenditure of Kshs.35,917,698 could not be confirmed.

Management Response

324. The Board vetted projects for eligibility in accordance to the Regulations and Access to Funds Guidelines. This includes projects funded under value addition. Examples in the Access to Funds Access Guidelines is just a guide and not exhaustive to all value additions. Committees are encouraged to support local based innovations in value addition.

Committee Observation

325. The Committee was satisfied with the explanations and documentation provided to support the expenditure. Therefore, the query is addressed.

Committee Recommendations

326. **The Committee recommends that the Accounting Officer should comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B on submission of documents for audit verification within reasonable time.**

11. Annual Budget

327. The financial statements included a statement of comparison of budget against actual amounts. However, the approved budget for the year 2018/2019 was not provided for audit verification. Consequently, it was not possible to confirm whether the expenditure for various account items were within the approved budget. Although the Board was notified of the reduction of the total Fund's approved budget from Kshs.2.6 billion to Kshs.2.075 billion in its meeting of 27 September, 2018, the approval for its rationalization was neither sought nor granted even though, as provided by Section 1.2 (g) of Mwongozo guidelines, it is the responsibility of the Board to approve the annual budget of the organization.

Management Response

328. The annual budget for financial year 2018-2019 was prepared and presented to the Board for approval. Further, when the budget was revised downwards, the Board rationalized the budget to the budget cut appropriately. It is a fact that, the Board could not have utilized what they don't have. Management is trying to trace the signed copy. The approved budget is attached.

Committee Observation

329. The Committee observed that the approved budget for the year 2018/2019 was not provided for audit verification and the Auditor General could not confirm whether the expenditure for various account items was within the approved budget. Therefore, the query is addressed.

Committee Recommendation

330. The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B on submission of documents for audit verification within the prescribed time.

12. Budgetary Control

331. Review of the statement of comparison of budget and actual amounts for the year ended 30 June, 2019 revealed that the Fund exceeded the budget with respect to the following expenditure items;

Component	Budget (Kshs.)	Actual (Kshs.)	Over (Kshs.)
Transfer to Other Govt Unit-County Expenditures	1,967,866,141	1,969,632,174	1,766,033
Board remuneration	12,966,690	16,826,925	3,860,235
General expenses	32,434,014	45,438,110	13,004,096
Provision for gratuity	5,946,296	27,639,317	21,693,021

332. No justification has been provided by Management for exceeding the budget

Management Response

333. Exceeding of the budget was due to the following reasons;

Component	Budget (Kshs.)	Actual (Kshs.)	Over (Kshs.)	Explanation
Transfer to Other Govt Unit-County Expenditures	1,967,866,141	1,969,632,174	1,766,033	County expenditure was due to erroneous omission to Kirinyaga County.
Board remuneration	12,966,690	16,826,925	3,860,235	The Board remuneration increased after reallocating M&E expenditure incurred by the board during oversight.
General expenses	32,434,014	45,438,110	13,004,096	The general expense increased due to payment of long outstanding payable to KSG.

Component	Budget (Kshs.)	Actual (Kshs.)	Over (Kshs.)	Explanation
Provision for gratuity	5,946,296	27,639,317	21,693,021	The Fund had not provided for provision for gratuity. This was provided the audit exercise.

Committee Observation

334. The Committee observed that the management submitted documents supporting the various expenditures for review, and was satisfied with the management response. Therefore, the query was addressed.

Committee Recommendations

335. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B on submission of documents for audit verification within the prescribed time.**

13. Annual Procurement Plan

336. No annual procurement plan was prepared in the format set out in the Regulations and within the approved budget prior to commencement of the financial year as part of the annual budget preparation process.

Management Response

337. The Procurement Plan was developed and submitted to the Board for approval. This is evidenced by the revised procurement plan for M&E.

Committee Observation

338. The Committee observed that the procurement plan was subsequently submitted for verification by the Office of the Auditor General. Therefore, the query is addressed.

14. Board Meetings Held Without Statutory Quorum

339. During the year under audit, five of the Board meetings were held without the requisite statutory quorum. In the absence of quorum as provided for in the relevant constitutive instruments, we are unable to confirm the legitimacy of the Board decisions made.

Management Response

340. The Board is guided by NGAAF Regulations 2016, Mwongozo, State Corporations act Chapter 446 among others. The PS alternates are considered to be full Board members and not Ex-official. Further, if the PS alternates are Ex-officials, then the independent members who are appointed under Regulations 8(3) (e) (f) (g) MUST all be present in a meeting to form a quorum.

341. Further, the only meeting that did not meet the quorum was a Special meeting held on 25.03.2019 and the meeting required five members and no implementable decision were taken out of that gathering.

Committee Observation

342. The query was addressed as the Committee was satisfied with the management response.

15. Procurement of Motor Vehicle for Board Chair

343. Review of records maintained by the Fund revealed that Management procured a motor vehicle for the Chairperson of the Board at a cost of Kshs.14,500,000.00 during the year under review and allocated a designated driver for the Chair. It was noted that the Chair is not an Executive Chairman of the Fund therefore not entitled to a car owned and maintained by the Fund. Further, request by the Fund to The National Treasury seeking approval to procure the motor vehicle was declined due to lack of budget and the vehicle was procured using funds voted for other purposes without seeking for authority for reallocation. In addition, the procurement was not included in the approved Procurement Plan for 2018/2019 financial year yet the Board went ahead and passed a resolution to procure the motor vehicle. It is therefore not possible to ascertain lawfulness in the use of public resources.

Management Response

344. The Board members can use the official office vehicle when undertaking official duties for the corporations. As such, the Board Chair had been using the vehicle on official duties, mainly coming to the office to do discussions with Hon. Members of Parliament and as the head of the Board represent the Corporation in official meetings. Because chair is active on her roles, she is found mainly to be using the vehicle.

Committee Observation

345. The Committee observed that the approved budget and extract of procurement plan were submitted and verified by the Office of the Auditor General.

Committee Recommendation

346. **The Committee recommends the Accounting Officer should at all times comply with the provisions of Regulation 48 (1) of the PFM (National Government) Regulations, 2015 on reallocations by ensuring that future re-allocations are within the Regulations and Access to Funds Guidelines.**

16. Unapproved Civil Works

347. The Fund partitioned its offices at a contract sum of Kshs.36,553,804, under a contract dated 4 May, 2019, without first seeking and obtaining the relevant approvals from the County Government in violation of the relevant by laws. Further, it was also observed that the leasing

of the premises and partitioning of the same was not factored in the Fund's approved budget and procurement plan for the year under review.

Management Response

348. Throughout the process of the partitioning, the Fund involved the Technical Department i.e. the Ministry of Public Works and Housing for technical advice. Prior to occupying the premises, the Fund was being housed by the State Department for Planning. The State Department requested the Fund to move-out since they wanted to use the offices. Therefore, when the Fund secured the premises, there was no time to wait since signing of the lease involved two Department i.e. State Department for Housing and Ministry of Land. Immediately the agreement was signed, the Fund forwarded the documents Department for Housing for onward processing at the Ministry of Land. This was outside the Fund's mandate. Further, the expenditure was approved under revised procurement plan.

Committee Observation

349. The Committee observed that the management adduced evidence of the approval under the revised procurement plan. Therefore, the query is addressed.

17. Loss of Public Resources Through Theft

350. In Bungoma County, a Local Purchase Order (LPO) No.2588742 was issued for the supply and delivery of thirty-six (36) canvas tents of a hundred (100) persons' seater capacity worth Kshs.5,400,000 and a payment was made. Another LPO, No.2588739, was issued for the procurement of one thousand two hundred (1,200) water tanks worth Kshs.12,000,000 and which was paid for. However, on the night of 1 September, 2017, the Bungoma County NGAAF office lost all the above items worth Kshs.17,400,000 from its office yard. As at the time of audit the lost items had not been recovered.

Management Response

351. NGAAF involved the Internal Audit Department for fact-findings immediately the issue was brought to the Management attention. As at the time of disappearance, the tanks were at the Office yard and the issue was reported to the County Commissioner. NGAAF reported the issue to the Directorate of Criminal Investigation – Bungoma for investigation. The Board further interdicted the coordinator to allow investigations. After which she went to Court on wrongful dismissal. The coordinator was later cleared that she has no case to answer. The distribution list was later provided but the County Coordinator contract had already been terminated.

Committee Observation on the canvas tents

352. The Committee observed that:

- (i) Thirty-six (36) canvas tents worth Kshs. 5.4 million were accounted for and copies of the LPOs, payment Vouchers and other supporting documents availed to the Committee and verified by the Office of the Auditor General thereby resolving the matter.

353. The query is addressed.

Committee Observation on the Loss of water tanks

354. The Committee observed that:

- (i) The loss of one thousand two hundred (1,200) water tanks worth Kshs. 12 million was never reported to the police and no recoveries were made of the lost tanks;
- (ii) Internal investigations conducted with the help of the Directorate of Criminal investigations cleared the County coordinator from any wrong doing in the matter;
- (iii) Board Minutes approving the purchase of water tanks, Tender notice to purchase tanks, Professional opinion, Form of agreement between Supplier and buyer, Local Purchase Order (LPO), Invoice, payment voucher on payment of water tanks, delivery notes, S13 and the distribution lists of the beneficiaries were availed to the Committee and verified by the Office of the Auditor general but were found to be inadequate.
- (iv) Only two hundred and ten (210) water tanks were distributed and accounted for. Copies of the list of beneficiaries availed to the Committee during examination of accounts, could not be verified as there were inconsistencies with the signatures, number of tanks signed for, telephone numbers of the beneficiaries and the alleged beneficiary groups.

Committee Recommendation

355. **Within three (3) upon adoption of this report, the Ethics and Anti-Corruption Commission, should investigate the loss of the water tanks with a view to preferring charges against those found culpable for the loss of Ksh. 12,000,000 in Bungoma County.**

18. Irregular Direct Procurements

356. Bungoma County procured Kuroiler chicks at Kshs.1,000,000 while Embu County procured blankets and chairs worth Kshs.1,931,776 without observing the regulatory guidelines. Management did not explain why the above items were single sourced without subjecting the process to competition as required. Further, no evidence has been provided to show that the direct procurements were reported to the Public Procurement Regulatory Authority (PPRA) as a mandatory reporting requirement.

Management Response

357. Bungoma County procured Kuroiler chicks at Kshs.1,000,000. However, poultry farming of chicks is sensitive and subject to various factors such as mortality rate, resistance to climate and productivity. The County single sourced having looked at the above criteria for which there was need for value for money. In Embu County, the procurement was not single sourced as observed since the County floated the quotations are required by law.

Committee Observations

358. The Committee observes that this is a recurring matter from the Financial Year 2017/2018.

Committee Recommendation

359. **The Committee reiterates its observations and recommendation on the matter as made in the Financial Year 2017/2018.**

19. Unapproved Expenditure

360. Two groups were given funds totaling Kshs.900,000 in Uasin Gishu County without seeking and obtaining both the County Committee's and the Board's approvals.

Management Response

361. All projects are requested by the Community, recommended for approval by the respective County Committees and vetted by the National Board based on the requested approvals.

Committee Observation

362. The Committee observed that the management response was satisfactory and supporting evidence was availed. Therefore, the query was addressed.

20. Unresolved Prior Years issues

363. Various prior year's audit issues remained unresolved as at 30 June, 2019. Management has not provided reasons for the delay in resolving the prior year's audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

Management Response

364. The prior year's audit issues are to be tabled during Parliamentary Decentralized Funds Accounts Committee on 27th May, 2023.

Committee Observation

365. The Committee observed that prior year audit matters were not being addressed by the Accounting Officer and kept recurring in the subsequent financial years audit reports.

Committee Recommendation

366. **The Committee the Committee recommends that the Accounting Officer should at all times comply with Section 68 (2) (I) of the PFM Act Cap.412A by taking appropriate measures to resolve any issues arising from audit which may remain outstanding and recommends that the Accounting Officer submits a status report to the Office of the Auditor General on resolution of prior year matters.**

3.4 AUDITED STATEMENTS FOR FINANCIAL YEAR 2019/2020

367. The Committee noted that during the Financial Year 2019/2020 the NGAAF Board received a **Qualified audit opinion** from the Auditor General. Therefore, the financial statements presented fairly the financial position of the National Government Affirmative Action Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with international Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

1. Inaccuracies of the financial statements

1.1. Unexplained Adjustments to the financial statements

368. The financial statements for the year ended 30 June, 2020 were submitted within the statutory deadline of 30 September, 2020 and were subsequently amended and revised. However, the adjustments processed between the first set of financial statements and the final revised set of financial statements were not supported with relevant journal vouchers and other supporting documents.

Item	Initial Financial Statements (Kshs.)	Revised Financial Statements (Kshs.)	Unsupported Change (Kshs.)
Use of Goods and Service - Others	774,159	685,259	88,900
Staff costs - Travel, M/Vehicle, Accommodation	8,895,330	9,150,930	(255,600)
M&E Expenses - Secretariat Field activities	4,205,500	3,166,400	1,036,100
Provision for Gratuity - Liabilities	21,091,469	29,087,210	7,995,741

369. Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2020 could not be confirmed.

Management Response

370. The explanation to the changes from initial figures in the original financial statements to the revised statements is explained below. Further, entries for gratuity provision was availed for audit verification.

Item	Initial Financial Statements (Kshs.)	Revised Financial Statements (Kshs.)	Unsupported Change (Kshs.)	Explanations
Use of Goods and Service - Others	774,159	685,259	88,900	The amount of Kshs. 88,900 was erroneously captured in the year under review. The expenditure related to financial year 2020/2021.
Staff costs -	8,895,330	9,150,930	(255,600)	The amount of Kshs. 255,600 relates to

Item	Initial Financial Statements (Kshs.)	Revised Financial Statements (Kshs.)	Unsupported Change (Kshs.)	Explanations
Travel, M/Vehicle, Accommodation				receivable (un-surrendered imprest) amounting to Kshs. 188,2000 for financial year 2018/2019 for 3 officers that were surrendered in the year under review. While an expenditure amounting Kshs. 67,400 was erroneously omitted during ledger capturing.
M&E Expenses - Secretariat Field activities	4,205,500	3,166,400	1,036,100	The change under M & E expenses amounting to Kshs. 1,039,100 relate to reallocation of Kshs. 1,000,000 on fuel expenses and returned cash of Kshs. 39,100 from a field activity. The variance amount was erroneously captured as Kshs. 1,036,100 instead of Kshs. 1,039,100.
Provision for Gratuity - Liabilities	21,091,469	29,087,210	7,995,741	The amount in the initial financial statements was Kshs 21,091,469 hence variance of Kshs 7,489,741 and not Kshs 7,999,741 as indicated. The variance was as a result of an omission of PAYE paid for Raphael Charo of Kshs. 32,851 and transpose error on Tax in arrears of Kshs. 3,691,761.09 instead of Kshs. 3,961,484.2 resulting to under-casting.

Committee Observation

371. The Committee observed that:

- (i) The management did not avail documentation for verification by the Office of the Auditor General during the audit.
- (ii) Staff at the NGAAF Board require adequate capacity building on statutory deductions and tax laws.

Committee Recommendations

372. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

1.2. Unexplained Restatement of the Financial Statements

373. The comparative figures in financial statements have been indicated as restated. However, the explanations for the restatement of the balances as detailed below were not availed for audit verification.

Description	Balance Per Audited Financial Statements (Kshs.)	Balance Per Current Financial Statements (Kshs.)	Variance (Kshs.)
Statement of Financial Performance			
Transfers to Counties – Counties Expenditure	1,969,632,174	1,967,868,415	1,763,759
Staff Cost	97,543,299	97,636,899	(93,600)
General Expenses/Use of Goods & Services	45,438,110	43,347,509	2,090,601
Statement of Cash Flow			
Cash and Cash Equivalent at 01 July, 2019	708,173,717	715,320,150	(7,146,433)
Cash and Cash Equivalent at 30 June, 2019	955,911,652	951,792,041	4,119,611
Statement of Financial Position			
Accumulated Surplus	926,245,345	1,027,129,353	(100,884,008)
Capital Fund	178,305,138	0	178,305,138
Statement of Changes in Net Assets			
Balance b/f as at July 1, 2018 (Accumulated Surplus)	782,807,989	801,356,052	(18,548,063)

374. Under the circumstances the accuracy of the comparative balances in financial statements as at 30 June, 2020 could not be confirmed.

Management Response

375. The restatement of the financial statements for financial year 2018-2019 has been supported with the relevant supporting documents and explanations as indicated in the table below.

Description	Balance Per Audited Financial Statements (Kshs.)	Balance Per Current Financial Statements (Kshs.)	Variance (Kshs.)	Explanation
Statement of Financial Performance				
Transfers to Counties – Counties Expenditure	1,969,632,174	1,967,868,415	1,763,759	The amount of Kshs. 1,763,759 was erroneously disbursed to Kirinyaga. The money was returned back; however, this was captured as disbursement hence increasing expenditures with a similar figure. The error was corrected in the year under review.
Staff Cost	97,543,299	97,636,899	(93,600)	This was an amount for NSSF erroneously omitted on employer's contribution.
General Expenses/Use of Goods & Services	45,438,110	43,347,509	2,090,601	This was a transfer from CBK account to Secretariat account captured as expenditure under use of goods. The transfer was erroneously captured in the books as a block

Description	Balance Per Audited Financial Statements (Kshs.)	Balance Per Current Financial Statements (Kshs.)	Variance (Kshs.)	Explanation
				figure while the individual expenditures were already posted in their respective items.
Statement of Cash Flow				
Cash and Cash Equivalent at 01 July, 2019	708,173,717	715,320,150	(7,146,433)	The opening balance for the cash & cash equivalent on 1st July 2019 was adjusted due to; — The undisclosed balance of Kshs. 25,010,009 from the Secretariat account. — The CBK account balance was captured from the bank balance of Kshs. 708,173,717 instead of the bank reconciliation balance of Kshs. 690,310,141 while the reconciliation had unrepresented cheque of Kshs. 17,863,576 on Emergency.
Cash and Cash Equivalent at 30 June, 2019	955,911,652	951,792,041	4,119,611	The closing balance changed due to adjustments of the above figures and treatment of Kshs. 14,808,602 for assets that was erroneously expensed and added back before.
Statement of Financial Position				
Accumulated Surplus	926,245,345	1,027,129,353	(100,884,008)	The changes was effect of above adjustments
Capital Fund	178,305,138	0	178,305,138	Capitalization of assets were erroneously posted both in the current assets and under capital funds.
Statement of Changes in Net Assets				
Balance b/f as at July 1, 2018 (Accumulated Surplus)	782,807,989	801,356,052	(18,548,063)	The variance was due to the above adjustments

Committee Observation

376. The Committee observed that Journal Entries for the adjustments was not submitted for verification by the Office of the Auditor General during the audit.

Committee Recommendations

377. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

2. Unsupported Transfers to Other Government Units

378. The statement of the financial performance and as disclosed under Note 9 to the financial statements reflects transfers to other government units of Kshs.1,945,772,973. The amount relates to expenditures purportedly incurred in the forty-seven counties. However, amounts were not supported by way of County committees' expenditures returns. Further, copies of the relevant bank statements, cash books, board of survey reports and bank reconciliation statements for the year under review for all the forty-seven counties were not availed for audit review. The amounts reported have been derived from adjusting the opening cash balances of Kshs. 4,997,725, adding the disbursements of Kshs. 2, 415,765,435 in the year and subtracting the reported unspent county cash balances of Kshs. 474,990,187 as at year end which is not supported.
379. In addition, records held by the Fund indicate that four counties namely; Kilifi, Turkana, Nyamira and Nairobi did not acknowledge receipt of funds amounting to Kshs. 160,895,470 indicated as having been disbursed by the Fund Secretariat for the year under review.
380. In the circumstances, the accuracy of the reported transfers to Counties of Kshs.1,945,772,973 and the unspent fund balances held at the Counties of Kshs.474,990,187 as at 30 June, 2020 could not be confirmed.

Management Response

381. Kshs. 1,945,772,973 under Note 9 and in the financial performance was arrived from total County disbursements of Kshs.2,415,765,435, netting of Kshs. 474,990,187 from Counties unspent balances. The amount is reflected in the statement of financial position and under Note 19 (a) as Cash and Cash equivalents. Further, evidence of copies of RTGs, copies of relevant bank statements, reconciliation statements, board of survey, cash book extract are as attached. Further, acknowledgement for funds received by Kilifi County, Turkana, Nyamira and Nairobi amounting to Kshs. 160,895,470 is hereby attached for review to ascertain cumulative transfers to counties.

Committee Observation

382. The Committee observed that sufficient explanations and supporting documents for the expenditure were availed to the office of the Auditor General and verified. Therefore, the query is addressed.

Committee Recommendations

383. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

3. Accuracy of Reported Loss on Disposal

384. The statement of the financial performance and as disclosed under Note 17 to the financial statements discloses a disposal loss of Kshs 7,265,000. The loss was arrived at after deducting the sale proceeds of Kshs.1,585,000 from the cost value of Kshs 8,850,000 in respect of two (2) motor vehicles disposed during the year. However, the disposed assets have not been adjusted for depreciation charge for the duration of usage. Consequently, the accuracy of the reported loss on disposal of Kshs. 7,265,000 for the year ended 30 June, 2020 could not be confirmed.

Management Response

385. The vehicles were disposed-off without being depreciated since the Fund has no depreciation policy. The Fund's Asset Management and Disposal Policy document is at the draft level and once this is finalized, necessary action will be undertaken to ensure that cost on depreciation is distributed appropriately on all NGAAF Assets.

Committee Observation

386. The Committee observed that the NGAAF Board does not have a disposal policy in place.

Committee Recommendation

387. **Within six months upon adoption of this report, the Accounting Officer should finalize on the development of the Asset Management and Disposal Policy and present it to the Board for approval.**

4. Inaccuracies in Cash and Cash Equivalents

388. The statement of financial position reflects cash and cash equivalents balance of Kshs.907,396,510 and as disclosed under Note 19 (a) to the financial statements. Included in the balances is cash held by forty (40) Counties amounting to Kshs.474,990,187. Management did not provide the supporting information and documents by way of bank reconciliation statements and the respective cash books. Further, the balance excludes cash balances in seven (7) Counties that had received disbursements totalling to Kshs.349,996,936 during the year.

389. Consequently, the accuracy and fair statement of the reported cash and cash equivalents balance of Kshs. 907,396,510 as at 30 June, 2020 could not be confirmed.

Management Response

390. In the year under review, Cash and cash equivalents of Kshs.907,396,510 included in this amount is Kshs.474,990,187 for forty (40) NGAAF Counties accounts. The amount was unspent cash as at 30 June, 2020. However, the seven (7) counties had nil balances in the cash book, therefore no corresponding amount reflected as per their reconciliation statements.

Committee Observation

391. The Committee observed that copies of the relevant bank statements, cash books, board of survey reports, bank reconciliation statements for Turkana, Kilifi, Vihiga, Kericho, Marsabit, Meru and Nakuru were availed to the Office of the Auditor General and verified.

Committee Recommendations

392. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

5. Irregular Payment of Board Allowances

393. The statement of financial performance and as disclosed under Note 12 of the financial statements reflects remuneration of Directors' expenses amount of Kshs 12,016,791. This includes an amount of Kshs 283,400 paid to the former Chairperson of the Board in the form of sitting, accommodation and lunch allowances without evidence of discharge of Board functions. Consequently, the validity of the remuneration of Directors expenses amount of Kshs. 12,016,791 could not be confirmed.

Management Response

394. The amount of Kshs. 283,400 paid to the former Board Chair was in relation to National Government Affirmative Action Fund activities. Counties' invitees from Women Reps were done verbally through phone calls. Currently, the Fund has guided and all invites are done in writing to warrant payment.

Committee Observation

395. The Committee observed that the payment authorizations were not availed for verification at the time of audit.

Committee Recommendations

396. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

6. Property, Plant and Equipment

6.1. Noncompliance with International Public Sector Accounting Standards (IPSAS)

397. The statement of financial position reflects Property, Plant and Equipment balance of Kshs. 208,983,468 and as disclosed under Note 21 of the financial statements. However, the Property, Plant and Equipment have not been prepared in accordance with International Public Sector Accounting Standards (IPSAS) No. 17 which requires an entity to disclose for each class of asset recognized in the statements; the measurement bases for determining the carrying amounts, depreciation methods used, useful lives or depreciation rates used,

accumulated depreciation at the beginning and end of the period, additions, reconciliation of the amount at the beginning and end of the period showing additions and disposals, revaluations impairments, depreciation and net book values.

Management Response

398. The carrying amount and accumulated depreciation was not included since the Fund's policy document is still work in progress and therefore could not be implemented. Once the document is finalized, Management will ensure necessary action is undertaken to distribute depreciation cost vis a vis its useful life of assets.

Committee Observation

399. The Committee observed that the NGAAF Board does not have a disposal policy in place. The Management provided sufficient explanations for the expenditure thereby addressing the query.

Committee Recommendation

400. **Within six months upon adoption of this report, the Accounting Officer should finalize on the development of the Asset Management and Disposal Policy and present it to the Board for approval within six months following the adoption of the report by the House.**

6.2. Written-off Motor Vehicle

401. Included in the Property, Plant and Equipment balance of Kshs208,983,468 is a motor vehicle with a historical cost of Kshs. 14,500,000 which was involved in a road accident in the financial year 2018/2019. However, the carrying value has not been written down to reflect the salvage value realizable as it has been confirmed as uneconomical to repair.
402. Consequently, the accuracy and fair statement of the reported Property, Plant and Equipment balance of Kshs. 208,983,468 as at 30 June, could not be confirmed.

Management Response

403. Note 21 and Annex II of the financial statement on Property, Plant and Equipment amounting Kshs208,983,468 included and a motor vehicle valued Kshs.14,500,000 that was ear marked for disposal since it was uneconomical to repair. The process of disposal was initiated but bidders did not meet the reserve price as per the report dated June 10, However, this was noted and subsequently adjusted in the FY 2020/2021. The vehicle was later revalued on June 3, 2021 and process of disposal was carried out.

Committee Observations

404. The Committee observed that adjustments to the Financial Statements were made in the FY 2020/2021. Therefore, the query is addressed.

7. Other Matter

7.1. Unauthorized Expenditure Charge to Monitoring and Evaluation Reserves

405. The statement of comparison of budget and actual amounts under explanatory Note (a) reflects that the Fund brought forward balances of Kshs. 26,604,647 were approved for utilization at the beginning of the financial year. However, evidence of authorization to charge none monitoring and evaluation expenditure items to the reserve comprising of fuel and lubricants of Kshs. 1,000,000, training and skill development of Kshs. 7,341,940 renovation-Barclays Plaza of Kshs. 26,210,630, reallocated staff costs of Kshs. Kshs.10,681,845 and NHIF lumpsum payment of Kshs. 7,516,667 all totaling to Kshs. 52,751,082 was not provided for audit review. Consequently, the validity of the authorization and the proper charge of the resultant expenditure could not be confirmed.

Management Response

406. During the financial year under review, note 14 (b) to the financial statements reflected movement of M & E allocation to other items as per the board approval. Although the audit team indicated that Kshs.1,000,000 for fuel was charged under M & E, the said amount relates to Air tickets that was to be used to facilitate field activities during M & E.

Committee Observations

407. The Committee observed that the management did not avail documents for verification during the audit.
408. The Finance and Administration Committee Board Minutes dated 21st February, 2020 requesting for review and approval of the Monitoring and Evaluation Budget for the year 2019/ 2020, Full Board Minutes dated 24th February, 2020 that approved the expenditure and the approved Monitoring and Evaluation Budget for 2019/ 2020 were subsequently provided and verified by the Office of the Auditor General.

Committee Recommendations

409. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

1. Operations of the National Government Affirmative Action Fund County Committees

1.1. Kisumu County - Irregular Procurement

410. The Kisumu County Committee undertook the construction of a market project at a cost of Kshs. 11,711,047. The project was proposed by Akado Market Traders Group in January 2019

and tabled in the Board during the second quarter of financial year 2018/2019. The following gaps were however noted:

- (i) Although the construction was approved by Kisumu County Government's department of business energy and industry vide letter reference CGK/BEI/PM/9/Vol. II / (26) dated 6 February 2019 the land ownership documents to confirm the Group's rightful ownership to the land parcel were not provided for audit review.
- (ii) The tender notice advertised through the Government Advertising agency and in the dailies listed several mandatory requirements for an eligible bidder to be presented as proof of compliance. Scrutiny of documents availed revealed that the contractor awarded, had not availed as required; (1) Audited accounts for the last three years, (2) Bank accounts in the name of the company with six months' bank statement, and (3) Proof of work of similar magnitude and complexity undertaken by the firm in the last three years.

Management Response

411. After Devolution, Government lands owned by the County Councils were transferred to County Government. The County Committee, sought the consent of the Local Administration, the area Member of County Assembly, the Ward Administrator and the County Government of Kisumu through the Department of Business, Energy and Industry to ascertain the land ownership. It was established that the said land is indeed a public utility, and was designated for market, to support the community members in carrying out their businesses. The County Government was thus seeking for partners to develop the market. As a result, the NGAAF County Committee, in their efforts to support business persons, resolved to put up a modern market shed in the said public land to provide serene environment for carrying out business. The above project was conducted through Public Participation forum. The NGAAF County Committee had a memorandum of understanding with the Akado Market Committee as guided in the Fund's Access Guidelines. The above tender was awarded as per the advertised notice in the Government Advertising agency and all the mandatory requirements were met. Further, the audited accounts were availed and proof of work undertaken in the last 3 years.

Committee Observations

412. The Committee observed that supporting documentation was subsequently availed to the Office of the Auditor General and verified. Therefore, the query is addressed.

Committee Recommendation

413. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

1.2. Homabay County-Irregular Procurement

414. A project was proposed by Rangwe business community vide letter dated 7th February 2020 for the erection of market shed and pit latrines at Rangwe market at a cost of Kshs. 15,525,530. The procurement done by the Homabay County Government 2019/2020 prequalified contractors. However, this was irregular as the cost of the project exceeded the stipulated threshold of Kshs. 4,000,000 in the Public Procurement and Disposal (Amendment) Regulations, 2013 on use of request for quotations method of procurement.

Management Response

415. The County used requests for quotation in obtaining supply for the erection of market shed and pit latrines at Rangwe market. Although the auditors' observation is that the project cost of Ksh. 4,000,000.00 was beyond request for quotation, the NGAAF County Committee relies heavily on the advice from National Procurement Department at the County level and, which is the procuring entity for all government department at the County level. However, the auditor's observation is well noted and NGAAF County Committee is committed to ensure that this does not recur.

Committee Observations

416. The Committee observed that the procurement laws were contravened as the cost of the project exceeded the stipulated threshold of Kshs. 4,000,000 in the Public Procurement and Disposal (Amendment) Regulations, 2013 on use of request for quotations method of procurement.

Committee Recommendation

417. The Committee recommends that: -

- i) **The Accounting Officer should at all times ensure compliance with the provisions of Part IX, Section 91 to 114 of the Public Procurement and Asset Disposal Act, Cap.412C which provides for the Methods of Procurement of Goods, Works and Services.**
- ii) **The NGAAF Board, in consultation with the Public Procurement Regulatory Authority (PPRA), should conduct continuous capacity building to all County Coordinators and NGAAF County Committee's on procurement laws and regulations regularly.**

1.3. Kwale County

1.3.1. Ineligible Groups

418. In Kwale County twenty-eight (28) groups were funded at Kshs.9,596,000 that was disbursed they did not meet the threshold of a minimum 100 membership, operating revolving bank accounts with minimum group funding of at least three hundred thousand shillings (300,000) and the groups existence for a period exceeding at least six months as provided for in the regulations and the guidelines.

419. Further, neither the resolutions of properly constituted meetings and resolutions nor the agreements between the County Committee, on behalf of the Fund, and the identified groups on the terms of revolving the fund prior to release of funds in the prescribed form were provided for audit review.

Management Response

420. Funding of groups is guided by NGAAF Funds Access Guidelines, the County Committee submitted proposals for funding based on the laid down criteria which states Registered Women Groups with a minimum of 100 women members or at least 70% women membership but 100% women leadership. The County committee funded twenty-eight (28) groups with an amount of Kshs. 9,596,000 in the year under review of which all these groups met the mandatory requirements.

Committee Observations

421. The Committee observed that there was supporting evidence that the groups awarded were eligible was provided. Therefore, the query is addressed.

1.3.2. Lack of Public Participation in Projects Identification

422. The County undertook projects costing Kshs.14,066,189 on County wide / Constituency Projects Kshs 4,347,659.00, Women Economic Empowerment Kshs 5,622,123.00 and Value Addition Kshs 4,096,407. However, there is no evidence of public participation in the identification process at the constituency and ward levels by the County Committee.

Management Response

423. During the year under review, NGAAF Kwale County funded an amount of Kshs.4,347,659.00 on Countywide/constituency projects, Kshs.5,622,123.00 to Women Economic Empowerment and Kshs.4,096,406.92 on Value Addition. Funding of these projects were guided through NGAAF Access to Funds Guidelines. The projects were initiated at the Ward and Constituency level through public civic education as per attached evidence from Perani Residents request for a mini dairy plant. The projects were vetted by the County Committee and subsequently approved by the Board.

Committee Observations

424. The Committee observed that there was no sufficient public participation conducted in the identification process of projects at the constituency and ward levels by the County Committee.

Committee Recommendation

425. The Committee recommends that: -

- i) **The Accounting Officer should at all times comply with the provisions of Article 201 (a) of the Constitution.**
- ii) **The Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, No.34 of 2015 by submitting documents for audit verification within the prescribed time.**

1.3.3. Ineligible Groups

426. Projects worth Kshs.4,196,000 funded under value addition category, did not qualify as provided by the National Government Affirmative Action Fund Access Guidelines, 2017, Section 2.0 (ii), Project Proposal Evaluation Guidelines, which identifies six projects classification to be funded. Under the category projects to be funded are those that are involved in processing of farming and livestock products, green energy innovations and any other economic activity involving value addition.

Management Response

427. The Projects amounting to Kshs. 4,196,000 funded by NGAAF Kwale County qualified for Value addition as guided by the NGAAF Fund Access Guidelines, 2017. The projects involved processing of farming and livestock products, green energy innovations and other economic activities. Proposals were vetted by the County Committee and subsequently forwarded to the Board for approval.)

Committee Observations

428. The Committee observed that the supporting evidence was submitted and verified by the Office of the Auditor General. Therefore, the query was addressed.

Committee Recommendation

429. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

1.3.4. Irregular Procurement

i. Tender Opening and Evaluation by the Same Committee Members

430. During the year under review, NGAAF - Kwale County undertook tender opening for various procurements worth Kshs. 4,261,940.00. However, the opening of the bids, evaluation and award was done contrary to Section 78 of the Public Procurement and Asset Disposal Act, which requires at least one of the members not to be directly involved in the processing or evaluation of the tenders. By using the same members for tender opening and evaluation, the Management was in breach of the Act. Further, the committee was paid allowances of Kshs. 50,000 and 39,000 for undertaking opening and evaluating of the tenders respectively.

Management Response

431. NGAAF Kwale County depends on technical advice from other Government units at the Sub-county level. The Procurement Office is the technical department entrusted in procuring for Government entities at the Sub-County level. Based on the documents submitted, the committee members for opening and evaluation of tenders are different, except for Supply Chain Management Officer, Fund County Coordinator and in some cases, the County Commissioner. These are unavoidable cadre of staff in the said committees. However, the auditor's observation is well noted, the NGAAF County Committee will always been keen to ensure that there are different officers for the committees.

Committee Observation

432. The Committee observed that documents supporting the expenditure were provided and verified by the Office of the Auditor General. Therefore, the query is addressed.

Committee Recommendations

433. The Committee recommends that: -

- i) **The Accounting Officer should at all times ensure compliance with the provisions of Section 46 (1) and Section 78 (1) of the Public Procurement and Asset Disposal Act, 2015 by establishing relevant Committees as provided for in the Act.**
- ii) **The Committee recommends The NGAAF Board, in consultation with the Public Procurement Regulatory Authority (PPRA), should conduct continuous capacity building to all County Coordinators on procurement laws and regulations regularly.**

ii. Irregular Procurement of Motor Vehicle Repair services

434. National Government Affirmative Action Fund (NGAAF) - Kwale County paid Kshs. 127,252 vide payment voucher No. 4112/56 dated 29 June, 2020 and invoice No. 4980 of 30 June, 2020 for repairs services of vehicle registration No. GKB 494M. It also paid another garage vide payment voucher No. 4111/55 dated 29 June, 2020 and invoice /06/2020 and invoice No. 28 of 30/6/20 an amount of Kshs. 138,000 for repairs of the same vehicle. However, the pre-inspection report for the repairs of the car vide reportRef: KWL/MECH/INSP/VOL.IV/37 dated on 18 December, 2019 issued by the Ministry of Transport and Infrastructure, Kwale County Mechanical Officer has been used to support the two different payments.

435. Further perusal of the two invoices from the two service providers both dated 30 June, 2020 indicates that the same nature of services was carried out on the vehicle. No explanation has been rendered for the anomalies. There was also no post repairs inspection report from the Ministry of Transport and Infrastructure, Kwale County for services done by the second service provider.

Management Response

436. NGAAF Kwale County paid for repairs for motor vehicle No GKB 494M to M/S Wandandu an amount of Kshs. 127,252 and Crom Auto Works an amount of Kshs. 138,000. Although payments were done at almost the same time, works on the vehicle were carried out on separate dates and time. The vehicle GKB 494M has had a long-standing clutch problem which had to be taken to the different service providers for works.

Committee Observation

437. The Committee observed that evidence showing the repairs and maintenance took place was availed and verified by the Office of the Auditor General. Therefore, the query is addressed.

1.3.5. Bank Reconciliation Statement

438. The bank reconciliation statement for National Government Affirmative Action Fund (NGAAF) Kwale County reflects payments in cash book but not recorded in bank statement amounting to Kshs. 8,038,931. Included herein are six (6) cheques amounting to Kshs. 3,848,000 dated between 29 and 30 June 2020 and drawn in the name of the Fund Coordinator. The amounts were set aside for Civic Education exercise and Bursaries which were not conducted or issued due to Ministry of Health COVID-19 protocols on public gatherings. However, no explanations were rendered on why the payments had not been cancelled and the balances written back into the cash book. Consequently, Management was in breach of law.

Management Response

439. The unrepresented cheques related to civic education and bursaries for needy students. These cheques were committed in anticipation that things will normalize for school to go on and other activities as planned after the COVID- pandemic. The list of the beneficiaries was attached to the cheques. However, the said cheques became stale, were reversed and later replaced. as per the attached cash book extracts.

Committee Observation

440. The Committee observed that evidence showing the cheques were reversed and later replaced were availed and verified by the Office of the Auditor General. Therefore, the query is addressed.

1.4. Embu County

1.4.1. Non-Utilization of Funds under Women Economic Empowerment Funds

441. Records held by the Fund revealed Embu Roadmap Savings and Credit Cooperative Society Limited, registered on 8 February 2018, with the aim of encouraging groups to borrow money at an interest of 5% had been awarded funds under Women Economic Empowerment over the years. However, the SACCO which should have commenced operations in 2018 had not begun to extend loans to groups. The SACCO bank statement reflected a balance of Kshs.11,

946,193 as at 30 June, 2020. The purpose and objective of the funds advanced to the Sacco is therefore not being met. No explanations were provided as to why the intended groups were not accessing the funding.

Management Response

442. The National Government Affirmative Action Fund Board noted the anomalies and resolved to stop further disbursement of monies to SACCO's. An oversight visit was conducted and tabled before the board for guidance and a resolution was made to have the underutilized cash returned to NGAAF accounts until proper modalities are put in place for issuance of the said amount to the beneficiaries.

Committee Observation

443. The Committee observed that documents showing the underutilized cash was returned to NGAAF accounts was availed and verified by the Office of the Auditor General. Therefore, the query was addressed.

1.4.2. Unsupported Bursary Funds

444. Examination of documents at the Embu County National Government Affirmative Action Fund (NGAAF) office revealed that the office awarded and paid bursaries for approximately 600 students in various institutions in the County totaling Kshs.4,524,000. No evidence in form of reports or minutes of the participatory process undertaken to identify and award the students was provided. In addition, out of the total disbursement of Kshs.4,524,000 beneficiaries of bursaries amounting to Kshs.2,168,000 had not acknowledged receipt. It was, therefore, not possible to ascertain whether the award was merit-based as per the set guidelines and whether the bursary funds were for the beneficial use of the intended institutions and individuals.

Management Response

445. During the award of bursaries, Embu County engaged the Chiefs, Assistant Chiefs, Village Elders', School Head Teachers/Principals and Church Leaders to support identify needy students in society. Other needy cases were forwarded through the Children's Department and NCPWD. The forms submitted for consideration are normally stamped by those tasked in identification as per set guidelines. Further, bursary requests are vetted by the County Committee and submitted to the Board for action. During the period under review, bursaries amounting to Kshs.4,524,000 were awarded and acknowledged as per the availed file.

Committee Observation

446. The Committee observed that the acknowledgement receipts were availed and verified by the Office of the Auditor General. Therefore, the query is addressed.

1.4.3. Irregular Procurements

447. Examination of documents availed for audit indicated that the Embu County Coordinator incurred expenditure of Kshs. 390,000 for Covid-19 emergencies. However, it was observed that direct method of procurement through cash was applied in procurement of the items despite the value exceeding the low value threshold for procurement. The County National Government Affirmative Action Fund (NGAAF) paid Kshs. 1,200,000 for training and NTSA registration of two hundred (200) boda boda riders under Bursary and Scholarship Project. The services were procured through request for quotations issued to three service providers. However, it was noted that.
- i. All the service providers requested to quote were not included in the list of the County's registered suppliers,
 - ii. There was no formal request from the Fund to use the County register of suppliers as required,
 - iii. The request for quotations did not indicate the details of the requirements for the service provider and,
 - iv. The quotations evaluation report was not prepared.
448. In absence of the information, it was not possible to confirm how the service providers were identified and whether the service provider was qualified and had the capacity to provide the services required.

Management Response

449. During Covid-19 period, the entire nation was in panic due to the pandemic. Health concerns, confinement measures and hygiene measures adopted in the wake of the Covid-19 crisis that caused severe disruption in the supply and distribution chain of goods, works and services that the public urgently needed. In this critical period, the County had to do direct purchase of items since delays in securing essential supplies would cause more harm to the community. In some instances, only one supplier was in a position to deliver and decision had to be made due to the urgency of the items.

Committee Observation

450. The Committee observed that the item was dropped on materiality of facts given the pandemic was over. Therefore, the query is addressed.

1.5 Tharaka Nithi County

1.5.1 Irregular Diversions of Funds

451. Mitheru Plot 10 Self Help Group registered on 16 March 2017, requested for a grant of Kshs. 150,000 to purchase an incubator to use for hatching chicks. The funding of Kshs. 165,000 was recommended for approval by the County Committee and approved for payment by the Board. However, the group diverted the funds and bought a motor bike costing Kshs. 106,000 and shared amongst the members the balance of Kshs.59,000.

452. Further, Mutindwa Sub Location Persons with Disabilities registered on 4 November 2014, submitted a proposal in the year under review seeking Kshs. 236,000 to purchase an incubator for hatching chicks for sale. Out of the amount applied for, Kshs. 189,000 was approved for funding. However, the funds were diverted and each of the sixteen (16) group members received kshs. 10,000 and the balance of Kshs. 29,000 used for table banking.

453. No explanation was provided for the irregular diversion

Management Response

454. Tharaka Nithi National Government Affirmative Action Fund committee funded the groups as per their project proposal. However, the decision to divert the funds from the original project was not communicated to the Committee. The County Committee did a letter seeking an explanation and the letter was responded to. It was noted that there was no embezzlement of funds since the group did another project due to Covid19 Regulation that limited the number of people gathering at a place at a particular time. The idea of having an incubator could not have been reliable as at that time.

Committee Observation

455. The Committee observed that documents supporting the expenditure were provided to the Office of the Auditor General and verified. Therefore, the query was addressed.

1.5.2 Unsupported Bursary Payments

456. Tharaka County National Government Affirmative Action Fund (NGAAF) awarded and paid bursaries for six hundred (600) students amounting to Kshs. 3,784,286 to various institutions. However, the beneficiary institutions did not acknowledge the receipt of the bursaries amounting to Kshs. 3,304,286. Consequently, it was not possible to ascertain whether the funds were put to the beneficial use of the intended institutions and individuals.

Management Response

457. Tharaka County awarded bursaries amounting to Kshs. 3,784,286 to several beneficiaries in learning institutions but due to Covid-19 Pandemic outbreak, the cheques for bursaries were not dispatched. The County sort reallocation of the bursary funds to mitigate Covid-19 and a reallocation of Kshs. 2,118,000 was granted. The rest of the cheques were later issued directly to respective Institutions. However, some institutions acknowledged while others did not despite writing to them on several occasions. The bursary forwarding letter, is clearly indicated that heads of institutions should acknowledge receipt of funds for onward transmission to the National NGAAF Board.

Committee Observation

458. The Committee observed that documents supporting the expenditure were provided to the Office of the Auditor General and verified. Therefore, the query is addressed.

1.6 Meru County

1.6.1 Gender Based Violence (GBV) Rescue and Rehabilitation Center

459. Meru County National Government Affirmative Action Fund (NGAAF) constructed Mwangaza GBV rescue and rehabilitation center in Tigania West at a cost of Kshs. 38,536,394.40. However, no evidence was availed to confirm that the following funding conditions were met;

- (i) The facility co-exists and is attached to an existing functional facility with a related mandate,
 - (ii) The Community Based Organization or Group is registered with relevant Government department, is operating in the Constituency, has a bank account and up to date financial records and,
 - (iii) there are arrangements in place on how the facility daily operating costs will be met.
460. In absence of this information, the propriety of the expenditure and the project viability could not be ascertained.

Management Response

461. NGAAF Meru County have constructed GBV Rescue and Rehabilitation Center at an amount of Kshs. 38,536,394.40. As at the time of the audit, the County was still doing final touches on the Construction and registration of the CBO has been finalized.
462. The facility exists but there is no co existing facility with a related mandate. The building next to the GBV is a church. The Mwamuko Mpya CBO is registered with relevant government department. However, it is operating in Buuri Constituency while the GBV Centre is in Tigania West Constituency. The MOU entered on November 11, 2020 stipulates how these costs will be met. However, the current situation is that the GBV Centre is not operational.

Committee Observation

463. The Committee observed that the Memorandum of Understanding, registration certificates were provided to the Office of the Auditor General and verified. Therefore, the query is addressed.

1.6.2 Unsupported Bursaries

464. The National Government Affirmative Action Fund (NGAAF) Office awarded and paid bursaries for six hundred (600) County students in various institutions amounting to Kshs. 8,335,000. However, evidence of the participatory process applied for identification of the needy students, applications vetting reports, the qualifying beneficiaries and the beneficiaries and the beneficiary learning institutions receipts acknowledgements were not provided for review. In absence of the information, it was not possible to confirm the validity of the expenditures.

Management Response

465. The County Committee is involved in vetting the award of the bursary. An amount of Kshs.8,335,000 was awarded to needy students across the County. Although the auditors indicate that the process of identification could not be ascertained, due process was followed in awarding since this was done through Chief's offices, public barazas' and churches. A list of beneficiaries and acknowledgement receipts was provided for review. Other cheques became stale and were later reversed then replaced as per the cashbook extract. These replaced cheques later cleared as per the bank reconciliation. A file containing bank reconciliation statements for the periods was availed for audit review.

Committee Observations

466. The Committee observed that the supporting evidence was submitted and verified by the Office of the Auditor General.

Committee Recommendation

467. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

1.7 Nyandarua County - Bursary/Scholarship Program

468. On 27 February, 2020, the Fund, incurred an expenditure of Kshs. 3,174,500 on bursaries payments 291 needy students. However, the bursaries were granted to university students contrary to the funding guidelines. Examination of payment voucher no. 067 of Kshs 3,175,102 dated 29 June, 2020 in respect of bursaries and scholarships for needy students revealed that the payment was fully processed on 30 June, 2020 but the amount was not released to the beneficiaries as required. Further, the bank reconciliation statement as at 30 June, 2020 indicated the payment as unrepresented cheques while the cheque was still in the custody of the Sub- County Treasury.

Management Response

469. Nyandarua County processed payment voucher amounting to Kshs. 3,174,500 for needy students. Immediately, the cheques were written, the schools were closed down due to Covid-19 pandemic. The County Committee requested for a reallocation which was granted for an amount Kshs. 2,381,327.29 and the remaining balance of Kshs. 793,775.77 was committed for bursaries after reopening of the schools. Further, NGAAF supports needy bright students with bursaries and scholarships at all levels of education including universities, for as long as the beneficiaries meet eligibility criteria in accordance to the Access to Funds Guidelines.

Committee Observation

470. The Committee observed that supporting documents were provided to the Office of the Auditor General and verified. Therefore, the query was addressed.

1.8 Nyeri County - Bank Reconciliation Statement

471. The bank reconciliation statement reflects payments in cash book but not recorded in bank statement amounting to Kshs.18,753,585. Included in this amount are stale cheques totalling to Kshs.3,260,985 with some dating back to 1 July, 2017. No explanation has been rendered for failure to write back the stale cheques. The bank reconciliation statement also reflects payments in bank statement not recorded in cash book amounting to Kshs.324,553. The amounts relate to bank charges dating back to March 2018. No explanation has been rendered for failure to resolve the reconciling items on a timely basis.

Management Response

472. Although the County reflected an amount of Kshs. 18,753,585.12 as payment in cashbook not recorded in bank statement, the County in consultation with the Sub-County Accountant had the cheques reversed, replaced and dispatched. Further, the issue of the bank charges was sorted out and cleared

Committee Observation

473. The Committee observed that supporting documents were provided to the Office of the Auditor General and verified. Therefore, the query is addressed.

1.9 Kirinyaga County - Diversion of Funds

474. Kamiriji Progressive Youth Group received Kshs. 100, 000 from the National Government Affirmative Action Fund (NGAAF) Kirinyaga County for chicken rearing project. However, the group diverted the funding into table banking project without the approval of the Fund and the Board. There were also no records in support of the operation of the table banking project.

Management Response

475. NGAAF Kirinyaga County received funds amounting to Kshs. 100,000 for Kaminji Progressive Youth group. The group had applied funds to be utilized in chicken rearing and table banking projects as per attached application form. The group received the funds as requested. However, since their main project was chicken rearing, the table banking project was short lived and at the time of visit they had done away with table banking. This was done via minute no.3/23/2019- attached. The group focused on their main project which is chicken rearing and has really grown. Before NGAAF funding, the group had less than Two Hundred (200) chicken but as at the time of audit, they had over Two thousand (2,000) and thus no money lost by the group.

Committee Observation

476. The Committee observed that supporting documents were provided to the Office of the Auditor General and verified. Therefore, the query is addressed.

1.10 Kilifi County - Direct Procurements

477. The National Government Affirmative Action Fund (NGAAF) Kilifi County incurred expenditure amounting to Kshs.5,711,090 through direct cash procurements. However, review of the supporting records revealed that the procurements did not qualify for direct procurements.

Management Response

478. In the year under review, NGAAF Kilifi County incurred expenditure amounting to Kshs. 5,711,090 in relation to Civic Education forum. This is an accumulated figure spent during the year in different forums. The expenditures were incurred while hiring of tents, chairs and refreshment for the participants. The County hired services of its own funded groups on rotational basis as a way of creating sustainability of NGAAF County funded groups. The County has continued to adhere with the PFM Act 2012 and PPOA 2015. The cumulative figure seems beyond the threshold but it was for several forums being carried out at local levels. Funds for civic education is requested and approved on a quarterly basis hence utilized as such. In addition, the County committee has made effort to ensure that the groups are pre-qualified for onwards competitive services.

Committee Observation

479. The Committee observed that supporting documents were provided the Office of the Auditor General and verified.

Committee Recommendations

480. The Committee recommends that: -

- i) **The Accounting Officer should at all times ensure compliance with the provisions of Part IX, Section 91 to 114 of the Public Procurement and Asset Disposal Act, 2015 which provides for the Methods of Procurement of Goods, Works and Services.**
- ii) **The NGAAF Board, in consultation with the Public Procurement Regulatory Authority (PPRA), should conduct continuous capacity building to all County Coordinators on procurement laws and regulations regularly.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Board Membership

481. The Fund Board of Directors membership as governed by Section 8 (3) of the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 should consist of: -

- i. Chairman - Appointed by the Cabinet Secretary,
- ii. Principal Secretary- Gender
- iii. Principal Secretary - National Treasury,

- iv. Principal Secretary - Social Security Services,
 - v. One person representing Persons Living with Disabilities (PLWD) appointed by the CS,
 - vi. Person representing Youth appointed by the Cabinet Secretary,
 - vii. Three other persons appointed by the Cabinet Secretary for their knowledge or expertise in affirmative action and,
 - viii. The Chief Executive officer who shall be the Secretary to the Board
482. An amendment of Section 8(3) through Legal Notice No. 104 of 12 July, 2019 introduced sub-section (d) (a) which introduced the Principal Secretary for Economic Planning as an additional member of the Board, deleted subsections (e) and (f) and substituted the two with (e) which requires one person to represent the youth or PLWD and also removed the Chief Executive Officer as a Secretary to the Board without a replacement.
483. Arising from the Changes brought about by the legal notice, the following anomalies were noted;
- i. The removal of the CEO as the Secretary contravened the provisions of Section 1.1 (4) of Mwongozo Code of Governance for State Corporations which requires that the CEO be a Board Member with no voting rights.
 - ii. When the Chief Executive Officer wrote to both the Principal Secretary and Cabinet Secretary highlighting the anomalies noted in the amendments, the guidance given was that the persons representing the youth and the PLWD should both remain in the Board as further consultations are done.
 - iii. The effect of the amendments were that as opposed to having representation for both the Youth and Persons Living with Disability, only one person will be required to represent the youth and Persons Living with Disability.

Management Response

484. The removal of the CEO and the merging of the Board members representing the PWDs and the Youth was done by the CS Treasury as per the amendments contained in the legal notice published in the Kenya Gazette on 12th July 2019 and signed by the CS National Treasury on 17th April 2019. On the basis that NGAAF regulations are under the PFM Act, it is rightfully the rights of the CS Treasury to amend the regulations. However, the amendments were noted to have gone contrary to the principles establishing NGAAF by merging both the Board member representing the persons living with Disabilities and the Board representative of the Youth both of whom represents a huge constituency of the Affirmative action groups and the removal of the CEO from the Board contrary to the provision of section 1.1(4) of Mwongozo code of Governance for State corporations.
485. The Board in its sitting on 19th August 2019, under minute 418/08/2019: Regulations review discussed this matter and directed the CEO to seek further guidance from the CS. The CEO wrote to the Principal Secretary for Gender Affairs via memo TNTP/SDP/NGAAF/38/7/12 on 31st July 2019 on the same matter. Consequently, the Principal Secretary wrote to the Cabinet

Secretary on 1st August 2019 via a memo MPSYG/SDGA/CORP/5/12 whereupon the CS being the holder of Gender policy and the appointing authority as per regulation 8(3) (f & g) advised that both the Board representatives stay at the Board as she consults further.

486. The CEO also sought legal interpretation from the Ministry's Head of legal services via a letter Ref. TNTP/SDP/NGAAF/16/1/8 on 22/8/2019. No response was given on this. Executive Order No. 1 of 2020, did move NGAAF from the National Treasury and Planning back to the Ministry of Public Service and Gender. In effect, the main reason why the NGAAF regulation (amendment) 2019 was done was to bring in the PS State Department for Planning. With the reversal of NGAAF to be under the State Department for Gender, changes are also a bound to be done on the Board composition.
487. It is worthwhile to note that the Cabinet Secretary who appoints the Board did provide her direction on the matter and in due course she will effect the changes formally. Further, a brief report on the constitution of the current NGAAF Board was provided.

Committee Observation

488. The committee observed that the Cabinet Secretary for The National Treasury and Economic Planning, made an amendment to the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 through a gazette notice Vol. CXXI – No. 88 dated 12th July, 2019 amending the composition of the NGAAF Board. Further, the amendment was done without the approval of the National Assembly therefore the Cabinet Secretary usurped the role of the Parliament and contravened Article 94 (5) and (6) of CoK 2010.
489. The Committee also observed that The Statutory Instruments Act provides the various processes that should be followed whenever a state officer or any other person to whom delegated power is bestowed seeks to exercise such power. It provides that before a regulation making authority makes a statutory instrument, the regulation making authority shall make appropriate consultations with persons who are likely to be affected by the proposed instrument. Further, the regulatory making authority must conduct sufficient public participation in accordance with articles 10 and 118 of the constitution. Finally, section 11(1) of the Act provides that 'every Cabinet Secretary responsible for a regulation-making authority shall within seven (7) sitting days after publication of a Statutory Instrument, ensure that a copy of the statutory instrument is transmitted to the responsible Clerk for tabling before the relevant House of Parliament.
490. The Committee observed that by gazette notice Vol. CXXI – No. 88 dated 12th July, the then Cabinet Secretary for National Treasury and Planning published the Public Finance Management (National Government Affirmative Action Fund)(Amendment) Regulations, 2019 (the Amendment Regulations) which reconstituted the Board by including the Principal Secretary for Economic Planning and removed guaranteed representation for both Youth and a Person living with disability and introduced a provision that only allows either a person

living with disability or a youth to be appointed to the Board. Additionally, the amendment removed the Chief Executive Officer of the Fund appointed under regulation 17 from being member and secretary to the Board.

491. The Committee further observed that whereas the amendment regulations were published by the then Cabinet Secretary for National Treasury and Planning in accordance with the powers delegated to him under section 24(4) of the Public Finance Management Act, publication by the rightful authority alone is not sufficient to give statutory instruments legal force. Both the Statutory Instruments Act and the Public Finance Management Act sanction for parliamentary approval. Section 24(4) of the Public Finance Management Act thus provides “*the Cabinet Secretary may establish a national government public fund with the approval of the National Assembly.*” Further, Section 11 of the Statutory Instruments Act provides that every Cabinet Secretary responsible for a regulation making authority shall within seven (7) sitting days after publication of a statutory instrument, ensure that a copy of the statutory instrument is transmitted to the responsible Clerk for tabling before the relevant House of Parliament. As per the Statutory Instruments Register of 2019, **there is no record that the amendment regulations were tabled before the National Assembly as required under the Public Finance Management Act CAP 412A and the Statutory Instruments Act CAP 2A** consequently the amendment regulations have no force of Law.

492. During a meeting with the Principal Secretary for Gender Affairs Committee observed that it is not clear who the accounting officer of the Fund is between the Chief Executive Officer and the Principal Secretary. The Principal Secretary was at pains to account for funds disbursed by the Board since she exercises intermittent control over the operations of the Board. The principal secretary requested the committee to amend the law to confer the roles of an Accounting Officer upon the Chief Executive Officer of the fund.

Committee Recommendation

493. The Committee recommends that the Public Finance Management (National Government Affirmative Action Fund) (Amendment) Regulations, 2019 published via *Gazette notice* Vol. CXXI – No. 88 dated 12th July 2019 amending the composition of the NGAAF Board be revoked with immediate effect.

2. Board Meetings Held Without Quorum

494. During the year under audit, the Board of Directors held three meetings without the requisite statutory quorum. In particular, it was noted that the Board had planned for a meeting on 4 October, 2019 and the requisite notice were circulated to members of the Board on time. However, the Members who attended the meeting did not form a quorum. The Members present un-procedurally constituted an ad hoc Committee of the full Board chaired by the Chairperson of the Board contrary to the State Corporations Advisory Council (SCAC) guidelines and Mwongozo requirements. The ad hoc committee discussed the agenda items as

earlier circulated to the Members, an indication that the Committee did not have its own clear terms of reference.

495. In the absence of quorum as provided for in Mwongozo Code of Conduct for State Corporations, it was not possible to confirm the validity of the decisions made by the Board in the above three meetings.

Management Response

496. The special Board meeting held on 14-5-2020 attended by 4 members is not a Board meeting and was therefore not subjected to the minimum quorum of 5 members. The participation of the Chair was an additional support to the constituted special committee members who had met the committee quorum. The matter at hand was to deal with the staff disciplinary cases that had been elusive and the presence of the Chair was needed for guidance. Moreover, the 74th Board meeting held on 24th April 2020 under minute. 484/04/2020: Reports of the HR Board Committee recommended that a special committee be formed to conclude.
497. The special Committee Recommendation was thereafter adopted by the full Board in the 75th Board minutes of 29th September 2020.

Committee Observation

498. The Committee observed that the Minutes of the Board meeting held on 4/10/19 were availed for verification. Therefore, the query is addressed.

3. Appointment of County NGAAF Committee

499. The Meru County NGAAF Committee held several meetings during the year under review. However, the Gazette notices for the appointment of the Committee Members were not provided for audit verification. The Committee also did not maintain a meeting attendance register and therefore it was not possible to confirm the attendance or otherwise of the members or their representatives. Further, three constituencies, Igembe North, Imenti South and Igembe south, out of the nine Meru County constituencies were not represented in the County committee as required of the NGAAF Regulations. No explanation was given for the anomaly. It was, therefore, not possible to verify their appointments and operation of the committee.

Management Response

500. NGAAF Meru County committee was appointed via a gazette notice together with other counties. The Committee maintained attendance register for various meetings held. Igembe North Representative – moved to another Constituency while Imenti representative complained lack of time and requested for replacement. Fredrick Mugambi was dismissed and replaced by Morris Mwenda Kaberia through gazette notice

Committee Observation

501. The Committee observed that the Attendance register and gazette notice were submitted and verified by the Office of the Auditor General. Therefore, the query is addressed.

3.5 AUDITED STATEMENTS FOR FINANCIAL YEAR 2020/2021

502. The Committee noted that during the Financial Year 2020/2021 the NGAAF Board received a **Qualified audit opinion** from the Auditor General. Therefore, the financial statements presented fairly the financial position of the National Government Affirmative Action Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with international Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

1. Unsupported Property, Plant and Equipment

1.1. Lack of Asset Register and Disputed Land Ownership

503. As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs. 216,583,723 under property, plant and equipment as at 30 June, 2021. However, the fixed assets register indicating the asset number, carrying amounts or cost, accumulated depreciation and netbook values of the assets was not provided for audit review. Further, included in the property, plant and equipment balance of Kshs. 216,583,723 is the Gender-Based Violence Centre constructed by the Fund in Kisii County at a contract sum of Kshs. 20,813,816. However, the parcel of land on which the centre was constructed has an ongoing ownership dispute case.

504. Under the circumstances, the existence, completeness and accuracy of the reported property, plant and equipment balance of Kshs. 216,583,723 as at 30 June, 2021 could not be confirmed.

Management Response

505. The Fund has developed its Assets and Disposal Policy document and is hereby attached for audit review. Further, the Gender Based Violence Centre constructed by the Fund in Kisii County was constructed under a parcel of land whose ownership is under Kisii County Government. However, there has been an ongoing dispute on the ownership of the land before the Court of Law. On December 13, 2023, the contractor reported that the matter was fully settled by the Environment and Land Court at Kisii and that the land belongs to the County Government of Kisii. Further, the pending bill owed to the Contractor has since been approved by the Board awaiting payment.

Committee Observation

506. The Committee observed that that the assets register and the draft asset policy were availed and verified by the Office of the Auditor General. Therefore, the query is addressed.

1.2. Missing Generator at the Kiambu County NGAAF Office

507. Included in the property, plant and equipment assets register maintained at the Fund's Kiambu County Office is a generator the serial number DB2016329212 of undetermined value that

was reported to have been stolen. However, police report and record to confirm the current value and the circumstances under which the asset was stolen were not provided for audit review. In the circumstances, the completeness and accuracy of the property, plant and equipment balance of Kshs. 216,583,123 as at 30 June, 2021 could not be confirmed.

Management Response

508. The stolen generator of NGAAF Kiambu office was reported to Rweno police post and an as OB no.6 dated 5/8/2020 provided for audit review. The investigating officer reported that they are making good progress and will give an update before the end of April, 2024 that will lead to arraignment in court.

Committee Observation

509. The Committee observed that the theft was reported to the police and the matter was yet to be concluded.

Committee Recommendation

510. The Committee recommends that: -

- i) **Within three months upon adoption of this report, the Directorate of Criminal Investigation investigates and concludes on the matter with a view to have any culpable person be charged in Court.**
- ii) **The Accounting Officer of the Board should put in place mitigation measures that will prevent loss of NGAAF Assets.**

2. Unsupported Cash and Cash Equivalents

511. The statement of financial position reflects a balance of Kshs. 907,044,462 under cash and cash equivalents which as disclosed in Note 17 to the financial statements, includes cash held by forty-one (41) counties amounting to Kshs. 257,946,864. However, Management did not provide the supporting information and documents such as bank reconciliation statements and the respective cashbooks. Further, the reported balance of Kshs. 257,946,864 includes an amount of Kshs. 11,034,868 held in a bank account in respect of Kiambu County which differed with the quarterly report amount of Kshs. 8,554,212 resulting to unexplained variance of Kshs. 2,480,656.

512. In addition, the bank reconciliation statement for Nyeri County and Siaya County Offices reflects receipts in bank statement not yet recorded in the cashbook of Kshs. 700,000 and payments in the bank statement not in the cashbook totaling to Kshs. 4,731,243 respectively. However, no explanations were provided on why the long outstanding reconciling items had not been written back in the respective cash books. Consequently, the accuracy and completeness of the reported cash and cash equivalents balance of Kshs. 907,044,462 as at June, 2021 could not be confirmed.

Management Response

513. The statement of financial position reflects cash and cash equivalents balance of Kshs. 907,044,462 as at 30 June, 2021. As disclosed in Note 17 to the financial statements, the balance includes cash held by forty-one (41) counties amounting to Kshs. 257,946,864. The supporting documents such as bank reconciliation statements and cashbooks extracts are available for audit review. The reported balance for Kiambu County as per attached bank reconciliation amounting to Kshs. 11,034,868 was the actual balance as at 30 June, 2021. However, the reported balances as per the quarterly report of Kshs. 8,554,212 was erroneously captured since it included reversed cheques.
514. Further, Nyeri County Office reconciliation statement reflected receipts in bank statement not yet recorded in the cashbook of Kshs. 700,000. This was accounted and adjusted for in financial year 2021-2022. The Siaya County had unpresented cheques amounting to Kshs. 4,731,243, however, a substantial amount related to bursaries which has already been cleared.

Committee Observation

515. The Committee observed that the management did not provide the supporting information and documents such as bank reconciliation statements and the respective cashbooks during the audit cycle. However, the documents were subsequently availed and verified by the Office of the Auditor General.

Committee Recommendation

516. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within the prescribed time.**

3.0 Unexplained Variance in Transfers to Other Government Units - Kiambu County

517. As disclosed in Note 9 to the financial statements, the statement of financial performance reflects transfers to other government units' expenditure of Kshs. 1,971,080,886. The amount relates to disbursements and expenditure incurred in forty-seven (47) counties. However, review of expenditure records maintained by Kiambu County Fund Office revealed an unexplained variance of Kshs. 14,918,842 between the total expenditure of Kshs. 75,850,797 reflected in the financial statements and the balance of Kshs. 90,769,639 reflected in the cash book. Under the circumstances, the accuracy of transfers to other government units of Kshs. 1,971,080,886 reflected in the statements could not be confirmed.

Management Response

518. The statement of financial performances as disclosed in Note 8 to the financial statements reflects transfers to other government units' expenditure of Kshs. 1,971,080,886. The amount relates to disbursements and expenditure incurred in forty-seven counties. NGAAF Kiambu County received and acknowledged receipt amounting to Kshs. 86,885,665 from NGAAF

headquarters. As at 30 June, 2021, Kiambu County had unspent balances amounting to Kshs. 11,034,868 as per the bank reconciliation resulting to a net expenditure of Kshs. 75,850,797.

Committee Observation

519. The Committee observed that the Kiambu County Bank reconciliation was provided and verified by the Office of the Auditor General. Therefore, the query is addressed.

4.0 Siaya County - Irregular Procurements

520. The Siaya County NGAAF Office awarded a tender for the supply of 260 bales of 20kgs sugar for flood victims under emergency vote at a total cost of Kshs. 631,800. However, the following anomalies were noted:

- (i) Original tender forms, tender opening and evaluation minutes, professional opinion and tender award letter were not provided for audit review.
- (ii) The sugar received was repackaged into smaller quantities of one Kilogram (1kg) and distributed to various locations in the County with a reimbursement fare of Kshs. 100. Scrutiny of the list provided to support the distribution of the procured sugar revealed missing details such as identification number of the beneficiaries and mobile phone numbers and failure to indicated specific villages of affected area in Gem, Rarieda and Bondo Constituencies.
- (iii) Local Purchase Order No. 1671681 and S13 number 7448143 for the purchase reflected 260 bales of sugar while the delivery notes from the supplier indicated 243 bales. The resultant difference of 17 bales was not explained or accounted for.

521. Under the circumstances, the propriety and validity of payments amounting to kshs. 1,191,750 could not be confirmed.

Management Response

522. The procurement of Sugar was done through the list of pre-qualified suppliers. Further, the sugar was already packed into smaller quantities of one Kilogram (1 kg) for ease of distribution to various beneficiaries. The procurement of sugar was done through Local Purchase Order number 1671681 under emergency vote. Though the LSO indicated 260 bales, what was delivered, invoiced and paid was 243 bales as recorded in S13 and payment voucher.

Committee Observation

523. The Committee observed that the procurement documents were availed and verified by the Office of the Auditor General. Therefore, the query is addressed.

Other Matter

1. Unresolved Prior Year Matters

524. In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given an explanation for failure to resolve them in accordance

with the provisions of the Public Sector Accounting Standards Board templates and the National Treasury Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

Management Response

525. The Audit report for financial year 2019-2020 was received in 15 May, 2021. However, it's during this financial year that the Management has received an invite from the National Assembly to resolve audit issues.

Committee Observation

526. The Committee observed that prior year audit matters were not being addressed by the Accounting Officer and kept recurring in the subsequent financial years audit reports.

Committee Recommendation

527. **The Committee the Committee recommends that the Accounting Officer should at all times comply with Section 68 (2) (l) of the PFM Act Cap.412A by taking appropriate measures to resolve any issues arising from audit which may remain outstanding.**

2. Budgetary Control and Performance

528. The statement of comparison of budget and actual amounts reflects final budget and actual expenditure on comparable basis of Kshs. 2,535,303,839 and Kshs. 2,119,360,014 respectively resulting to an under expenditure of Kshs. 385,349,940 or 15% of the budget. The under expenditure may have affected the planned activities and impact negatively on service delivery to the public. Further, during the year under review, Kiambu County Office incurred unbudgeted expenditure totaling to Kshs. 742,000 on Civic Education without approval. No explanation was provided for the anomaly.

Management Response

529. The under absorption was attributed to the following;

- i. Payable to Kenya School of Government that had already been budgeted for but could not be paid since they had not tabled the report as per the contract agreement.
- ii. Staff cost due to exit of coordinators who were replaced with Gender Officers in an acting capacity.
- iii. Some of the activities for the Board were rescheduled.
- iv. Emergency disbursement which is based on request.

530. Further, Kiambu County requested for approval on civic education. However, during the training the attendance exceeded the budgeted figure. Management has taken note and this shall not recur.

Committee Observation

531. The Committee observed that documents in support of the expenditure were submitted and verified by the Office of the Auditor General. Therefore, the query is addressed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Nairobi County - Unutilized Funds for Purchase of Motor Vehicles

532. Records held by the Fund indicated that Nairobi County Office transferred funds totaling Kshs. 8,500,000 to Twende Kazi, a community-based organization (CBO) on 30 June, 2021 for the purchase of salon cars. However, audit verification carried out on 21 January, 2021, revealed that the CBO had not utilized the funds and was still held in a bank account. The purpose and objective of the funds disbursed to the group is therefore not being met. No explanation was provided for the failure to utilize the funds for the intended purpose. Consequently, the public may not get value for money from the unutilized funds.

Management Response

533. An amount of Ksh.8,500,000 was returned to NGAAF Nairobi Bank Account on June 30, 2023 by Twende Kazi E- Taxi CBO and supporting documents availed for audit verification.

Committee Observation

534. The Committee observed that documents in support of the expenditure were submitted and verified by the Office of the Auditor General. Therefore, the query is addressed.

2. Irregular Award of Tender by Splitting Quotes

535. Expenditure records indicate that Kshs.2,287,110 was spent by Kiambu County Office for purchase of wheel chairs, crutches and walking sticks with NGAAF Logo from three firms as follows:

Supplier	Item Awarded and supplied	LSO Number	Delivery date	Amount (Kshs.)
Achach Contractors	Children Normal Wheelchair	1031153	None	524,700
Bencha solutions	Common Wheelchair elbow clutches normal clutches Walking sticks	3522913	102	263,910
Tynetix Media	Adult Wheelchair	3522911	007	1,498,500
	Total			2,287,110

536. The procurement was done through quotation but the quotations register did not indicate when the quotations were received. Further, the order was split among the three bidder's contrary to Section 54 of the Public Procurement and Asset Disposal Act, 2015 which prohibits an entity to structure procurements as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed. Consequently, the Management was in breach of the law.

Management Response

537. The procurement for the above items were raised through request for quotations on 30 November 2020. This was for purchase of three items i.e. wheel chairs (children and adults), crutches and walking sticks with NGAAF Logo. Tynetix, Achach & Bencha were responsive and after the evaluation the award was given to the lowest bidder for each individual item. Achach Contractor was awarded supply of children wheel chairs, Bencha supply of crutches and Tynetix supply of adult wheel chairs and therefore, no splitting since this was based on individual items. The three bidders were awarded different, specific and distinguishable items in nature. The items were supplied and delivered by the suppliers as per attached delivery notes

Committee Observation

538. The Committee noted that the Request for Quotations with the different categorization was provided and verified by the Office of the Auditor General. Therefore, the query was addressed.

3 Award of Tenders to Preferred Suppliers

539. Expenditure records at Kiambu County Office revealed that three suppliers namely Homarog, Tynetix and Gichucho General Merchants appear to have received preferential treatment in award of tenders. This is contrary to Part I-Preliminary of the Public Procurement and Asset Disposal Regulations, 2020 which provides that an Accounting Officer shall ensure a fair and equitable rotation amongst the persons on the list for subsequent tendering proceedings such as requests for quotations or restricted tendering that may arise during the period of listing. No satisfactory explanation has been provided by Management for the unfair selection of suppliers.

Management Response

540. The Public Procurement and Asset Disposal Regulations, 2020 provides that an Accounting Officer shall ensure a fair and equitable rotation amongst the persons on the list for subsequent tendering proceedings such as requests for quotations or restricted tendering that may arise during the period of listing. NGAAF Kiambu County while doing procurement, followed the stated guidelines as per the PPAD Regulations 2020 by issuing Request for Quotations to various suppliers and awarding to the lowest bidder. The responsive suppliers were considered and awarded fairly and therefore; this does not result to any preferential treatment.

Committee Observation

541. The Committee observed that the matter was adequately addressed.

Committee Recommendations

542. **The Committee recommends the NGAAF Board, in consultation with the Public Procurement Regulatory Authority (PPRA), should conduct continuous capacity building to all County Coordinators on procurement laws and regulations regularly.**

4 Lack of Approved Human Resource Plan/Staff Establishment

543. During the year under review the National Government Affirmative Action Fund (NGAAF) did not have an approved staff establishment/human resource policy contrary to Section B.2(1) of the Human Resource Policies and Procedures for the Public Service. The Policy requires that every Ministry/State Department shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic Plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs. Further, the Fund had a total of eighty-nine (89) members of Staff employed by the Board and fifteen (15) deployed from other Ministries against staff establishment of two hundred and sixty-one (261) resulting in a shortfall of one hundred and fifty-seven (157). In the absence of approved human resource plans and job analysis, it is not possible to ascertain how the staff were held accountable and whether the staffing level of the Fund was optimal.

Management Response

544. The Fund has been relying on the Public Service Commission Policies and Manuals. However, after categorization of the Fund on 4th December, 2020, Management embarked on development of Human Resource Instruments. The Instruments were finalized in consultation with the Directorate of Public Service Management (DPSM) through Management Consultancy Services. The Board the HR instruments and the document has been submitted to State Corporation Advisory Committee (SCAC) for approval.

Committee Observation

545. The Committee observed that the Management had submitted the HR instruments and to the State Corporation Advisory Committee (SCAC) for approval HR. Therefore, the query is addressed.

3.6 AUDITED STATEMENTS FOR FINANCIAL YEAR 2021/2022

546. The Committee noted that during the Financial Year 2021/2022 the NGAAF Board received a **Qualified audit opinion** from the Auditor General. Therefore, the financial statements presented fairly the financial position of the National Government Affirmative Action Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with international Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, Cap.412A.

1. Failure to Charge Depreciation on Property, Plant and Equipment

547. The statement of financial position reflects property, plant and equipment balance of Kshs. 176,083,723 as disclosed in Note 19 to the financial statements. However, the assets have not been revalued or depreciation charged to reflect the carrying amount of the property, plant and equipment. In the circumstances, the accuracy, valuation and completeness of the property, plant and equipment balance of Kshs. 176,083,723 could not be confirmed.

Management Response

548. Management is working towards Asset and Disposal Policy document. However, the Fund is in consultation with other Government institutions for guidance on how to pursue the valuation of the Fund's assets in the most convenient and affordable approach due to the constraints affecting the fund.

Committee Observation

549. The Committee observed that the Fund had formulated a fixed assets management policy to assist in management of assets. Therefore, the query is addressed.

Committee Recommendations

550. **The Committee recommends that the Accounting Officer should at all times comply with Section 162 (6) of the Public Procurement and Asset Disposal Act, Cap.412C by issuing a manual and guidelines regarding all aspects of inventory, stores and asset management and trains all County Coordinators on the same.**

2. Inaccuracies in the Cash and Cash Equivalents

551. The statement of financial position reflects cash equivalents balance of Kshs.610,895,558 as disclosed in Note 17 (a) to the financial statements. Review of the cash books reflects long outstanding un-reconciled expenses in the cash books, revenues and bank payments not in cash books amounting to Kshs. 2,096,499, Kshs.1,435,485 and Kshs.401,526, respectively. Further, stale cheques totaling Kshs. 2,096,499 had not been reversed in the cashbooks at the end of the year. In addition, cash book balances in Kisii and Bungoma County Fund offices had unsigned bank reconciliations for two months while bank reconciliations for Machakos

County Fund Office were not provided for audit. In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs. 610,895,558 as at 30 June, 2022 could not be confirmed.

Management Response

552. In the year under review, cash & cash equivalent amounted to Kshs. 610,895,558 as reflected in the financial statements. Management has made a follow-up to ensure the un-reconciled cashbook items are cleared. The stale cheques amounting to Kshs. 2,096,499 for Kisii have been reversed. However, Bungoma is yet to reverse all the cheques. In addition, Management is still in consultation with Equity bank on modalities of transferring accrued revenue amounting to Kshs. 1,435,485 and Kshs.401,526 (payments in the bank not in the cashbook) to main account as well as getting proper documentations from the respective banks. However, the said revenue was reported in the cash and cash equivalent as other receipt. Further, the cash book balances in Kisii and Bungoma County offices and bank reconciliations for the two months have been signed. The bank reconciliations for Machakos County Office have been provided for audit review.

Committee Observation

553. The Committee observed that Bank reconciliation statement and cash book extracts for Bungoma, Machakos and Kisii for the months of June were provided to the Office of the Auditor General and verified. Correspondence with equity bank on amounts of Ksh.1,435,485 and Ksh.401,526 were also availed. Therefore, the query is addressed.

Committee Recommendations

554. **The Committee recommends that the Accounting Officer should at all times ensure compliance with the provisions of Regulation 90 (1) and (3) of the PFM (National Government) Regulations, 2015 which provides by ensuring that bank accounts reconciliations are completed for each bank account held every month and appropriate action taken in case of any discrepancies.**

3. Unsupported Payables

555. The statement of financial position and as detailed in Note 16 to the financial statements, reflects payables balance of Kshs.952,000 which includes a claim of Kshs.360,000 owed to the Kenya School of Government. However, the amount was not supported with any documents such as invoice, statement of account or Local Purchase Order issued to the Kenya School of Government. It is not clear, therefore, to which year or service the claim relates to. In the circumstances the accuracy and validity of payables balance of Kshs.952,000 as at 30 June, 2022 could not be confirmed.

Management Response

556. The amount of Kshs.360,000 owing to Kenya School of Government relating to induction of Board members in November 2020 is yet to be paid. The said demand notice was issued and documents provided for audit review. In addition, the invoice amount relating to this payable was availed for audit review and currently, the bill has already been cleared

Committee Observation

557. The Committee observed that LPO and invoice were availed for audit review and the evidence that Payment made on 31/3/2023 provided. Therefore, the query is addressed.

4. Unsupported Provisions for Gratuity

558. As disclosed in Note 15 to the financial statements, the statement of financial position reflects provisions for gratuity balance of Kshs.18,862,058 as at 30 June, 2022. However, Management did not maintain a schedule and analysis for the provisions. In the circumstances, the accuracy and completeness of provisions for gratuity balance of Kshs.18,862,058 for the could not be confirmed.

Management Response

559. The provision for gratuity of Kshs.18,862,058 is a cumulative balance brought forward from the time the Fund initiated provision for gratuity. The Fund creates a provision for gratuity for substantive officers for planning purposes every year.

Committee Observation

560. The Committee observed that Provision schedules and payment analysis for gratuity, were availed and verified by the Office of the Auditor General. Therefore, the query is addressed.

Other Matter

1. Unresolved Prior Year Matters

561. In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or explained failure to resolve them in accordance with the provisions of the Public Sector Accounting Standards Board templates.

Management Response

562. The Audit report for financial year 2020-2021 was received in 2022, however, the issues have not been resolved. It was on February 8, 2023 that Management received an invite from the Parliamentary Decentralized Funds Accounts Committee to resolve the issues.

Committee Observation

563. The Committee observed that prior year audit matters were not being addressed by the Accounting Officer and kept recurring in the subsequent financial years audit reports.

Committee Recommendation

564. **The Committee the Committee recommends that the Accounting Officer should comply with Section 68 (2) (I) of the PFM Act Cap.412A by taking appropriate measures to resolve any issues arising from audit which may remain outstanding and recommends that the Accounting Officer submits a status report to the Office of the Auditor General on resolution of prior year matters.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Non-disbursement of Monitoring and Evaluation to the Counties

565. The statement of financial performance reflects an amount of Kshs. 30,857,401 in respect of use of goods and services as disclosed in Note 9 to the financial statements which includes training expenditure of Kshs. 4,890,470. Further, Regulation 27 (2) of the Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 states that, the costs of monitoring and evaluation shall not be more than two per centum (2%) of the total allocation in each year's disbursement. However, during the financial under review, no funds were disbursed to the Counties for monitoring and evaluation. In the circumstances, the Fund Management was in breach of the law.

Management Response

566. As guided in the Public Financial Management Act (National Government Affirmative Action Fund) Regulations, 2016, the costs of monitoring and evaluation shall not be more than two per cent (2%) of the total allocation in each year's disbursement. Monitoring and evaluation exercise is done both at the HQs and county committee. Due to insufficient funds, counties are encouraged to utilize administration funds disbursed to their respective counties to carry out M&E. The HQs utilizes M&E funds to conduct M & E and offset deficits in its operations. The Board is in the process of reviewing the Regulations to provide clarity on usage of M&E funds. In addition, the Board is following up with the National Treasury for additional allocation to be able to engage Monitoring and Evaluation Officers to beef up support with the current lean staff who are engaged to carry out M&E from the HQs.

Committee Observation

567. The Committee observed that NGAAF is in still non-compliant with no M&E funds allocated to counties.

Committee Recommendation

568. **The Committee recommends that the Accounting Officer should at all times comply with the provisions of Section 27 (1) and (2) of Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016.**

2. Failure to Use the Government E-Procurement Module

569. During the year under review, the Fund did not comply with the Executive Order Number 2 of 2018 on use of e-procurement module. Further, the Fund has procured two separate stand-alone modules - Integrated Financial & Programmes Management Information System (IFPMIS) and E-Board, which are still in the evaluation stage and have not been integrated with IFMIS system. The Management did not provide satisfactory explanation for the failure to use the e-procurement module. In the circumstances, Management did not adhere to the Executive Order Number 2 of 2018.

Management Response

570. During the year under review, the Fund was to procure an Integrated Financial & Programmes Management Information System (IFPMIS) in compliance with the Executive Order Number 2 of 2018, on E-Procurement. However, as at the closure of the financial year under review, this had not been finalized and it is still work in progress.

Committee Observation

571. The Committee observed that NGAAF was still noncompliant with the executive order on the use of a E-Procurement module.

Committee Recommendation

572. **Within six (6) months upon adoption of this report, the Accounting Officer should comply with the provisions of Regulation 54 of the Public Procurement and Asset Disposal Regulations, 2020 Fund and procures an Integrated Financial & Programmes Management Information System (IFPMIS) in compliance with the Executive Order Number 2 of 2018, on E-Procurement.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Corporate Governance

573. During the year under review, the Fund did not have a Corporate Secretary, Monitoring & Evaluation Officer and an Internal Auditor as required by the Organization structure and Section 1.20 of the Mwongozo Code of Governance, 2015 which states that the Board should be assisted by a qualified, competent and experienced Secretary. In the circumstances, the effectiveness of the internal controls, risk management and overall governance at the Fund could not be confirmed.

Management Response

574. The National Government Affirmative Action Fund operates under development budget and has no recurrent budget. The administrative budget is guided in NGAAF Regulations 2016 which provides that 5% of the total allocation be set aside for the Fund Secretariat, of which

3% shall be shared among all county committees. The Fund has been utilizing the 3% for personnel emolument, which has been inadequate to engage all cadres of staff. As a result, the Fund, heavily depends on deployed staff from other State Departments.

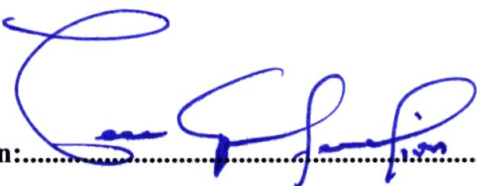
575. The Fund is a SAGA under State Department for Gender and the services of Internal Audit are provided for by the deployed Internal Auditors from the State Department. Further, the Board tried to engage State Department for Planning for services of an economist for M & E services. However, this did not bear any fruit since the State department is currently understaffed. Despite the prevailing circumstances, the Board is in the process of recruiting a substantive Internal Auditor, Corporation Secretary and M & E officer.

Committee Observation

576. The Committee observed that NGAAF did not have a Corporate Secretary, Monitoring & Evaluation Officer and an Internal Auditor.


Committee Recommendation

577. **Within six months upon adoption of this report, the Accounting Officer should submit to the National Assembly and the Office of the Auditor General evidence that the NGAAF Board has recruited a Corporate Secretary, Monitoring & Evaluation Officer and an Internal Auditor.**

Sign:  Date: nd 2 Dec, 2025

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

CHAIRPERSON, DECENTRALIZED FUNDS ACCOUNTS COMMITTEE

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 DEC 2025	
DAY: TUESDAY	
TABLED BY:	HON GIDEON MULYUNGI (CHAIRPERSON)
CLERK-AT THE-TABLE:	02/12/2025

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STANDARD FORM NO. 64

OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

FORM NO. 64 (REV. 1-61)

MINUTES OF THE 77TH SITTING OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE HELD ON MONDAY, 24TH NOVEMBER 2025, IN GARDEN SUITS, HILTON GARDEN INN HOTEL, MACHAKOS COUNTY AT 10:30 A.M.

PRESENT

1. **Hon. Gideon Mutemi Mulyungi, CBS, EBS, MP** **Chairperson**
2. Hon. Innocent Momanyi Obiri, MP
3. Hon. K'Oyoo, James Onyango, MP
4. Hon. Adhe Guyo Wario, MP
5. Hon. Richard Cheruiyot Kilel, MP
6. Hon. Adhe Guyo Wario, MP
7. Hon. Martin Wanyonyi Pepela MP
8. Hon. Caroline Jeptoo Ng'elechei, MP
9. Hon. David Mboni Mwalika, MP
10. Hon. Stephen Mogaka, MP

APOLOGIES

1. **Hon. Gertrude Mwanyanje Mbeyu, MP** **Vice Chairperson**
2. Hon. Abdi Barre Hussein, MP
3. Hon. Reuben Kipngor, Kiborek, MP
4. Hon. Jackson Lentoijoni, Lekumontare, MP
5. Hon. Dorothy Muthoni, Ikiara, MP

IN-ATTENDANCE

SECRETARIAT

1. Mr. Oscar Namulanda - Deputy Director
2. Mr. Ahmad Guliye - Clerk Assistant I
3. Mr. John Mutinda - Clerk Assistant III
4. Ms. Sharon Koskei - Clerk Assistant III
5. Mr. Peter Barasa - Legal Counsel II
6. Ms. Elizabeth Kibati - Research Officer III
7. Mr. Wilson Mwangi - Fiscal Analyst II
8. Ms. Winfred Kiziah - Media Relations Officer I
9. Mr. Benson Muchiri - Audio Officer III
10. Mr. Wilson Angatangoria - Sergeant at Arms
11. Ms. Rahima Manzura - Personal Secretary

MIN.NO.NA/DAA&GPC/ DFAC/2025/419

PRELIMINARIES

The Chairperson called the meeting to order at 11:00 a.m. followed by a word of prayer. He thereafter invited all present to introduce themselves.

MIN.NO.NA/DAA&GPC/ DFAC/2025/420 CONSIDERATION AND ADOPTION OF THE SEVENTH REPORT OF THE COMMITTEE ON ITS EXAMINATION OF THE AUDITED FINANCIAL STATEMENTS OF THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NG-CDF) BOARD FOR THE FINANCIAL YEARS 2016/17, 2017/18, 2018/19, 2019/20, 2020/21 AND 2021/22


- I. The Committee considered and adopted its seventh report on its examination of the audited financial statements of the National Government Constituencies Development Fund Board for the financial years 2016/17 to 2021/22.
- II. The Committee made observations and recommendations as contained in the report.
- III. The adoption of the report was proposed and seconded by Hon. Richard Cheruiyot Kilel, M.P. and Hon. David Mboni Mwalika, M.P. respectively.

MIN.NO.NA/DAA&GPC/DFAC/2025/421 CONSIDERATION AND ADOPTION OF THE EIGHTH REPORT OF THE COMMITTEE ON ITS EXAMINATION OF THE AUDITED FINANCIAL STATEMENTS OF THE NATIONAL GOVERNMENT AFFIRMATIVE ACTION FUND (NGAAF) FOR THE FINANCIAL YEARS 2016/17, 2017/18, 2018/19, 2019/20, 2020/21 AND 2021/22.

- I. The Committee considered and adopted its eighth report on its examination of the audited financial statements of the National Affirmative Action Fund (NGAAF) for the financial years 2016/17 to 2021/22.
- II. The Committee made observations and recommendations as contained in the report.
- III. The adoption of the report was proposed and seconded by Hon. Caroline Jeptoo Ng'elechei, M.P. and Hon. Joseph Kahangara Mburu, M.P. respectively.

MIN.NO.NA/DAA&GPC/DFAC/2025/422 ADJOURNMENT/DATE OF NEXT SITTING

There being no other business, the meeting was adjourned at thirty-five minutes past one p.m. The next meeting will be held after lunch in the same venue.

SIGNED.......... DATE 2nd Dec, 2025.....
HON. DR. GIDEON MUTEMI MULYUNGI, M.P. CBS
(CHAIRPERSON)

REPUBLIC OF KENYA



NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT
DECENTRALIZED FUNDS ACCOUNTS COMMITTEE
ADOPTION SCHEDULE

We, the undersigned members of the Decentralized Funds Accounts Committee, today 24/11/2025 do hereby affix our signatures to this 8TH REPORT OF THE DECENTRALIZED FUNDS ACCOUNTS COMMITTEE AUDITED FINANCIAL STATEMENTS FOR THE NATIONAL GOVERNMENT AFFIRMATIVE ACTION FUND (NGAAF) FOR FINANCIAL YEARS 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021 AND 2021/2022 to affirm our approval and confirm accuracy, validity and authenticity: -

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