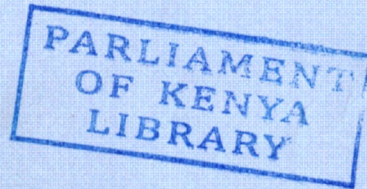


REPUBLIC OF KENYA



*Paper laid
By the Hon A. Swale
Leader of Majority
on Thurs 31/7/14
[Signature]*

KENYA NATIONAL AUDIT OFFICE



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
THE CONSTITUENCIES DEVELOPMENT FUND
FOR THE YEAR ENDED
30 JUNE 2013



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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE CONSTITUENCIES DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the financial statements of Constituencies Development Fund set out on pages 13 to 19, which comprise of the statement of financial position as at 30 June, 2013 and the statement of income and expenditure, statement of changes in fund and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of its financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient audit evidence to provide a basis for an audit opinion.

CDF committee therefore made these payments in contravention of the Public Finance Management Act, 2012 and contract agreements.

Basis for Disclaimer of Opinion

NAIROBI COUNTY

1. Kasarani Constituency Development Fund (CDF)

(i) Under Funding

During the year under review the Constituency was allocated Kshs.85,286,908 for use on various projects which were earmarked for financing. However, the CDF Board released only Kshs.77,839,049 resulting in a shortfall of Kshs.7,447,859. No explanation has been provided as to how the projects listed would be financed without adequate funding.

(ii) Provisional Sums Included in Project Contracts

Several projects were planned to be implemented at a cost of Kshs.23,431,387. A review of the Bills of Quantities (BoQ) revealed that provisional sums amounting to Kshs.4,450,000 were included as part of the total cost. No supporting documentation was produced to show how the pricing of the works done within the provisional sums were arrived at. Consequently, the propriety of the expenditure amounting to Kshs.4,450,000 could not be confirmed.

2. Embakasi Constituency Development Fund (CDF)

(i) Failure to Prepare and Submit Bank Reconciliation Statements

The cashbook and bank closing balances as at 30 June, 2013 were Kshs.3,961,877 and Kshs.40,563 respectively. However, bank reconciliation statements for the fund as at 30 June, 2013 were not made available for audit review and the last one availed was for the month of January, 2013. Further, it was also noted that the cashbook is not updated and balanced on a daily basis. Consequently the accuracy of the cash and bank balances could not be ascertained. No explanation has been given for failure to prepare the bank reconciliation statements.

(ii) Improperly Supported Payments

The Constituency Development Fund made payments amounting to Kshs.19,256,900 to various contractors undertaking different projects. However, all the contractors were paid similar amounts without regard to the level of completion of the projects and use of standard contract documents for works as provided for by the Ministry of Public Works. It is not clear how the various projects at different levels of completion and whose total contract sums were different would be paid similar amounts.

(iii) Irregular Procurement of Goods, Works and Services

The CDF Committee prequalified suppliers of goods, works and services who were thereafter requested to quote for various works. A review of the quotations raised and the procurement process revealed that the bids produced by the CDF Committee were not stamped while several contractors who were competing for these jobs appear to be related. This is in contravention of the Public Procurement and Disposal Act, 2005. Consequently, the competitiveness of the contract sums could not be ascertained.

(iv) Failure to Effect Statutory and Contractual Deductions

A review of payment vouchers, cashbook and the bank statements revealed that although the payment vouchers were properly analyzed to show the total payment certificate amount, retention amount, withholding and the VAT amounts, the contractors were paid the value of the full certificate amount including the 3% withholding tax and 10% retention which amounted to Kshs.481,045 and which should have been withheld as per the Income Tax Act and the Contract agreements. The CDF committee therefore made these payments in contravention of the Public Finance Management Act, 2012 and contract agreements.

(v) Irregular Payment

During the year under review, an officer acting as a representative of the employer in the implementation of the contracts awarded, received Kshs.777,897 from the CDF Committee bank account vide cheque number 2781. This payment related to consultancy fees from the Emergency allocation which was not approved by the Board. It was also apparent that the officer is an employee of Nairobi City County as a Quantity Surveyor and was therefore not eligible for any payment from the CDF Committee kitty. No recovery from the officer had been made at the time of audit for this irregular payment.

3. Westlands Constituency Development Fund (CDF)

Construction of Classrooms Block at Highridge Secondary School

Records availed for audit of Westlands CDF for 2012/2013 revealed that Kshs.44,655,014 was allocated to the fund for construction of Classroom Blocks at Highridge Secondary School. The contract for this project was awarded to a construction firm at a cost of Kshs.44,655,014. At the time of audit, the CDF Committee had paid the contractor Kshs.42, 619,463.60 excluding retention money of Kshs.2,232,751. During the project site visit, it was confirmed that the construction was complete but a few beams had cracks. The work appeared to have been poorly done. Further, Westlands CDF Committee did not provide for audit review a list of prequalified suppliers for 2012/2013 as a result of which we could not ascertain how the firm was sourced/identified and the competence to undertake this contract.

4. Starehe Constituency Development Fund (CDF)

(i) Irregular Procurement of Garbage Truck

The Starehe CDF Committee advertised a tender for purchase of a 14 ton garbage truck vide advert number ST/TR/GRB/12 of 13 July, 2012. Five firms responded and submitted their bids between 7 and 14 May, 2012 while the advertisement of the same tender was dated 13 July, 2012. The quotations were opened before the tender closing date of 16 July, 2012. Further, the tender was awarded to the second lowest bidder at a sum of Kshs12,950,000 instead of the lowest bidder who had quoted Kshs.12,438,840. The Constituency may have incurred an apparent loss of Kshs.511,160 by awarding this contract to the second lowest bidder. This was in breach of the Public Procurement and Disposal Act, 2005 and Regulations 2006.

Further, Starehe CDF transferred Kshs.5,500,000 from the Fund Bank Account to the Garbage Truck Project Management Committee Bank Account which approved an advance payment of Kshs.4,500,000 to the supplier of the truck. However, as at the time of the audit, the truck had not been delivered and the supplier was demanding payment of the balance of Kshs.8,450,000 which was due. No explanation was provided for the non delivery of the truck.

(ii) Single Sourcing of a Supplier

During the year under review, Starehe CDF Management contracted a Driving School to give 320 people driving lessons at the rate of Kshs.14,950 per person giving a total sum of Kshs.4,784,000. However, the service provider was not identified through a competitive process contrary to the provisions of the Public Procurement and Disposal Act, 2005. It is also not clear how the 320 people were identified to undertake the training. Consequently, the propriety of this expenditure could not be confirmed.

(iii) Proposed Extension of a Kitchen at Pangani Girls High School Nairobi

Starehe CDF advertised for the proposed extension of a Kitchen Block at Pangani Girls High School, Nairobi on 1 February, 2012. Five firms responded upon which the tender was awarded to a construction firm at a contract sum of Kshs.5,859,647. The contract period was 16 weeks commencing on 25 April, 2012 and ending on 25 August, 2012. The contract was however terminated on 16 June, 2012 after the contractor had requested for variation of the contract sum by Kshs.1,996,859 (approximately 34.08%) for additional works. At the time of termination, the contractor had already been paid Kshs.1,177,557 excluding retention amount of Kshs.130,840. Starehe CDF Committee awarded a second contract for the above mentioned project to a different contractor at a contract sum of Kshs.6,678,945. It was however not clear how the new contractor was identified. As at the time of audit, the project was far from completion and the contractor was not on site. The Starehe CDF Committee is likely to continue incurring losses on this project due to lack of adherence to the procurement procedures.

(iv) Unaccounted for Goods

During the year 2012/2013, Starehe CDF Committee procured 53 plastic tanks, 80 wheelbarrows, garbage collection kits among other items worth Kshs.6,904,890 through Starehe/Mathare Environmental Project Management Committee. However, no records were provided to show where the items bought were delivered, casting doubt on proper accountability for the items procured.

(v) Weak Internal Control Systems

During the year under review, Starehe CDF Committee approved disbursement of Kshs.51,242,996 to Community Based Organizations (CBOs) in the Constituency to implement approved development projects. It was however observed that these CBOs are managed by Project Management Committee members. This is a case of conflict of interest and is contrary to the requirements of the Public Finance Management Act, 2012.

5. Makadara Constituency Development Fund (CDF)

Failure to Prepare Project Proposals

During the year under review, the Constituency was allocated Kshs.81,087,412. The CDF Board remitted only Kshs.2,281,836 being administration budget for the year under review. The CDF Committee Bank Account had an opening balance of Kshs.9,774,247 as at 1 July, 2012. The CDF Committee did not have project proposals for the period under review and therefore the funds could not be released. It was also noted that, the Project proposals for the financial year 2012/2013 were approved in January 2014 and AIE for Kshs.38,261,870 was submitted on January 22, 2014. As at the time of audit the CDF Committee had not utilized the released funds and was in the process of undertaking the procurement process.

6. Dagoretti Constituency Development Fund (CDF)

Irregular Procurement of Goods and Services

During the year under review, the Dagoretti CDF Committee awarded a contract for Construction of Office block at Hon. Beth Mugo High School to a construction firm for Kshs.8,567,255. A review of the procurement documents revealed that the lowest bidder had quoted Kshs.7,627,248 for the same contract. The contract was therefore awarded contrary to Public Procurement and Disposal Act, 2005. As a result of this the CDF lost Kshs.940,007. Further, the tender committee awarded the contract for the above quoted contract at a sum of Ksh.8,567,255 while the budget allocation was Ksh.5,500,000 contrary to section 10 (2) (d) of the Public Procurement and Disposal Regulations, 2006. A visit to the site revealed that the construction works on the ramps and stairs were poorly done.

KAJIADO COUNTY

1. Kajiado North Constituency Development Fund (CDF)

(i) Arrears of Project Implementation Due to Delay in Funding

Records at the Kajiado North CDF show that allocations for projects in 2012/2013 financial year totalled Kshs.88,620,560.00. An amount of Kshs.20,243,979.50 was released to the constituency during the year and an amount of Kshs.68,388,618 is due from the CDF Board in respect of 2012/2013 financial year. The disbursed amount represents approximately 23% of the allocations for 2012/2013 financial year.

(ii) Change of CDF Activity

Whereas Section 9(4) of the Constituency Development Fund Act, 2007 indicates that every constituency which has unspent funds at the end of the financial year shall, in the form set out in the fifth schedule submit a request to the Board detailing how they intend to re-allocate the unspent funds, the projects listed below re-allocated funds provided to finance other activities:

- (a)** Nkoroi Mixed Day Secondary School, Lemelepo was allocated funds for construction of a laboratory and toilets at Kshs.1,500,000 and Kshs.500,000 respectively vide the CDF Committee meeting held on 4 January, 2013. The funds were subsequently disbursed to the school vide Cheque No. 2907 dated 16 January, 2013. However, the school requested for re-allocation of the funds for completion of classrooms in July, 2013.
- (b)** Ngong Boys and Girls Primary School was allocated Kshs.1,500,000 for construction of 20 toilets vide the CDF Committee meeting held on 4 January, 2013. However, it later emerged that the Diocese of Ngong was intending to construct toilets for the boys. Consequently, the management of the school requested CDF to apply the allocated funds for general renovations of the school.

No approval for the change of activity was availed for audit verification in both cases as required by the CDF Act, 2007 and CDF Board circulars.

(iii) Emergency Allocation Utilized Without Board Approval

Payments totaling Kshs.1,415,000 were charged to the Emergency allocation in disregard to Constituency Development Fund Board Secretariat circular reference no. CDF Board/Circulars/Vol.1/109 dated 24 August, 2010 which provides that re-allocations from unspent emergency funds to other (non-emergency) projects to be undertaken after closure of a financial year with the approval of the CDF Board.

(iv) Project Files and Procurement Records not Availed for Audit Verification

Project procurement files for projects worth Kshs.10,336,615 were not made available for audit verification. It was, therefore, not possible to confirm whether proper procurement procedures were followed or to determine the levels of completion of the projects.

(v) Outstanding balances in the Bank Reconciliation Statement as at 30 June, 2013

(a) Stale Cheques

The Bank Reconciliation Statement as at 30 June, 2013 reflects payments in the cash book not yet recorded in the bank statement totalling Kshs.506,038 which includes cheques of Kshs.45,657 which have remained outstanding for a period beyond six (6) months. No explanation has been provided for not passing the appropriate entries in the cash book to write them back.

(b) Payments in Bank Statement not yet Recorded in the Cash Book

The statement reflects payments in bank statement not yet recorded in cashbook of Kshs.91,650 which includes bank charges of Kshs.85,650. Further, the bank statement had Kshs.2000 and Kshs.4,000 indicated as bank overcast and suspense respectively.

2. Kajiado Central Constituency Development Fund (CDF)

(i) Arrears of Project Implementation due to Delay in Funding

Records at the Kajiado Central CDF show that allocations for projects in 2012/2013 financial year totalled Kshs.82,756,303.00. An amount of Kshs.47,378,151.50 was released to the Constituency during the year while an amount of Kshs.35,378,151.50 is due from the CDF Board in respect of 2012/2013 financial year. The disbursed amount represents approximately 57% of the allocations for 2012/2013 financial year.

(ii) Cash and Bank Balances

(a) Payments in Cashbook not Recorded in Bank Statement

The bank reconciliation statement for Kajiado Central Constituency - CDF cashbook as at 30 June 2013 reflects payments in cashbook not recorded in the bank statement (unpresented cheques) totalling Kshs.381,289.40 which includes stale cheques amounting to Kshs.75,755.40. It has not however, been clarified why the cheques had not been reversed in the cashbook as at 30 June 2013.

(b) Payment in Bank Statement not yet Recorded in Cashbook

Further, the statement reflects receipts totalling Kshs.2,249.00 in cashbook not recorded in bank statement. Failure to bank the long outstanding receipts of Kshs.2,249.00 as at 30 June 2013 has not been explained.

(iii) Difference in Cashbook, Monthly and Annual Returns Balances

Monthly and annual expenditure returns and the cashbook provided shows a balance of Kshs.1,869,896.85. However, analysis of the annual receipts and payments for the year show credit balance of Kshs.1,268,321.41 resulting in unanalyzed and unexplained difference of Kshs.601,575.44.

3. Kajiado South Constituency Development Fund (CDF)

(i) Arrears of Project Implementation due to Delay in Funding

Records at the Kajiado South CDF show that allocations for projects in 2012/2013 financial year totalled Kshs.82,223,690.00. An amount of Kshs.47,116,845.00 was released to the Constituency during the year and that an amount of Kshs.35,106,845.00 is due from the C.D.F Board in respect of 2012/2013 financial year. The disbursed amount represents approximately 57% of the allocations for 2012/2013 financial year.

(ii) Cash and Bank Balances

(a) Payments in Bank Statement not Yet Recorded in Cashbook

The Bank Reconciliation Statement reflects payments totalling Kshs.1,414,052.95 in cashbook not recorded in bank statement. Failure to recognize these payments in the cash book has not been explained.

(b) Receipts in Cashbook not Yet Recorded in Bank Statement

The Statement also reflects receipts totalling Kshs.1,782,824.80 in cashbook not recorded in bank statement. Failure to bank the long outstanding receipts of Kshs.1,782,824.80 as at 30 June 2013 has not been explained.

(c) Difference in Cashbook, Monthly and Annual Returns Balances

The monthly and annual expenditure returns and the cashbook reflected a balance of Kshs.1,219,642.70. However, analysis of the monthly and annual returns indicated a credit balance of Kshs.595,000.00 resulting in unanalyzed and unexplained difference of Kshs.1,814,642.70.

MACHAKOS COUNTY

1. Kangundo Constituency Development Fund

(i) Project Implementation and Status

During the period under review, the Constituency had an approved budget of Kshs.112,714,059.00. Records obtained indicated that several projects were funded by CDF in form of grants to various Projects Management Committees. A review of the projects status for the Constituency revealed that a total of 96 projects for the period under review and prior years had been budgeted for implementation. However, no expenditure returns or inspection and acceptance reports had been filed with the Constituency Development Fund Committee (CDFC). Further the CDF Committee had not started to implement the 2013/2014 projects despite the fact that by the time of this audit, it was six months into the financial year.

(ii) Stalled Project : Dining Hall-Matungulu Girls Secondary School

An amount of Kshs.3,000,000.00 was released to Matungulu Girls Secondary School in respect of completion of dining hall roofing, fittings, plastering, flooring and painting. A contract had been signed between the School Management and the contractor.

A physical verification indicated that there was no contractor on site and no recent works seemed to have been done. Although the funds had been received, no substantial works had been done to the project and the structure was exposed to dilapidation due to extreme weather conditions. There were no progress certificates, valuation reports or completion certificates made available for audit review. Further, no documentation was provided to show how the funds were utilized or the custody thereof.

2. Kathiani Constituency Development Fund

(i) Outstanding Imprests

Records at the Kathiani CDF indicated that imprest amounting to Kshs.2,066,670.00 was outstanding as at 30 June 2013. Most of the amounts were held by the Fund Manager who has already left the station and the Treasurer who is no longer in the CDF Committee (CDFC) Although some of the funds were purportedly taken for monitoring and evaluation, no reports were made available for verification. The recoverability of the amount outstanding as imprest is therefore in doubt.

(ii) Supply of Medical Equipment

During the year under review, the Constituency Development Fund Committee procured assorted medical equipment for dispensaries amounting to Kshs.5,979,675.00 from a diagnostics firm without following the laid down procurement procedures. The payment

was made through an undated invoice No. 2781 and an undated delivery note No. 2979. There were no tender opening or evaluation committee minutes presented for audit review, neither was there evidence available to show that market surveys were conducted to ascertain the prevailing market prices at the time. The preliminary evaluation was done by only two officers who seem to be duplicated in all other projects. There was no Inspection and Acceptance committee constituted prior to the payment and no certificate was presented for audit review. Records to show how the equipment was issued or distributed were not made available for audit.

(iii) Rehabilitation of Kauti Water Project

The CDF Committee procured services for rehabilitation of Kauti Water Project Tender NO. CDFKATH/068/WT/40/12, vide LSO No.0754110 of 20/3/2013 issued to a supplier. Invoice No. 126 dated 25 February 2013 amounting to kshs.1,000,000.00 was raised by the contractor. The tender amount as per the documents available was Kshs.1,065,032.20. A completion certificate was issued on 25 February 2013.

From the documents available, it is apparent that works were carried out even before they were ordered. Documents available for audit review show that Tender opening and preliminary evaluation were carried out at an undisclosed date and no minutes were available for audit verification. No market surveys were conducted to ascertain the prevailing market prices at the time. There were no technical and financial evaluation reports done or produced for audit review. The preliminary evaluation was done by only two officers who seem to be duplicated in all other projects. There was no Inspection and Acceptance Committee constituted prior to the payment and no report was presented for audit review. It was not possible to ascertain whether the goods were actually procured or that value accrued to the public in view of lack of proper documentation to support the payment.

(iv) Kombu Water Project

The CDF Committee procured services for carrying out repair works to Kombu Water Project Tender NO. CDFKATH/069/WT/19/12 at an amount of Kshs.2,000,000.00. Invoice No.003 dated 21 December 2012 amounting to Kshs.2,000,000.00 was issued by the Contractor. There were no Tender documents and Bills of Quantities made available for audit review. A completion certificate was issued on 20 December 2012. From the documents available it is apparent that works were carried out in a record 4 days. Tender opening, evaluation and Tender Committee minutes were not made available and none was attached to the payment voucher for audit verification. No market surveys were conducted to ascertain the prevailing market prices at the time. There was no technical and financial evaluation report done or produced for audit review. There was no Inspection and Acceptance Committee constituted prior to the payment and no report was presented for audit review. Physical verification indicated that there was no water kiosk in place as purported in the completion certificate and further the laying of the main line was not complete as there were incomplete sections along the pipeline. No Tender documents were available for audit verification and to

ascertain the scope of works to have been carried out. In the absence of the necessary documentation with respect to tendering, evaluation and awarding, it is not possible to ascertain the method of procurement used and whether economy, efficiency and value for public funds was realized in procurement for these services.

(v) Muindi Mbingu Water Project

The CDF Committee procured services through Tender No. CDFKATH/069/WT/01/13 for pump house repair, laying of distribution line and fabrication elevation structure and installation of 2 No. 10m³ plastic tanks for Muindi Mbingu Water Project. An unnumbered and undated invoice was issued for Kshs.3,534,000. A completion certificate was issued on 1 March 2013 by the District Water Officer, Kathiani District. From the documents available, it is apparent that works were carried out, inspected and certified even before they were ordered. No documents were made available for audit review in respect of tender opening, technical and financial evaluation and tender committee awarding. No market surveys were conducted to ascertain the prevailing market prices at the time. There was no Inspection and Acceptance Committee constituted prior to the payment and no certificate was presented for audit review. No minutes were made available to show that the withdrawal from the fund was authorized. No progress or completion reports were made available to support the works carried out, certified and paid for.

(vi) Purchase of Motorcycles and Parts

Examination of payment vouchers revealed that the CDF Committee spent Kshs.5 million, on the purchase of 47 motorcycles (HADJIN BIKES -150CC) at a cost price Kshs.120,000 each for use by chiefs in various locations in Kathiani. However, it was noted that Procurement rules were flouted as the amount involved warranted open tender. Instead the purchase was done through quotations, and no market survey was done.

The bikes had not been registered nor distributed up to the time of audit and are wasting away. There was an Evaluation Committee comprised of only two members and who happen to sit permanently on the Committee regardless of the nature of items purchased which is irregular.

(vii) Kyumbi Bore Hole

A total sum of Kshs.2,473,200.00 was paid to a contractor for Kyumbi Bore Hole servicing, construction of concrete base and installation of a water tank as per the availed documentations. However, it was noted that the LSO No. 0432515 was dated 24 September 2012, the invoice was dated 25 September 2012 and a completion certificate issued on 25 September 2012 on the same day. There was no Inspection and Acceptance report to certify the work done.

The District Development Officer-Athi River who was the Authority to Incur Expenditure (AIE) holder did not certify that the expenditure as detailed had been incurred for the authorized purpose and charged to the correct expenditure item.

(viii) Construction of Green Houses

Payments amounting to Kshs.4,080,000.00 for construction of green houses at a cost of Kshs.230,000.00 each were made to a consulting firm. However, no distribution list was prepared and signed by the recipients to confirm that the green houses were constructed according to the specifications and are in good order. Further, no evidence was availed to show that the activity was budgeted for.

It was therefore not possible to confirm that the expenditure was used for public good and funds were utilized for the intended purposes.

(ix) Payment for Sports Activities

Payments were made relating to Kathiani Constituency sports activities amounting to Kshs.3,823,007.00 for purchase of sports equipment amounting to Kshs.2,199,944.00 and tournament cost of Kshs.1,623,063.00. However, no distribution list of the equipment was provided for audit purposes and no evidence was provided to show that the activities took place and the funds were properly accounted for.

(x) Piping of Kwangingi Water Projects

A payment of Kshs.7,277,755.00 was made to two contractors for piping extension and fencing of Kwangingi water projects. However, there was no evidence provided to show when the piping and fencing works were carried out and certified at each stage of performance. Also no contract documents were provided for audit verification.

(xi) Road Gravelling

A payment of Kshs.2,099,840 was made for carrying out of gravelling and grading of roads near Mlolongo. However, there was no evidence when the works were carried out, the distance covered and the scope of works carried out. It was therefore, not possible to confirm that the works were carried out.

(xii) Excavation of Muthwani Dam

A payment of Kshs.4,800,000.00 was made on 18 February for excavation of Muthwani dam. However, it was noted that the invoice was not dated. Further, there was no evidence to show when the works were carried out and no contract agreement was provided for audit purposes. It was not possible to confirm that the works were carried out as per the scope of works.

3. Masinga Constituency

Project Implementation Status

A review of the projects status for the Constituency revealed that a total of 20 projects for the period under review, had not started or been completed in time despite the fact that the funds had been released in time to the CDF account. 11 projects for prior years were still ongoing. Several other projects were funded by CDFC though no expenditure returns were submitted.

Inspection and Acceptance reports and Monitoring and Evaluation reports had been filed with the CDFC office even though records showed that funds had been released to the various Project Management Committees.

4. Mwala Constituency

Project Implementation and Status

During the period under review, records obtained indicated that several projects were funded by CDF in form of grants to various Projects Management Committees. A review of the projects' status for the Constituency revealed that a total of 41 projects for the period under review and prior years had not started or been completed in time despite the fact that the funds had been released in time to the CDF account and cheques had been written to the PMCs but remained uncleared for some time.

Further, expenditure returns, and Inspection and Acceptance reports had not been filed with the Constituency Development Fund Committee (CDFC). The CDFC has not started to implement the 2013/2014 projects despite the fact that by the time of this audit, it was six months into the financial year.

5. Yatta Constituency

Project Implementation and Status

The Constituency had an AIE total allocation of Kshs.102,488,340.00 out of which Kshs.60,244,170.00 was funded and Kshs.42,244,170.00 unfunded for the year 2012/2013. There were several projects that were funded by CDF in form of grants to various Projects Management Committees but expenditure returns, and Inspection and Acceptance reports had not been filed with the Constituency Development Fund Committee (CDFC).

The Constituency had 30 projects which were funded during the 2010/2011 but the projects had not yet started 3 years later. There were no Project Management Committee (PMC) reports from the previous Committee stating why the projects had stalled or whether the funds disbursed were still in the respective project accounts and how they intend to implement the projects. Further, the CDFC had not started to

implement the 2013/2014 projects despite the fact that by the time of this audit, it was six months into the financial year.

KIAMBU COUNTY

1. Lari Constituency

(i) Rehabilitation of Damaged Roads Sections

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office, revealed that damaged roads sections in the constituency were rehabilitated at a cost of Kshs.1,200,000. However, the bills of quantities prepared for the works, completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit review.

Under the circumstances, the propriety of the expenditure amounting to Kshs.1,200,000 during the year ended 30 June 2013 could not be confirmed.

(ii) Construction of a Dormitory

Examination of records for 2012/2013 maintained at the Constituency Development Fund's office revealed that a dormitory was constructed at a cost of Kshs.1,000,000. However, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.1,000,000 during the year ended 30 June 2013 could not be confirmed.

2. Gatundu South Constituency

Implementation of Projects

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that projects which cost Kshs.19,342,857 were started and completed during the year under review. However, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.19,342,857 during the year ended 30 June 2013 could not be confirmed.

3. Githunguri Constituency

(i) Construction of a Laboratory at Nyaga Secondary School

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that a contractor was awarded the construction of a laboratory at a contract sum of Kshs.2,987,750. However, no approved building plan and bills of quantities were availed for audit verification and the works were not done as per the draft plans. In addition, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were also not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.2,987,750 during the year ended 30 June 2013 could not be confirmed.

(ii) Purchase of Ambulance

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that an ambulance for Githunguri Health Centre was procured at a cost of Kshs.3,400,000. However, pre-delivery mechanical inspection was not done on the vehicle by the Chief Mechanical and Transport Engineer before it was bought as required by the Public Procurement and Disposal Regulations, 2006.

Under the circumstances, the propriety of the expenditure amounting to Kshs.3,400,000 during the year ended 30 June 2013 could not be confirmed.

(iii) Outsourcing of Project Supervision Services

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that project supervision and implementation services were outsourced from a consultancy firm and a total of Kshs.1,776,600 was paid during the year under audit. However, no reason was given as to why officers from the Ministry of Public Works and other Government agencies could not supervise the work. The basis of arriving at the fee was not given. In addition, resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.1,776,600 during the year ended 30 June 2013 could not be confirmed.

4. Limuru Constituency

(i) Construction of Jua-Kali Sheds at Kamirithu

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that Kshs.7,000,000 has been spent on the project so far including Kshs.2,000,000 in 2012/2013. However, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports for works and

materials supplied to the site and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.2,000,000 during the year ended 30 June 2013 could not be confirmed.

(ii) Face Lift for Schools in the Constituency

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that Kshs.10,500,000 was allocated to different schools for supply of materials and labour. However, documents availed for audit review indicated that only Kshs.8,146,379 was spent on the projects resulting in unexplained difference of Kshs.2,353,621.

Under the circumstances, the propriety of the expenditure amounting to Kshs.10,500,000 during the year ended 30 June 2013 could not be confirmed.

5. Kikuyu Constituency

Proposed Completion of Gikambura Health Centre Phase II

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that completion works for the Health Centre project (phase II) were contracted out at a contract sum of Kshs.5,910,050. However, physical verification of the works revealed that the first floor of the project was still incomplete and the site was not fenced off to secure it from break-ins and vandalism. In addition, the project manager gave a certificate of practical completion which was not supported by Bill of Quantities for phase II of the project. Further, completion certificates at specific predetermined stages and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.5,910,050 during the year ended 30 June 2013 could not be confirmed.

6. Juja Constituency

Construction of Classrooms at Mwihoko Primary School

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDFC) office revealed that the Constituency Development Fund Committee (CDFC) allocated Kshs.2,500,000 for the construction of 4 classrooms at Mwihoko Primary School during the year under review. This project was successfully completed and handed over. In addition, the school was allocated another Kshs.3,000,000 to construct a similar number of classrooms. However, the completion certificates at specific predetermined stages of the works, Inspection and Acceptance reports and

resolutions for withdrawing funds from the CDF account for the completed project and documents to support the new allocation were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.3,000,000 during the year ended 30 June 2013 could not be confirmed.

7. Kiambaa Constituency

(i) Construction of Ndenderu Dispensary

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that Kshs.6,800,000 has been spent on the project so far, including Kshs.1,300,000 for 2012/2013. However, it was constructed next to a high voltage power line and no impact assessment for the project on the effects of the high voltage power line on the users was done. In addition, completion certificates at specific predetermined stages of the works, Inspection and Acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.1,300,000 during the year ended 30 June 2013 and the effects of the high voltage power line on the users could not be confirmed.

(ii) Project Implementation Status in the Constituency

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that the Constituency had a budget allocation of Kshs.90,585,572. However, Kshs.50,280,000 (56%) had not been utilized by the 30 June 2013. No explanation was given for this low absorption of funds.

Under the circumstances, the intended community did not receive value for funds allocated during the year ended 30 June 2013.

8. Gatundu North Constituency

Construction of One Block of 10 Toilets at Munyaka Primary School

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that construction of one block of 10 toilets at Munyaka Primary School was awarded at a cost of Kshs.500,000. However, the block of toilets constructed had 8 toilets instead of 10 as per the bills of quantities. In addition, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.500,000 during the year ended 30 June 2013 could not be confirmed.

GARISSA COUNTY

1. Lagdera Constituency Development Fund

(i) Irregular Procurement of Civil Works - Kshs.42,300,000

The CDF Management, Lagdera made payments amounting to Kshs.42,300,000 to various contractors who undertook civil works within the constituency in respect to some eighteen projects. However, examination of payment vouchers, minutes and procurement documents revealed that some bills of quantities were missing or incomplete and Confidential Business Questionnaires were not filled and, therefore, the contracts undertaken may not have been awarded fairly as the procurement procedures were flouted, contrary to section 227(1) of the Constitution which requires a public entity to award contracts in a fair, equitable, transparent, competitive and cost effective manner. No satisfactory explanation was provided as to why procurement law, regulations and procedures were not adhered to in awarding these contracts.

In view of the above, the expenditure could not be ascertained as a proper charge to public funds.

(ii) Stalled Project at Bahuri Primary School - Kshs.1,400,000

The CDF approved project listing for the period 2012/2013 included construction of a dormitory at Bahuri Primary School at a cost of Kshs.2,500,000. The CDF office did not avail both the project file and the B/Qs for the project. Examination of payment vouchers revealed that a payment of Kshs.1,400,000 was made vide Cheques No. 247 and 419 of 2/08/2012 and 18/10/2012 respectively for construction of two (2) classrooms instead of a dormitory as per the approved project listing. The payment vouchers were supported by a certificate of work done dated 29 September, 2012 from Public Works and which indicated that the construction of two (2) classrooms was complete.

Physical verifications conducted on 4 February, 2014 revealed that works had been done up to foundation level (slab). No satisfactory explanation was provided as to why the project stalled. As a result of the above, the public did not benefit from this project as earlier intended, and also no value for money was realized on the expenditure incurred. The certificate of completion is in doubt.

In view of the above, the expenditure of Kshs.1,400,000 could not be ascertained as a proper charge to public funds.

(iii) Unsupported Bursary Expenses – Kshs.7,100,000

The CDF Management - Lagdera awarded bursaries amounting to Kshs.7,100,000 to students studying in various schools, colleges and universities. It was noted that the level of studies for the beneficiaries was not indicated and there were no acknowledgements documents from the learning institutions. It was further noted that some students appeared more than once in the lists supporting different payments

made to different learning institutions. No proper explanation was given for the irregularity. This could be fraudulent disbursement of bursary to non existent beneficiaries.

Under the above circumstances, it was not possible to ascertain that the funds were used for the intended purpose.

(iv) Unsupported Monitoring And Evaluation/ Capacity Building Expenses – Kshs.4,965,000

The CDF Office - Lagdera spent Kshs.4,965,000 on monitoring and evaluation/capacity building activities in the period under review. It was noted that imprest warrants supporting payment vouchers were not properly processed as accountants in-charge of both vote book control and imprest section did not sign. List and progress reports of the projects visited were not attached to the payment vouchers. It was further noted that training expenses were not supported by invitation letters, training time tables, attendance certificates/registers to justify the allowances paid to participants. It was, therefore, not possible to confirm the expenditure as a proper charge to public funds.

(v) Unsupported Administration Expenses – Kshs.1,575,000

Examination of payment vouchers revealed that the management spent Kshs.1,575,000 on administration and other related activities during the period under review. It was noted that payment vouchers were not supported by payment schedules to justify the payments made. It was further noted that imprest warrants were not signed by accountants in-charge of both imprest and vote book control sections.

In view of the above, the expenditure could not be ascertained as a proper charge to public funds.

2. Fafi Constituency Development Fund

(i) Irregular Award of Contracts – Kshs.10,770,376

Examination of payment vouchers, project files and other records held at the CDF FAFI office revealed that contracts amounting to Kshs.10,770,376 were awarded irregularly during the financial year under review. Scrutiny of the project files showed that they lacked notices of tender, technical evaluation reports, letters of award, bill of quantities, contract agreements and relevant tender committee minutes.

In the absence of relevant documentation, it has not been possible to confirm that proper procurement procedures were followed in the identification and eventual award of the contracts to various firms which won the tenders.

(ii) Unaccounted for Bursaries – Kshs.2,010,000

During the financial year under review, the CDF FAFI awarded bursaries totalling to Kshs.2,010,000 to students studying in various secondary schools and universities/colleges. However, it was observed that the level of studies for the students were not indicated and students who had no admission numbers were given the bursaries. It was further observed that there were no acknowledgement letters/receipts from the institutions to confirm that the bursaries were received. In the absence of the above, it was not possible to ascertain whether the funds were utilized for the intended purpose.

(iii) Monitoring and Evaluation – Kshs.696,000

An amount of Kshs.696,000 was paid in respect of monitoring and evaluation expenditure during the financial year under review. However, the respective payment vouchers were not supported by temporary work tickets, copies of the logbooks and work plans, contrary to government financial regulations and procedures. In the absence of the supporting documents, it was not possible to ascertain whether the CDF undertook the exercise and that the expenditure was a proper charge to public funds.

WAJIR COUNTY

1. Dujis Constituency Development Fund

(i) Irregular Award of Contracts

Examination of payment vouchers and other records related to a contract for construction of a maternity wing at Medina Dispensary revealed that a contract for Kshs.4,000,000 was irregularly awarded in that tender documents such as Bills of Quantities (BQs), letter of agreement, letter of offer and acceptance were not availed for audit review. This was contrary to section 52 of Public Procurement and Disposal Act, 2005 which requires that full tender documents must be prepared by the procuring entity. In the absence of any tender documents completed in full, it has not been possible to determine how the contract was awarded to the firm and whether it was executed properly. As at 30 June 2013, a total of Kshs.2,000,000 had been paid to the firm and subsequent payments made in October and November 2013. It has however not been possible to confirm that value for money was realized on the expenditure of Kshs.4,000,000 incurred on the project.

(ii) Unsupported Expenditure on Monitoring & Evaluation

The Government Financial Regulations and Procedures require that all payments must be properly supported with relevant documentation. Contrary to the above regulations, the Dujis Constituency Development Fund Office made payments amounting to Kshs.949,000 in respect of monitoring and evaluation of on-going projects during the year under review. However, the supporting documents attached to two payment

vouchers dated 18 September, 2012 did not include a list of projects visited and progress reports arising from the visits. In some cases, copies of log books, temporary work tickets, insurance covers and registration numbers of the vehicles hired for this particular exercise were not availed for audit review.

Under the circumstances, it was not possible to confirm propriety of the expenditure totaling Kshs.949,000 indicated incurred on monitoring and evaluation of on-going projects during 2012/2013.

MARSABIT COUNTY

1. North Horr Constituency Development Fund

(i) Doubtful Payments for Repairs of Motor Vehicles

The Constituency Development Fund Committee (CDFC) in a meeting held on 7 February, 2013 under MIN/NORTH HERR/CDFC/03/02/2013 approved payments for completed projects. Included among the completed projects was a payment to a Motor Garage for servicing of two (2) CDFC motor vehicles at a cost of Kshs.1,108,500.

Examination of payment voucher No. 387 of 14 March 2013 revealed that three (3) bidders had quoted for the repair of the two motor vehicles at a cost of Kshs.1,108,500, Kshs.1,162,800 and Kshs.1,217,100, and award made to the lowest bidder at Kshs.1,108,500.

However, audit verification revealed the following anomalies:

- i) Tender committee minutes awarding the tender to the lowest bidder were not made available for audit.
- ii) The two motor vehicles had not been inspected before the quotations were floated.
- iii) The amount involved surpassed the threshold of Kshs.500,000 for the request of quotations as the repairs costed Kshs.565,500 and Kshs.543,000 for each vehicle.
- iv) Copies of log books and work tickets were not made available for audit and it was, therefore, not possible to confirm whether the repairs were undertaken.

In view of the above, the propriety of the expenditure of Kshs.1,108,500 could not be confirmed.

(ii) Irregular Payment for an Overpriced Dormitory at Umuro Youth Polytechnic

The CDFC Tender Committee in a meeting held on 14 September 2012 under Min.2/14/9/2012-2013 resolved to float quotations for the construction of a dormitory at Umuro Youth Polytechnic. Three unreferenced and undated quotations were floated

and returned by the bidders indicating amounts of Kshs.3,500,000, Kshs.3,600,000 and Kshs.3,650,000.

The tender committee in its meeting held on 12 October, 2012 vide minute no. 2/12/10/2012/13 opened, deliberated and awarded the contract for the construction of the dormitory block and supply of 20 double decker beds and 40 no. 3" mattresses to the lowest responsive bidder at a contract price of Kshs.3,500,000. The letter of award was written to the contractor on 18 October 2012. However, the contract agreement between the parties was not made available for audit review and, therefore, the project duration could not be ascertained. Certificate of Completion no. MBTN/GN15/VOL.1/26 was however issued by the project manager on 28 December, 2012.

Examination of expenditure records revealed that a similar project also funded by the CDFC for construction of a boy's dormitory block of exact measurements, bill of quantities (B.Q's), specifications, architectural drawings, 20 no. double decker's beds and 40 no. 3" mattresses was at the same time being constructed at the Polytechnic but at a far lower cost of Kshs.2,400,000.

The grant for this project was approved by the CDFC as per Minute No. North Horr/CDFC/07/12/2012 part (9) of 26 December, 2012 and disbursed to Umuro Youth Polytechnic vide payment voucher and cheque no.334 and 002342 for Kshs.2,400,000 respectively, on 29 December 2012.

It was, therefore, not clear why within a span of two months, the cost of a similar project within the same institution and awarded by the same tender committee shot up by Kshs.1,100,000. There was no explanation of what economic fundamentals occasioned the abnormal increase of contract price in a span of two months.

Consequently, Kshs.1,100,000 was apparent lost due inflated project costs.

(iii) Flawed Procurement Process for Construction of a Theatre at Kalacha Health Centre

The Constituency Tender Committee on an undated local advertisement purportedly invited local firms to bid for the construction of an operating theatre with basic theatre equipment at Kalacha Health Centre .The advertisement attracted six (6) tenderers who bought the tender documents but only five (5) returned bids that were opened on 3 August 2012. According to the evaluation committee minutes dated 24 August 2012, only one (1) bidder was responsive and was consequently awarded the tender at a contract price of Kshs.17,441,685 on 29 August 2012.

However, the following anomalies were noted:-

- a) The advertisement for the construction works was done within the Constituency instead of a national open tender as prescribed by Section 54(2) of the Public Procurement and Disposal Act, 2005 and the thresholds provided by the First Schedule of the Public Procurement and Disposal Regulations, 2006.

- b) The project's contract price was composed of project management and contract administration expenses, builder's works and prime cost & provisional sums costing Kshs.325,000, Kshs.10,276,685 and Kshs.6,840,000 respectively, hence a total cost of Kshs.17,441,685.

Under the prime cost and provisional sums, it was noted that though the procurement law requires the procuring entity to prepare specific requirements relating to the works being procured that are clear, that give a correct and complete description of what is to be procured to allow for fair and open competition among those who may wish to participate in the procurement including technical requirements, the items as described in the Bills of Quantities (BQ) did not adhere to the requirement as explained here below:-

- There was no clear distinction between the provision of Kshs.500,000 for plumbing and drainage works (item A) and Kshs.1,000,000 for theatre sanitary fittings (item J).
- There was no complete description and or technical requirements of the Kshs.2,500,000 provisions for basic theatre equipment (item K).
- A complete description and technical requirements of Kshs.700,000 provision for air conditioning of theatre (item H), the kind of air conditioning and technical specifications, was not provided.
- There was no clarification as to what eventually comprised the Kshs.800,000 provision for contingencies (item G).
- A complete description of electrical works provision of Kshs.1,200,000 was not provided.
- The provisional sums were irregularly added a profit component totaling Kshs.95,000 and attendance for Kshs.45,000

The Constituency Development Fund Committee may not have obtained value for money on the expenditure of Kshs.17,441,685 due to the flawed procurement process.

(iv) Un accounted for Expenditure

During the year under review, the CDFC allocated and issued grants to three (3) institutions all totaling Kshs.6,300,000.

However, scrutiny of Projects files revealed that no expenditure returns to support the utilization of the grants had been submitted to the CDFC office by the Project Management Committees. It was, therefore, not possible to confirm whether the grants were utilized or not.

Further, the project files maintained at CDF offices lacked vital information such as project proposals, copies of minutes of PMCs, bank statements, contract agreements etc.

In absence of the expenditure returns, it was not possible to ascertain whether the funds disbursed to PMCs were utilized for the intended purposes.

2. Saku Constituency Development Fund (CDF)

(i) Construction of Maternity Ward at Jirime Dispensary

A Building Construction Company was awarded a contract for construction of a maternity ward at Jirime Dispensary at a contract price of Kshs.1,995,450 by Saku Constituency Development Committee (CDFC). The firm emerged the lowest responsive bidder among four others who had responded to quotation no. CDF/SAKU/11-12/28 of 8/5/12 of April 2012. The contract agreement was signed on 24 May 2012 and the project was to be completed by 30 September 2012. However, except for the winning bidder's priced Bill of Quantities (BQs), BQs for other bidders were not made available for audit review.

In a meeting held on 21 December 2012, the CDFC vide minute no. SAKU-CDFC/21/12/12 part 1 approved payment of Kshs.1,995,450 to the contractor and the payment was made vide payment voucher no.061499 and cheque no. 003058 of 14 January 2013. The payment was based on a Certificate of Practical Completion issued by the District Works Officer, Marsabit, on 11 January 2013 and which indicated that the construction works, electrical and mechanical installations were complete and tested.

However, the CDFC vide minute no. SAKU-CDFC/28/02/13 part 12 approved another payment of Kshs.249,900 to M/s Thevenin Electrical Sales for installation of electricity at Jirime maternity (same project) which was paid vide payment voucher and cheque no.061652 and 003151 respectively of 26 February 2013. These works had however been included and paid under the main contract.

Physical verification of the project carried out on 27 November 2013 disclosed that the maternity ward was shoddily constructed and was not in use eleven months after completion. The ward can indeed not be used for its intended purpose in its present state since the District Medical Officer of Health (DMOH) Marsabit had already stated it was not suitable for use as a maternity ward. It was noted that the CDFC did not involve the DMOH, Marsabit in the implementation of the project as required by Section 35 (2) of the CDF Act, 2003. Although these matters were brought to the attention of the CDFC and the Fund Account Manager, no explanation has been given for the wasteful use of public funds.

Consequently, expenditure totalling Kshs.2,245,350 incurred on the project may not provide the intended benefits to the community and is therefore a waste of public funds.

(ii) Irregular payment for Shoddy works at Marsabit Jua Kali Centre

The Saku Constituency Development Fund Tender Committee invited three (3) construction firms to bid for the construction of semi-permanent structures at the Marsabit Jua Kali Centre vide Quotations no. CDF/SAKU/12-13/36 of 8 October 2012. The firms responded and the Tender Committee vide minute no. CDFTC/02/10/12 (b) of

15 October 2012 deliberated on the three bids and awarded the tender to the lowest responsive bidder at a contract price of Kshs.500, 000. Subsequently, a contract agreement was signed on 25 October 2012 between the contractor and the CDFC and the project was to be completed by 30 December 2012. However, no evaluation minutes, letters of notification, award and acceptance letter were made available for audit review.

The project was completed and a Certificate of Practical Completion ref. MARS/DWO/CERT/VOL.1/157 of 26 November 2012 issued by the then Ministry of Public Works. The CDFC in its minute no. SAKU-CDFC/21/12/12 (19) of 21 December 2012 noted that the Marsabit Jua Kali Shed (construction of shed and supply of car wash machine) had been completed by the contractor and approved the payment. The payment was made vide payment voucher and cheque no. 061617 and 003117 respectively of 26 February 2013.

Physical verification of the project on 28 November 2013 revealed the following anomalies:-

- i) The provisional sums set by the Ministry of Public Works on the BQ of the winning bidder was Kshs.150,000.00 (Kshs.20,000 for supervision and Kshs.130,000 for supply of three Phase Power supply), but other bidders provisional sums was Kshs.190, 000 (Kshs.20,000 for supervision, Kshs.10,000 for wall sign writing and erection of signboard, Kshs.40,000 for supply of car wash machine and Kshs.120,000 for supply of three phase power supply). It was therefore not clear why the Ministry of Public works provided different provisional sums for the same project.
- ii) The Jua Kali Centre, though completed, cannot be used during the rainy seasons as the roof length was short.
- iii) The three phase power supply though paid for at Kshs.130,000 was not supplied and no evidence was adduced to show that the same had been paid to KPLC.
- iv) Although the CDFC approved the payment for construction and supply of car wash machine, no car wash machine was supplied.

In the circumstances, the propriety of the expenditure of Kshs.500,000 could not be confirmed.

(iii) Irregular Procurement for Construction Works at Saku Youth Empowerment Centre

The Saku CDFC floated quotations for construction of an ICT Laboratory, Carpentry Class, Tailoring Class and a Gymnasium Hall at the Saku Youth Empowerment Centre instead of inviting tenders through the open tendering method as required by the Public Procurement and Disposal Act, 2005. Four firms responded and during a Saku CDF Tender Committee meeting held on 14 September 2012, the contract was awarded at a contract price of Kshs.6,398,560 as analysed below:-

Particulars	Tender Sum (Kshs)
Construction of ICT Lab	1,617,760
Construction of Carpentry Class	1,794,400
Construction of Gymnasium Hall	1,493,200
Construction of Tailoring Class	<u>1,493,200</u>
Total	<u>6,398,560</u>

The contractor was paid the first payment of Kshs3,057,020 vide cheque no. 003030 dated 16 November 2012 and the final payment of Kshs.3,338,540 was made on 25 February 2013 vide cheques no. 003126, 003129, 003130 and 003128 of Kshs.697,250,707,250, 956,590 and 977,450 respectively.

However, the following irregularities were noted:-

- i) The contractor who won the tender was not among the Pre-qualified Contractors in Marsabit Central District.
- ii) The contractor's profiles were not made available for audit verification.
- iii) The tender costing a total of Kshs.6,398,560 was split into four to avoid open tendering method of procurement.
- iv) The CDFC paid the Contractor directly instead of transferring the funds to the PMC – Saku Youth Empowerment Centre.
- v) The minutes for the PMC – Saku Youth Empowerment Centre were not made available for audit review.
- vi) No retention fee was withheld although some cracks were visible on the walls.
- vii) No project returns for Saku Youth Centre were in the file.

Physical verification of the project on 3 December 2013 revealed that it was complete but the ICT Lab and Carpentry class were being used by CDF staff as offices, and hence not put to intended purpose.

In view of the above, the CDFC was in breach of the CDF Act, 2003 Public Procurement and Disposals Act, 2005 and the Regulations of 2006.

(iv) Irregular Procurement of Equipment and Non Utilization at the Saku Youth Empowerment Centre

The Saku CDFC floated quotations No.CDF/SAKU/12-13/25 dated 04 October,2012 to five contractors / suppliers for supply of equipment for Saku Youth Empowerment Centre. The five firms responded and in the meeting of 15 October, 2012, the CDF Tender Committee awarded the contract to the lowest bidder at a price of Kshs.6,601,000. The contract was signed on 19 October, 2012 with the last date of delivery of the supplies being 19 December, 2012. The goods were delivered vide delivery notes dated 8 January, 2013. Subsequently, the funds were transferred to

Saku Youth Centre PMC account maintained at the Kenya Commercial Bank (KCB) Marsabit on 14 January 2013. On 19 January 2013, the PMC transferred Kshs.6,601,000 to the firm in respect of goods supplied to the Youth Centre.

However, the following irregularities were observed:-

- i) The contractor/supplier who won the tender was not among the Pre-qualified Contractors in Marsabit Central District.
- ii) The contractors'/suppliers' profiles were not made available for audit review.
- iii) Purchase of equipment for the Centre was far above the threshold for request for quotations.
- iv) The invoices attached to the payment voucher were dated 18 December 2012 while the delivery notes were dated 08 January 2013, implying that the CDF was billed before delivery of the goods. The equipment was to cater for tailoring, capacity gymnasium and ICT lab.
- v) However, specifications list/schedule of equipment from the relevant departments was not made available for audit scrutiny to confirm that equipment delivered met the users' specifications and needs.
- vi) The minutes for the PMC – Saku Youth Empowerment Centre approving the transfer of funds to the supplier were not made available for audit verification.
- vii) Although the equipment were delivered on 8 January 2013, no report of the Inspection and Acceptance Committee were made available for audit to confirm that the equipment met the required specifications.
- viii) A visit made to the Youth Centre on 3 December 2013 revealed that the equipment had not been installed 11 months after their delivery.

No explanation was given for failure to put the equipment into the intended use.

In the circumstances, the need for the equipment by the institution was in doubt, and therefore, the funds were not put to proper and beneficial use.

ISIOLO COUNTY

1. Isiolo North Development Fund (CDF)

(i) Construction of Gotu Bridge

During Isiolo North CDFC meeting held on 1 November 2011, a proposal for construction of Gotu Bridge was discussed and Kshs.40,000,000 approved for the project with a similar additional amount provided during 2012/2013, bring the total

allocation for the construction of Gotu Bridge to link Merti and Isiolo Districts to Kshs.80,000,000.

Subsequently, in a letter dated 29 August 2012, the Fund Account Manager requested the Kenya Rural Roads Authority (KeRRA) - Isiolo Region, to prepare Bill of Quantities (BQ's) for the construction of Gotu Bridge. In response, the General Manager, in a letter dated 21 September 2012 indicated that KeRRA had already undertaken to construct the bridge and a firm of Consulting Engineers was already on the ground working on the design of the bridge with the work expected to be completed by mid-2013. The project was to be implemented in financial year 2013/2014. Therefore KeRRA advised the CDFC to take short measures in the improvement of the drift and offered to send two engineers to assist in formulation of the short term measures and prepare cost estimates for the improvement of the drift using CDF funds, as the design of the bridge progressed.

However and for unexplained reasons, the CDFC hurriedly decided to implement the bridge project and on 20 September 2012 through the Fund Account Manager requested the District Tender Committee to allow the use of restricted tendering method for procurement of works citing complexity of the work, short time left before CDF accounts were frozen, effects of the on-coming short rains season and security for the community who uses the bridge. The Chief Engineer (Structural), Ministry of Public Works was on the same day requested to provide a prequalified list of contractors.

The District Tender Committee in its deliberations supported by minute no. MIN.1 DTC/Sept/2012 of 24 September 2012 also felt that the use of open tendering would take a longer process yet the CDF accounts were to be frozen by 3 December 2012 due to the forth coming general elections. The Committee also expressed fear that after the general elections, the incoming new CDF committee may not consider the bridge a priority and hence approved the use of restricted tendering and the prequalified list of contractors presented.

Subsequently, quotations no.ISL/CDF/1/2012-2013 were floated whereby eight (8) bids were returned and opened on 15 October 2012 but only 3 bidders were considered responsive by the evaluation committee made up of the CDFC Chairman, Secretary and one Member. The committee recommended a contractor based in Nanyuki for the award at a contract price of Kshs.84,945,086.10, being the lowest responsive bidder.

The District Tender Committee endorsed the recommendation on 24 October 2012 vide minute no. 2DTC/OCT/2012 and the contractor was notified of the award on the same day. However, letter of acceptance by the contractor and contract agreement signed by the parties were not produced for audit review although appendix to form of tender dated 18 October, 2012 indicated the project duration as 20 weeks, implying that the project should have been completed by 11 April 2013.

(ii) Implementation of the project

Available information indicate that immediately after the award of the contract, the contractor through letters dated 5 December, 2012 and 22 March 2013 raised several

complaints raging from insecurity, rains, long distances of getting ballast, unsettled claims and some unsubstantiated threats, and requested for unspecified extension of time to complete the project. The Fund Account Manager on behalf of CDF committee vide letter dated 23 March, 2013 granted extension of the project duration by 24 weeks, bringing the contract period to 56 weeks ending 30 January, 2014.

Delays in completion and apparent lobbying for termination of the contract continued until 29 June 2013 when the Fund Account Manager communicated to the contractor the decision to terminate the contract vide letter ref: no. CDF/ISIOLO NORTH/ADM/01/06/2013, which the contractor accepted on condition that clause 65 (special risks) is observed and on 5 July 2013, presented a winding up claim totalling Kshs.58,914,445.58 made up of work done (Kshs.13,893,552), loss of 35% (Kshs.29,730,780.17), demobilization of 8% (Kshs.6,795,606.88), damages of 8% (Kshs.6,795,606.88) and miscellaneous of 2% (Kshs.1,698,901.72) of the contract sum of Kshs.84,945,086. This represented about 69% of the contract sum while the actual work done including materials on site totalled to only Kshs.13,958,66002.80 or 16.4% as per Ministry of Lands, Housing and Urban Development letter dated 15 July, 2013. However, the minutes of the negotiations meetings were not made available for audit scrutiny and it was not explained why the CDF Board was not represented in the negotiations.

(iii) Winding up of construction of the project

According to a letter from CDF Board dated 18 October 2013, negotiations between the contractor, CDFC and the Ministry of Public Works agreed on winding up amount of Kshs.21,204,046.55 to be paid to the contractor.

According to the winding up agreement dated 25 October 2013, works done was agreed as Kshs.13,893,552.00 (materials worth Kshs.3,036,091.60 inclusive), Loss of Profit 18% (Kshs.12,789,276.14), Demobilization 4% (Kshs.2,842,061.36) and Damages 6% (Kshs.4,263,092.05), all totaling Kshs.33,787,981.55 less payment of certificate no. 1 of Kshs.12,583,935.00 made on 15 February 2013 vide payment voucher no. 270377. The balance of Kshs.21,204,046.55 was paid to the contractor vide payment voucher no.270520 of 22 October 2013 and cheques no. 408109 and 40810.

During the review of the project cycle, the following issues were noted:-

- i) The project proposal was not made available for audit review and it was therefore not clear how it was identified and prioritized as a CDF project for funding.
- ii) The relevant Government Agency for the type of project (Kenya Rural Roads Authority) had indicated its intention to implement the project and had indeed contracted a consultancy firm of Engineers to provide detailed designs of the project. The Agency advised for short term measures to improve the existing drift using CDF funds but not a whole bridge which it had commenced work on. No evidence was provided to show that KeRRA was later involved in the

project and it was not ascertained how the District Works Officer, Isiolo (a Quantity Surveyor) was appointed the project manager of a project previously described as complex to justify the use of restricted tendering.

- iii) The thresholds for a national open tender were exceeded while justification for restricted tendering was unsatisfactory.
- iv) Although the request for restricted tendering stated that the project was complex, no evidence was adduced to show that the technical department was involved in evaluation of the bids said to be complex.
- v) The letter of acceptance, contract agreement, formal termination letter and the negotiation minutes that lowered the contractor's claim from Kshs.58,914,447.55 to Kshs.33,787,981.55 as per the winding up agreement were not made available for audit review.
- vi) Although the contractor had sought for unspecified extension of project duration, no evidence was provided to show that extension of time by the Engineer as per the general conditions of contract 2.1 (b) (iii) was granted. Further, reasons for request of extension due to rains and distances of obtaining materials were not justified according to Clause 44.1 of general conditions of contract which stated that neither rains falling between 1 November and 31 December and between 1 February and 31 May, nor floods caused by such rains shall be deemed exceptional weather conditions such as may fairly entitle the contractor to an extension of time for the completion of the work; and clause 4.1 where the tenderer is advised to visit and examine the site and its surroundings and obtain for themselves all information that may be necessary for preparing the tender and entering into a contract.

The project was visited on 30 January 2014 and the following was observed:-

- a) According to the District/County Works Officer letter ref: MOPW/ISL/B.38/VOL.1/10 of 15 July 2013, materials on site as at 8 July 2013 were valued at Kshs.3,036,091.20 and were handed over to the Constituency Development Fund Committee when the project was terminated. However, only materials estimated at Kshs.325,032.00 were found on site during the physical verification. Materials valued at Kshs.2,711,066.20 remain unaccounted for.
- b) The 2no. Piers with concrete and 1no. Pier without concrete that had been done by the contractor appeared to be below the level which the waters rises during the rainy season and would therefore be submerged.
- c) According to the statement for payment on account no.1 of 18 January 2013, value of work done was Kshs.9,312,596.00 and that of materials on site was Kshs.3,271,339.20, both totaling to Kshs.12,583,935.00. Ten(10) months later, the winding up agreement dated 25 October 2013 based on valuation no. 2

shows work done as Kshs.10,922,571.00 and materials on site as Kshs.3,036,091.00, both totaling to Kshs.13,958,662.80. If both certificates were accurate, the contractor over a period of ten months did works valued at only Kshs.1,374,727.00.

Had the CDFC followed advise of KeRRA to take short term measures on the improvement of the drift, the total amount of Kshs.33,787,981.55 spent on the project could not have been lost. No explanation has been provided for the poor conception and implementation of a project which has resulted in the loss of Kshs.33,787,981.55.

(iv) Payments for Incomplete Works and Flawed Procurement Procedures

In a meeting held on 15 March 2012, the CDFC vide minute no. MIN 06/03/2012 agreed that the conditional grant of Kshs.17,442,857 from the CDF Board, would be used to finance the construction of staff houses and fencing at Biliqo Marara and Matarba Dispensaries at a cost of Kshs.3,000,000 per Dispensary, among other projects. The funds were subsequently disbursed to the respective Project Management Committees (PMC's) vide payment voucher no. 12 and 17 both of 18 October 2012 and cheque no. 103914 and 103920 for Kshs.3,000,000 each, respectively.

A scrutiny of the procurement records for the works in both dispensaries revealed flawed procurement processes. According to Biliqo Marara Dispensary Project Management Committee minutes of a meeting held on 20 September 2012, the quotation for the lowest bidder was Kshs.2,499,999.00 for type 'F' staff house and Kshs.500,000.00 for fencing works. Similarly, the Martaba Dispensary Project Management Committee minutes of a meeting held on 06 September 2012, the quotation for the lowest bidder was Kshs.2,499,999.00 for type 'F' staff house and Kshs.500,000.00 for fencing works. According to the tender documents made available for audit review, the prices as per the priced Bills of Quantities of the two different and lowest bidding contractors who were awarded the contracts were similar in all aspects and the totals for each contract was equivalent to the conditional grant allocation by the CDFC of Kshs.3,000,000.

The projects were visited on 30 January 2014 and the following observations made:-

- i) Both projects were located at the sites where the CDFC had in previous years financed construction of dispensaries that were not operational as at the time of audit verification in January 2014. Records maintained by the CDFC show that Biliqo Marara and Martaba Dispensaries had been funded to the tune of Kshs.5,200,000.00 and Kshs.5,150,000.00 respectively, as at the time of audit.
- ii) Besides poor finishing works, certain visible items included in the BQ for Biliqo Marara Dispensary valued at Kshs.415,480.00 were not done.
- iii) At Matarba Dispensary, works were generally poorly done and the ceiling boards were falling off and infested with bats. Further, the items in the BQs valued at Kshs.465,480.00 were not done.

- iv) No expenditure returns were filed in the respective project files to show how the various disbursements to the Project Management Committees of the two projects were expended.

In the absence of the expenditure returns and apparent poor workmanship, the propriety of the expenditure of Kshs.6,000,000.00 incurred on the two projects during the year under review could not be confirmed.

(v) Payment of Sitting Allowances to Non - CDFC Members

Examination of expenditure records relating to allowances disclosed that Kshs.1,919,000.00 was incurred in respect of sitting allowances for the CDFC members during the year ended 30 June 2013. According to payments schedules supporting payment vouchers for the eight (8) CDFC meetings and tours during the year under review, the meetings were apparently attended by twenty one (21) persons instead of the maximum sixteen (16) allowed by the CDF Act. This resulted to an irregular expenditure of Kshs.450,000.00 made up of payments to members who exceeded the authorized limit. Further, no attendance register was made available for audit to confirm the full attendance of all meetings by all members.

Consequently, the expenditure totaling Kshs.450,000.00 was not allowable.

(vi) Payments for Construction of a Computer Laboratory

During the financial year 2012/2013, Isiolo Boys Secondary School was allocated Kshs.592,857.00 for the completion of the School's computer laboratory and the amount was disbursed to the School vide payment voucher no.270275 of 18 October 2012. The procurement process was done by the school but no tender documents and/or quotations were availed for audit review.

It was further observed that, the computer laboratory had earlier been funded to completion at a cost of Kshs.1,257,390.00 which was paid in installments of Kshs.950,000.00 and Kshs.257,390.00 to a Construction Company and a further amount of Kshs.50,000.00 paid as implementing committee allowance in March, 2007.

The contractor did not however complete the construction and hence the need to hire the services of a second contractor to do the finishing works. Also, no tender documents and/or quotations were made available by the school management for audit review.

The project was visited on 30 January 2014 and the computer laboratory was confirmed complete and in use.

No explanation was given as to why the first contractor failed to complete the project yet the funds were allocated for completion of the project, resulting to an additional expenditure of Kshs.592,857 being incurred during 2012/2013.

MERU COUNTY

1. Igembe South Constituency Development Fund (CDF)

(i) Procurement of Bridges Construction Works

The Igembe South Constituency Development (CDF) Tender Committee invited bids for construction of four (4) bridges within the Constituency vide quotations reference no. IG/S/CDFC/1- 4/2012 dated 16 July 2012. Three (3) bidders for each bridge responded to the quotations to construct Antubangai, Akumbwe, Mutua and Anchenge Bridges.

The Tender Committee in a meeting held on 23 July, 2012 as per Min: 5 CDFC/TENDER/2012 awarded the construction of the four (4) bridges to the lowest bidders.

The contractors were paid for the works done between August and October 2012 based on valuation certificates of work done issued by Kenya Rural Roads Authority (KeRRA).

However, the following irregularities were noted:-

- i) The construction of the four (4) bridges was implemented by the Constituency Development Fund Committee (CDFC) instead of the Project Management Committee, contrary to Section 35 (2) of CDF Act, 2003 and Section 1.3 of operations Manual for Project Management Committee (PMC) of 6 March, 2011.
- ii) The Bills of Quantities (BQ's) lacked detailed specifications such as drawings indicating the sizes of the bridges.
- iii) The construction for the bridges was procured through use of quotations instead of open tender.
- iv) No Project proposals (s) from the community were made available for audit verification.
- v) The sizes of guardrails for both sides of the bridge had not been indicated.
- vi) The Antubangai Bridge may not be used by motor vehicles due to its size and strength as noted during the physical verification on 31 January, 2014.
- vii) The two firms which had quoted for Akumbwe Bridge were not among the prequalified building contractors.
- viii) Un authorized overpayment of Kshs.58,713.00 was incurred in the construction of Anchenge bridge.
- ix) No Certificates of Practical Completion of the works were issued.

In view of the above, it was not possible to ascertain whether value for funds paid to contractors were actually realized.

(ii) Un accounted for Grants

During the year under review, the Igembe South CDF Committee allocated and issued grants totaling Kshs.50,016,357.00 to four(4) sectors for various projects as follows:-

Sector	Amount (Kshs)
Education	26,623,500
Health	8,642,857
Water	11,450,000
Roads & Bridges	<u>3,300,000</u>
Total	<u>50,016,357</u>

Scrutiny of the projects files revealed that no expenditure returns to support utilization of the grants had been submitted to the CDFC office by the PMC's as at the time of audit in January, 2014.

Further, the project files maintained at CDF offices lacked vital information such as project proposals, copies of minutes of PMCs' meetings, bank statements and contract agreements.

In absence of the expenditure returns, it was not possible to ascertain whether the funds disbursed to PMCs were utilized for the intended purposes.

(iii) Un-supported Expenditure

Examination of expenditure records relating to four sectors disclosed that various payments made during the year under review had not been accounted for or supported as shown below:-

Sector	Amount (Kshs)
Environmental	1,000,000
Administration	1,508,500
Monitoring & Evaluation	558,000
Roads & Bridges	<u>1,642,000</u>
Total	<u>4,708,500</u>

In the circumstances, the propriety of the expenditure totaling Kshs.4,708,500 could not be confirmed.

(iv) Irregularities in Payment of Bursaries

In a meeting held on 10 October 2012, the CDFC vide MIN 56/CDFC/10/2012 (a) approved bursaries totaling Kshs.1,011,000 to be paid to students in various learning institutions. A payment voucher No. 326 of 05 October 2012 for the same amount was prepared and duly authorized for payment.

However, it was observed that:-

- i) Bursary cheques were all not drawn as per approval of the CDF in that bursaries amounting to Kshs.355,000 out of Kshs.1,011,000 approved for payment are yet to be paid while bursaries totalling to Kshs.291,000 were paid even though not approved by the CDF Committee.
- ii) No acknowledgement from the learning institutions was seen.

It has not been explained why the bursaries were not issued as approved by the CDF Committee.

2. Tigania West Constituency Development Fund (CDF)

(i) Flawed Procurement Process and Poor workmanship at Kamaroo Ntombo Bridge

An amount of Kshs.2,000,000.00 was disbursed to Kamaroo Ntombo Bridge Project Management Committee (PMC) by the CDFC for construction of a bridge. The project was approved by the Constituency Development Fund Committee (CDFC) vide minute number 5 of a meeting held on 22 September 2012. The funds were released to the PMC through payment voucher number 407 dated 5 November 2012 and cheque number 002187 dated 24 November 2012.

It was observed that no bids were invited for the works as required by the Public Procurement and Disposal Act, 2005 but instead seven prospective bidders wrote application letters to the PMC. The basis of the applications was therefore not clear in the absence of tender advertisements. Out of the seven firms, only three applicants indicated their tender sums for the construction of the bridge of Kshs.1,893,250, Kshs.1,960,000 and Kshs.2,500,000. The remaining four applicants did not indicate the tender sums. Also, the applications were not accompanied by bills of quantities and bridge design plans. The PMC allegedly interviewed the bidders on 15 June 2012 as documented in the minutes of the same date although documents made available indicate that all the bidders made their applications in the month of December 2012. In that meeting, a construction company was awarded the contract at a price of Kshs.1,960,000.00. Further, the criteria for selection was not known as the interview statistics were not made available for audit review. Details regarding the registration of the contractor and evidence of the firm having undertaken similar works previously were not made available for audit review. Further, the PMC Executive Committee did not minute approvals for the various payments made to the contractor, neither were there documents from the contractor indicating the amounts received. The bank statement showed that there were a series of cash withdrawals totalling Kshs.2,000,000 made between 28 December, 2012 and 14 March, 2013.

Physical verification of the bridge on 30 January 2013 revealed that the bridge had collapsed and fallen into the river. The protruding iron bars revealed that the bars fitted were of light weight which could not strongly support a bridge of such magnitude. It was however not possible to confirm whether or not the right materials were used due to lack

of bills of quantities. A printout of the project site book showed that an officer from KERRA had inspected the bridge on a regular basis in the months of January 2013, with a general observation that there was good progress.

No explanation was given for the haphazard manner in which the procurement process was handled and why the contract was not awarded to the lowest bidder who had quoted Kshs.1,893,250.00 and also gave a detailed quotation. Also, no action had been taken against the contractor for the collapsed bridge. The Constituency therefore did not get any value for money from the expenditure of Kshs.2,000,000 incurred to construct the bridge.

(ii) Delayed implementation of Urru Stadium

The CDFC in a meeting held on 22 September 2012 under minute number 5/22/09/12 approved Kshs.8,000,000 for fencing Urru Stadium, by erecting a perimeter wall and a gate. The payment to the project was made through payment voucher number 404 dated 5 November 2012 and cheque number 002190.

A project tender committee meeting held on 10 January 2013 at Tigania West CDF offices resolved to invite tenders locally due to time limit. An advertisement was placed in various public places within the Constituency. Seven bids were received and tender opening was done on 23 January 2013 and eventually evaluated on 30 January 2013, with the lowest bidder quoting a price of Kshs.11,880,656.20.

These tenders were sourced locally within Meru County, as opposed to open tendering where the advertisement should have been placed in the major dailies as required by the Public Procurement and Disposal Act, 2005.

Audit verification revealed two evaluation reports both dated 30 January 2013 and which were similar in all aspects except for the recommendation minutes done. One of the evaluation reports recommended that the works be awarded to the lowest bidder while the other recommended the sixth lowest bidder for the award. No explanation was given for the discrepancy.

The above recommendations were later disregarded without any reasons provided and the tender re-advertised on 09 September 2013. Twelve bids were received and opened on 30 September 2013 and tender evaluation done on 15 October 2013.

Out of the bidders, nine firms were non-responsive and therefore disqualified. Three firms went through financial evaluation with one firm being disqualified due to significance deviation from the engineers estimate. The contract was finally awarded to the most responsive bidder at a contract sum of Kshs.11,849,777. The contractor was notified of the award on 22 October, 2013 and contract agreement signed on 14 November, 2013. Details of expenditure and payments from the disbursement were not produced for audit. However, examination of the bank statements disclosed a balance of Kshs.7,773,891.25 as at 31 October 2013. No bank statements for the period November 2013 to January 31 2014 were produced for audit review despite several requests. In addition, the expenditure of Kshs.226,108.75 which had been incurred from the account was not explained or supported.

Although the project duration was four months from the date of the contract, a site visit made on 29 January 2014, two and a half months after award, revealed that only the foundation trenches had been done and a few building materials like sand and building stones supplied. However, apparently, no works were going on as the contractor was not on site. It is also important to note that the contract was funded to the tune of Kshs.8,000,000 and therefore the contract sum of Kshs.11,849,777 exceeded available funds by Kshs.3,849,777. The would be source of extra funds was not disclosed. Further, in the absence of the bank statements, the balance of funds still held in the account for implementation of the project could not be confirmed.

(iii) Doubtful Ownership of Laciathuriu Resource Centre and Reallocation of Funds

A sum of Kshs.1,500,000 from the year 2012/2013 allocation was disbursed to Laciathuriu Resource Centre by the CDFC for the construction of a library and offices to completion. The approval for the disbursement was made vide minute number 5/22/09/2012 of a CDFC meeting held on 22 September 2012. The disbursement was made through payment voucher number 400 dated 5 November 2012 and cheque number 2197.

However, the official registered name of the Project could not be determined as different documents gave different names. Whereas the payee on the payment voucher, cheque counterfoil, and cash book was Laciathuriu Resource Center, a project bank statement for account number 1040199972041 maintained at the Equity bank showed the name as Laciathuriu Resource Centre Self Help Group. Further, the expenditure summary filed in the project's file showed the name as Women Resource Centre, while the CDF board's approved project code list indicated the name as Laciathuriu Resource Centre.

Expenditure summary in the project file indicated the construction works were done by a firm based in Meru, but only the bill of quantities from the contractor who had a quote of Kshs.1,723,650.00 was found in the project file. It was therefore not clear how the contractor was identified and awarded the contract.

The expenditure summary further showed that a total of Kshs.1,509,600.00 had been transferred from the project account to the contractor between 24 January 2013 and 22 July 2013. This represented about 87.6% of the total contract price quoted. Physical verification of the project revealed that works totaling Kshs.637,400.00 had not been done, implying that the actual works done were only about 63%. The works which had not been done as per the bill of quantities were as shown below:-

Works Description	Quantities	Amount (Kshs.)
External pointing	138 SM @400.00	55,200.00
Formwork to soffits of suspended slab	97 LM @500.00	48,500.00
Formwork to edge of slab	41 LM @250.00	10,250.00
150mm Suspended slab	97 SM @1800.00	174,600.00

Reinforcement	1759 Kg @ 150.00	263,850.00
Doors to details	2 @20,000.00	40,000.00
Window to details	3 @15,000.00	<u>45,000.00</u>
Total		<u>637,400.00</u>

Site visit made on 29 January 2014 revealed that a circular grain bank to stock 100 bags of maize was constructed instead of the library and offices approved for construction. This amounted to a reallocation of project funds without proper authority. It was also observed that the sign post placed just outside the compound, on which the project stood, indicated the project name as TVT Community Grain Bank and not the name in the approved projects code list and payment vouchers details of Laciathuriu Resource Centre. On enquiry, it was explained that TVT stood for "The Village Trust", which is a registered non government organization. However, no details of the NGO such as registration documents were made available for audit. The relationship between the NGO and the Laciathuriu Resource Centre was also not disclosed. It could also not be justified how the grain bank was a community project as only members were to benefit. The proposal for the project was not made available for confirmation that the project was proposed by the community. In addition, land ownership documents were not made available to enable audit authentication of the ownership of the land on which the project stands.

(iv) Failure to Install Transmission Equipment at the Community Knowledge Centre

The CDFC allocated and disbursed a total of Kshs.1,500,000.00 to a project known as Community Knowledge Centre from the year 2012/2013 disbursements. The approval to release the funds to the project was given during a CDFC meeting held on 22 September 2012 vide minute number 5. The funds were for acquiring equipment to boost the transmission of a community radio. The project is housed by the CDFC at the Tigania West CDF offices where there is a studio and a computer room for computer studies.

Quotations were received from four companies for the supply and installation of transmission equipment. However, no advertisement for the provision of the services appears to have been made as no supporting documentation was made available for audit review.

It was however observed that none of the four bids were signed by the bidders hence their authenticity could not be confirmed. The bids were said to have been opened on 22 August 2013 and therefore it was not clear how the opening of the bids was possible on that date given that one bidder has his bid document dated 5 September 2013. The contract was eventually awarded to the lowest bidder at Kshs.661,986.00 on 30 August 2013. The contract agreement for the supply and installation of transmission equipment was signed on 5 September 2013, the same date of the quotation from the winning bidder.

The transmission equipment was delivered on 25 October 2013 vide delivery note number 1307 and physical verification in January, 2014 revealed that the equipment had not been installed but were kept at the Centre Offices.

No explanation was given for failure to install the transmission equipment and the flawed procurement process in its acquisition.

(v) Unaccounted for Expenditure

An amount of Kshs.3,650,000 was disbursed to various projects under the emergency reserve fund. The payment was made through voucher no. 424 dated 10 December 2013 as supported by minute number 6/24/11/12 of a CDFC meeting held on 24 November 2012. The identification criteria of these projects was not clarified and thus the nature of the emergencies was not explained.

Project Management Committees of the projects funded had not submitted expenditure returns and therefore, Kshs.3,650,000 could not be accounted for.

Comparison of the CDFC minutes and the cashbook also revealed that six projects which had not been approved by the CDFC as per the minutes had been funded at a total of Kshs.680,000 as shown below while five other approved projects were replaced:-

Chq. No.	Date	Non approved Projects	Amount Kshs.	Approved but replace Projects
2310	31/12/12	Mwatheru Dispensary	150,000.00	Kanyuru Culvert
2311	31/12/12	Kithanga Culvert	100,000.00	Mwathene Dispensary
2319	31/12/12	Nchooro Gulley	80,000.00	Access Road
2320	31/12/12	Kinwe-Kathima W/P	50,000.00	Kagaene Imani Group
2322	31/12/12	Kathima-Kimwimbi Road	150,000.00	MumbaRutiti
2323	31/12/12	Kagaene-Mucegene Road	<u>150,000.00</u>	MumbaRutiti
Total			<u>680,000.00</u>	

It was not clarified under what authority the projects were funded.

Physical verification of one of the projects, Kithanga culverts, revealed that the project had been implemented. However, reconciliation of the work done on the ground with amount of Kshs.100,000 disbursed to the project was not possible due to lack of project returns and bank account statements.

In the absence of expenditure returns for Kshs.3,650,000 disbursed to the projects, the amount remains unaccounted for.

(vi) Irregular Award of Bursary

A driving school located in Meru County, was paid Kshs.1,000,000 vide two payments dated 10 December 2012 and 26 February 2013 for Kshs.600,000 and Kshs.400,000 respectively, for training boda boda cyclists. The payments were approved vide CDFC MIN 8/24/11/12 during a meeting held on 24 November 2012.

However, there was no evidence of bid invitations giving the specifics of the kind of training required and the number of trainees. Perusal of the project file revealed one bid from a driving school and a letter from another driving school, alluding to an agreement to offer training. One of the driving school had indicated it could train 285 No. of boda boda operators at a unit cost of Kshs.3,508.80 excluding Kshs.700 per operator for interim driving license. The other driving school agreed to train 250 No.s of boda boda operators at Kshs.4,000 inclusive of Kshs.700.00 per operator for interim driving license.

However, there was no evidence of evaluation of the bids by the bursary committee. It was therefore not clear how one of driving school, Meru Branch, was awarded the contract to train the boda boda cyclists at a cost of Kshs.1,000,000.

It was also noted that there were no applications from the beneficiaries, requesting for financial assistance in paying fees for the riding lessons. There was also no evidence of a bursary committee having set up the criteria for identifying the potential beneficiaries of the bursary funds. Names of the participants were apparently drawn up from different wards within the Constituency, without any clear vetting process.

Further, most of the beneficiaries were already operating as boda boda riders, as they had motor cycle registration numbers against their names. It was therefore concluded that they had earlier undergone training and already acquired driving licenses. The additional cost of Kshs.700 per person was therefore not warranted in some cases.

The only evidence availed for the training was that of 49 beneficiaries who received interim licenses. It is therefore not clear if the remaining 201 beneficiaries actually attended the training

In view of the above, the propriety of the expenditure of Kshs.1,000,000 could not be confirmed.

(vii) Flawed Procurement Procedures

An amount of Kshs.1,000,000 was disbursed to a Secondary School for construction of a dormitory to completion vide Min: 5/22/09/12 of a CDFC meeting held on 22 September 2012. The funds were disbursed to the project management committee through payment voucher number 400 of 05 November 2012 and cheque number 2204.

However, there were no Locational Committee minutes for the identification and prioritization of the project for funding by CDF. It was therefore not clear how the project was identified for funding. Further, it was noted that the contract for labour was awarded to the highest bidder at a contract price of Kshs.324,000 instead of the lowest bidder

who had a bid price of Kshs.49,095. No explanation was provided for not awarding the contract to the lowest bidder.

In the circumstances, it could not be confirmed whether value for money was realized from the expenditure.

(viii) Un-supported Expenditure

A Primary School was allocated Kshs.1,500,000.00 for the construction of three classrooms to completion. The funds were disbursed to the Project Management Committee vide payment voucher number 400 of 05 November 2012, following the approval by the CDFC vide MIN no 5/22/09/2012 of a meeting held on 22 September 2012.

Perusal of the project file revealed that no bills of quantities from the Ministry of Public Works were prepared and there was no evidence of tendering for the materials and labor. Therefore, all items were single sourced, contrary to the Public Procurement and Disposal Act, 2005.

Further, the project bank statement was not made available for audit verification and as a result, confirmation of grant receipt, withdrawals made and the un spent balance could not be confirmed. However, the project file returns showed payments totaling Kshs.1,113,700.00 made to various payees for supply of materials and labor. These payments were made vide payment vouchers which were not supported by LPO's, LSO's, delivery notes, invoices and other relevant supporting documents.

A physical verification of the project on 30 January 2014 revealed that three classrooms had been done but finishings and fittings were outstanding due to lack of funds.

In the absence of supporting documents, the expenditure incurred on the project could not be confirmed.

(ix) Non Implementation of College Project

A Medical Training College was allocated Kshs.6,000,000 for constructions of classes and the funds disbursed vide payment voucher no. 412 of 5 November 2012. The payment was made on the strength of CDFC minutes for the meeting held on 22 September 2012.

However, a site visit on 30 January 2014 revealed that project implementation had not commenced due to lack of enough space to construct classes. It was explained that a piece of land should first be sourced. This was a clear indication of lack of involvement of the community in projects' identification and poor prioritization of projects for funding by the CDFC. In addition, no bank statements or project files were made available for audit to confirm whether the funds had been spent or not.

In the circumstances, existence or utilization of Kshs.6,000,000 disbursement to the college for the project could not be confirmed.

(x) Irregular Payment and Un- authorized Reallocation of Funds

An amount of Kshs.500,000 was paid to a supplier as part payment for publishing of 2000 copies of CDF magazine. The amount was paid vide payment voucher number 453 of 6 February 2013 and cheque no. 2347. It was however noted that the CDFC had not identified and prioritized publishing of the magazine as a project to be funded and undertaken in the financial year 2012/2013, and was therefore not budgeted for. As a result, Kshs.500,000 paid for publishing CDF magazines was reallocated from other components without authority of the Board. Further, no records were maintained to confirm that the magazines were delivered and distributed.

In the circumstances, the propriety of the expenditure of Kshs.500,000 could not be confirmed.

(xi) Stalled Projects

A review of project implementation status report revealed that some six projects funded at a total cost of Kshs.5,300,000 by the CDFC since inception of CDF had stalled. The details of the projects are as indicated below:-

	Uringu Imani Water Project	Mwanika Borehole	Kianjai Borehole W/P	Kianjai W/P	Mutionjuri Dispensary	Kilindo Bridge
2003/04			1,000,000			
2004/05	200,000		1,200,000			
2005/06	100,000					200,000
2006/07		200,000	500,000			200,000
2007/08		200,000				
2008/09				1,000,000		
2009/10					500,000	
Total	300,000	400,000	2,700,000	1,000,000	500,000	400,000

As at the time of audit in January 2014, no evidence was made available to show the action being taken or intended to be taken to ensure that the stalled projects are funded to completion for the community to realize the benefits from the funds so far spent on these projects.

3. Tigania East Constituency Development Fund (CDF)

(i) Failure to Implement the Required number of Projects

The Tigania East Constituency Development Committee (CDFC) allocated and disbursed funds to three hundred and forty three (343) projects instead of the maximum recommended number of twenty five (25) projects. It was further observed that CDF Board assisted the CDFC in the implementation of the projects contrary to the Act by approving funding of more than the required no of projects during the 2012/2013 financial.

It was not explained why the CDFC and the Board failed to adhere to the requirement of the CDF Act.

(ii) Stalled projects

According to the Project Status Report as at 30 June 2013, several projects worth Kshs.165,606,192 were not complete as at that date and no funding had been provided for their completion during the year under review. The projects include construction of classrooms, health facilities and provision of water services, among others. Although the projects had been commenced in earlier years, and were at various stages of completion, no explanation was given for failure to fund the projects to completion as required by CDF Act.

(iii) Unaccounted for Expenditure

During the period under review, the CDFC allocated and disbursed funds totaling Kshs.92,792,923 for implementation of projects by various Project Management Committees (PMC's) as shown below:-

Sector	Amount Kshs
Education	41,460,000.00
Water	12,900,000.00
Health	9,350,000.00
Security	17,867,790.00
Roads and Bridges	4,215,133.00
Markets	2,000,000.00
Sports	1,500,000.00
Stadium	3,500,000.00
Total	92,792,923.00

The expenditure was incurred on cash basis as authorized by the Fund Account Manager. The Fund Manager had designed withdrawal authority forms which he had to authorize before any PMC could transact in the project bank account. This measure was contrary to Government Financial Regulations and Procedures. Further, no project proposals and expenditure returns for the projects funded were made available for audit.

In the absence of project proposals and expenditure returns, it was not possible to confirm whether the projects were initiated by the community and that the funds were utilized for the intended purposes.

Further, an expenditure of Kshs.6,668,600 incurred on Monitoring and Evaluation exercise was not supported by any Monitoring and Evaluation reports. The schedules attached to the various payment vouchers only indicated the number of days allowances were claimed but did not include the specific dates of visit and particular projects visited. The subsistence allowances paid were also not supported by work tickets or bus tickets to show that the officers/ committee members were out on official duties. Further, items bought were not received in S13 nor S11 was updated to reflect the items issued out of store.

In the circumstances, the propriety of the expenditure of Kshs.6,668,600 could not be confirmed.

(iv) Purchase of Ambulances

The CDFC in a meeting held on 30 August 2012 approved the procurement of two ambulances at a cost of Kshs.3,390,450 each, totaling Kshs.6,780,900. The two ambulances were paid for, delivered on 16 November, 2012 and issued to Muthara and Mikinduri Sub District Hospitals. However, the logbooks for the two ambulances were not made available for audit during the physical verification of the ambulances on 31 January 2014. Therefore, the ownership of the two ambulances could not be confirmed.

(v) Unsupported Expenditure

Funds totaling Kshs.11,987,790 were disbursed to various PMC's for some seven projects implementation during the year under review. However, there was no evidence that the relevant Government departments were involved in projects implementation as required by the CDF Act, 2007. Failure to involve the departments casts serious doubts on the above expenditure in view of the observations made during the physical verifications of the projects as detailed below:-

(vi) Muriri AP Houses

It was not clear how Kshs.3,700,000 was spent on Muriri AP Houses when only eight units measuring sixteen feet by thirteen were complete. The houses were also not in use as at February 2014. It was explained that electricity had not been connected at that time.

(vii) Nguthiru Stadium

It was also not clear how Kshs.3,500,000 was spent on Nguthiru Stadium yet at the time of audit inspection, it was a plain field as no pavilion had been erected and no works were ongoing. There was no indication of any work having been done on the ground.

(viii) OCPD Houses

At the Tigania East OCPD's houses, Kshs.1,187,000 had been spent to build six units of single rooms which were complete and in use. However, it was noted that cheap interlocking blocks had been used to build the houses and one of the houses was already wearing out due to poor workmanship and low quality materials used. There was no evidence that Ministry of Public Works or Ministry of Housing recommended the use of low quality interlocking blocks.

No project expenditure returns for the projects were maintained by the CDFC and therefore, proper utilization of the funds could not be confirmed.

(ix) Failure to handover/takeover CDF Assets and Projects during Transition

Handing over report between the incoming and outgoing CDFC's was not made available for audit and therefore, it was not possible to ascertain the assets and projects of the Tigania East CDF handed over to the new management. Although it was explained that the signed report was sent to the CDF Board in Nairobi with no copy being retained by the CDF office, the circumstances under which no copy was retained could not be explained.

In the absence of the handing over reports, the CDF assets and their values as at the time of taking over could not be established.

(x) Inaccurate Project Implementation Status Report

The Project implementation status report submitted for audit was not countersigned by the CDF Committee Chairman or an authorized representative of the committee as required by the CDF Act, 2007. Further, out of Kshs.13,200,000 disbursed to some nine projects, disbursements totalling Kshs.9,222,018 were not reflected in the status report, since only Kshs.3,977,982.00 was disclosed.

No explanation was given for failure to include projects worth Kshs.9,222,018 in the status report.

(xi) Failure to adhere to Budgetary Provisions

Available records indicate that CDFC budgeted for projects costing Kshs.92,019,947 during the period under review and spent funds totaling Kshs.107,092,423. The actual expenditure exceeded the budgeted amount by Kshs.31,799,091. It was however noted that the over expenditure was not approved by the Board as required by CDF Act.

No explanation was given for this irregularity

(xii) Diversion of Funds

Karama Secondary School was allocated Kshs.500, 000 for purchase of a School bus during the year. However, it was observed that the funds were utilized to finish the multipurpose hall and the works carried out included floor finishing, putting glass on windows, painting walls, putting up boilers in the kitchen and fitting one door and windows. It was also noted that the school did not maintain a separate bank account for the funds.

No explanation was given for the diversion of the funds.

(xiii) Unaccounted for Fuel

The CDFC bought fuel worth Kshs.850,000 during the year for office use from a supplier in Meru and the payment was made through various cheques drawn to the supplier. However, motor vehicle work tickets made available by the CDFC for audit did not relate to the period under review. Therefore, the consumption of fuel worth Kshs.850,000 could not be confirmed. Further, no delivery notes from the supplier were provided for audit verification, hence casting doubt as to whether the paid fuel was actually supplied.

In the circumstances, the propriety of the expenditure of Kshs.850,000 could not be confirmed.

(xiv) Inappropriate use of Emergency Fund

The CDFC used funds allocated for emergency totaling Kshs.5,100,000 on different projects which did not warrant to be treated as emergency because the projects could have been planned for and implemented in the next financial year as shown below:-

PV No. & Date	Payee	Amount (Kshs)
547-16/1/13	Project documentation and publishing	750,000
544-16/1/13	Project documentation and publishing	800,000
521-2/11/12	Miciimukuru Tea Sacco	50,000
520-2/11/12	Tigania Women Sacco	50,000
438-20/9/12	Nyambene Girls Sec School	1,000,000
446-20/9/12	Rumanthi Day Secondary school	650,000
412-20/9/12	Rumanth Pri School	300,000
329-20/9/12	Tigania East Sport	1,500,000
Total		5,100,000

The above projects lacked subject files, proposals from communities, bills of quantities where contracts were involved, and monthly or quarterly expenditure returns. In addition, the laid down government procedures were not followed in terms of identification of suppliers of goods and services and confirmation of actual delivery of the goods/services. Further, procurement of computers for SACCOs was against the CDF Act which requires funding of projects with wide benefit to the society since the computers bought were mainly used to generate income to the SACCOs and not the society as a whole.

No explanation was provided for the irregularity.

(xv) Apparent Utilization of Funds for Political Activities

The CDFC in its meetings held on 26 October 2012 and 26 November 2012, resolved to withdraw Kshs.1,550,000 for Documentation and Publishing project. Two cheques for Kshs.800,000 and Kshs.750,000 were drawn from the emergency funds for the project which was to increase awareness to the public about CDF projects. However, the minutes in which withdrawal of Kshs.750,000 on 26 November 2012 was discussed was only signed by the former Member of Parliament. The Secretary and Treasurer did not sign the minutes. However, the minutes supporting the payment voucher were signed by the three persons. It was not explained why the file copy of the minutes was not signed by the two officials. Further, the Project file was not made available for audit review and in its absence, it could not be confirmed whether the project was community based in compliance with section 21(1) of CDF Act, 2007.

In addition, the following unsatisfactory matters were noted:-

- i). The CDF office procured services of preparing the documentary in form of DVDs and magazines from a Company. The documentary was meant to sensitizing the community of what the CDF had done since year 2003 to 2012. Relevant procurement documents were not provided for audit verification. It was therefore not possible to establish how the cost of Kshs.1,550,000 paid vide payment voucher number 547 and 544 of 16 January 2013 for Kshs.800,000 and Kshs.750,000 respectively was arrived at.
- ii). The payment was made to the payee for Project documentation and Publishing. However, the cheques counterfoils were not made available for audit and in their absence, the payees could not be established.
- iii) Perusal of the magazine prepared under the project revealed that in his message, the former Member of Parliament stated that "he has been a true servant of the people of Tigania East Constituency since 2002 and wants to extend the same service to the people of Meru County as their first Governor after the elections expected in the following year, 2013". Clearly, the message in the magazine was a campaign tool, implying CDF funds were utilized to fund political activities.

(xvi) Expenditure not approved by the Board

The CDFC incurred an expenditure totaling Kshs.7,000,000 which was not in the Second Schedule and was therefore not approved by the Board. The funds were spent as shown below:-

Sector	Amount (Kshs.)
Markets	2,000,000.00
Sports	1,500,000.00
Stadium	3,500,000.00
Total	7,000,000.00

No explanation was given for funding unapproved projects.

4. Central Imenti Constituency Development Fund (CDF)

(i) Fraudulent Double Payment of Project Funds

An amount of Kshs.1,400,000 was paid to a secondary school vide cheque no.3011 of 21 September 2012 and payment voucher no.72 for construction of a science laboratory.

A similar payment of Kshs.1,400,000 was made to the same school vide cheque no. 3032 dated 28 September 2012 allegedly in replacement of the previous cheque no.3011 dated 21 September 2012 which was purportedly cancelled. Cheque no 3011 was reversed in the cashbook and replaced by cheque no.3032.

However, in unclear circumstances, both cheques were paid by the bank on 24 September and 10 October 2012 respectively as evidenced by the bank statement from Cooperative Bank of Kenya. The school received a total of Kshs.2,800,000 into its bank account maintained at the National Bank of Kenya, Meru Branch on 1 October 2012. According to the school bank statement, Kshs.1,400,000 was withdrawn on 3 and 27 October 2012 vide cash cheques numbers 00001 and 00002 of Kshs.700,000 each. It was however not clear for what purpose the two cash withdrawals totalling Kshs.1,400,000 were made.

There were no expenditure returns in the school project file maintained at the CDF offices to show how the amount was spent. Further, it has not been explained how a replaced cheque reversed in the cashbook was presented for payment.

(ii) Non Maintenance of a Payroll

The Central Imenti CDF committee employed five regular employees during the financial year 2012/2013. However, no payroll was maintained during the year to show

payments to staff and deductions made from their salaries. Further, staff salaries were paid by way of individual vouchers.

It was also noted that the employees had not signed any formal contracts for confirmation of their terms and conditions of service. Consequently, the terms of service and the correctness of payments totalling Kshs.1,030,656 made in the year 2012/2013 could not be confirmed. Further, no explanation was given for failure to have a payroll system in place.

(iii) Bursary Awards

Records maintained at the Meru Central District Treasury indicated that the Constituency Development Fund Committee (CDFC) paid Kshs.11, 350,055 towards bursary applications during 2012/2013. Out of the bursaries awarded to students in various institutions, only a few institutions made their acknowledgement by issuing acknowledgement letters or receipts for bursaries totalling Kshs.2,264,000. The balance of Kshs.9,086,055 was not acknowledged as received by the beneficiary institutions.

Under the circumstances, it was not possible to ascertain whether the listed students benefited from the amounts disbursed for their educational support, and that the funds were used for the intended purpose.

(iv) Un-accounted for Disbursements

The CDFC disbursed Kshs.4,756,380 for implementation of various activities within the Constituency during the year which had unsatisfactory matters as detailed below:-

(a) Sports Activities

Examination of expenditure records maintained at the Central Imenti District Treasury disclosed that Kshs.1,628,540 was spent on Central Imenti Constituency- wide sports tournament kit during the year. The payment was made on 21 September 2012 vide cheque number 3027 and payment voucher number 55. However, the following anomalies were noted:-

- i) There was no evidence that a budget was prepared for any sporting activities during the year.
- ii) There was no detailed sporting activities schedule or expenditures schedule to show how the disbursed amount was spent.
- iii) There was no evidence that any sporting activity took place and neither was there any application made by any sporting group/organization for funding of their sporting activities.
- iv) The amount was disbursed to Central Imenti Community Based Organization (CBO). However, there was no record to show that the District Sports Committee or the

Ministry of Sports and Youth Affairs were involved in the preparation or approval of the alleged sporting activities.

- v) There were no expenditure returns from the CBO confirming the activities that were planned to be undertaken and the expected costs of the activities.

In the circumstance, propriety of the expenditure of Kshs.1,628,540 could not be confirmed.

(b) Environmental Activities

Payments vouchers made available for audit indicated that the CDFC approved payments of Kshs.1,628,540 to various environmental groups towards implementation of environmental activities within the Constituency.

Examination of the supporting payment voucher dated 21 September, 2012 revealed the following:-

- i) There was no evidence of any application for funding made by the beneficiary groups specifying actual activity and cost that was to be funded from the public funds.
- ii) There were no expenditure returns made to the CDFC office on the amount disbursed to the group.
- iii) A site visit to one of the beneficiary groups (Makandune Nurseries) on 30 January 2014 revealed that very few activities were taking place at the nursery site.
- iv) There was no evidence that the beneficiary groups had carried out any environmental activities within the area.

There was no evidence of any involvement of the relevant Government Departments such as NEMA, or Ministry of Agriculture as required by the CDF Act, 2007. In absence of any report from the relevant Government Departments and expenditure returns from the groups, the propriety of the expenditure of Kshs.1,628,540 could not be confirmed.

(c) Procurement of Equipment

A payment of Kshs.1,499,300 was made to a supplier of goods through payment voucher no.28 of 31 August 2012 and cheque no.002983 of same date against LPO no.0995901 of 11 July 2012 for the supply of the following items:

Item	Description	Amount (Kshs)
6 Hp computers@	73,600	441,600
6 uninterapted power supply units @	18,500	110,000
5 computer tables @	29,500	147,500

5 computer chairs @13,500	67,500
1 laserjet printer @ 49,000	49,000
30 pre-installed softwares @8,000	240,000
Supply and commissioning of computer network	399,700
32 inch plasma television set@ 43,000	<u>43,000</u>
Total	<u>1,499,300</u>

However, the following unsatisfactory matters were noted:-

- i. The serial numbers of the computers and the accompanying equipment were not indicated either in the delivery note, the invoice or the assets registers.
- ii. The expenditure on procurement of office computers and equipment was a diversion of funds allocated for office construction without the approval of the Board.
- iii. A physical verification of the computers and equipment on 30 January 2014 revealed that there were no computers or equipment in the office with the explanation that the items were stolen from the CDF offices.

Although it was explained that the matter was reported to the police, documents to confirm this were not made available for audit review. It was also not possible to confirm the exact date that the theft took place in the absence of relevant documentation. Further, there was no insurance cover for the computers and equipment hence, no compensation for the loss is expected.

In the circumstances, the propriety of the expenditure of Kshs.1,499,300 could not be confirmed.

(v) Irregular Utilization of Emergency Funds

Examination of payments vouchers made available for audit revealed that the CDFC approved payments of Kshs.6,430,000 against Kshs.5,026,217 approved under the emergency fund account. It was observed that the expenditure was incurred on activities that would have fitted well under ordinary activities without causing danger or harm to the public. The expenditure exceeded the approved amount by Kshs.1,403,783 without approval of the board.

No explanation was given for failure to seek approval for the over expenditure

(vi) Irregular Reallocation of Funds

An audit verification carried out on 30 January 2014 at the various CDF projects revealed that Kshs.8,300,000 disbursed during 2012/2013 for implementation of approved projects had been applied for execution of activities which were not specified in the second and third schedules and in the Authority to Incur Expenditure. Further,

there was no authority from the Constituency Development Fund Board. The funds were reallocated as shown below:-

Institution	Approved Project	Executed Project	Amount (Kshs)
Igane Dispensary	Completion of an Administration Block	Construction of gate and gate house	1,300,000
Kaongo Dispensary	Construction of female wards	Construction of incinerator, staff houses and toilet block	3,000,000
Kirwirwa Day School	Construction and completion of laboratory	Completion of two classrooms	1,300,000
Ntonyero Day School	Completion of a dining hall	Construction of two classrooms	1,200,000
CDF Offices	Completion of office building	Procurement of computers/equipment	<u>1,500,000</u>
Total			<u>8,300,000</u>

No explanation was given for failure to seek approval from the Board.

(vii) Wasteful Expenditure

An amount of Kshs.300,000 was allocated to Kiagu Kauthene Administration Police (AP) lines PMC for the construction of an armory room in the financial year 2012/2013. This was in addition to Kshs.300,000 allocated the previous year for flooring and plastering of the APs office. The allocation was disbursed and the armory constructed and completed at the AP lines.

However, a site visit to the Kiagu Kauthene AP lines on 30 January 2014, revealed that three AP's living houses had been constructed and completed using previous years allocations and that the construction of the armory room was also complete. However, these facilities had not been put to intended use since no Administration Police had been deployed in the area to boost security.

No explanation was given for funding a project to completion while no plans had been made to post staff to the area to provide the intended services.

(viii) Procurement of Sign Posts

The CDFC procured sign posts to mark CDF projects through a quotation ref no. CDF/12/12/13 issued on 6 November 2012. The closing date for submitting the quotations to the CDFC was indicated as 10 November 2012. The quotations were opened by only one person, the Fund Manager, who then awarded the tender to supply fifty signposts to four artisans at a unit cost of Kshs.10,000 totalling Kshs.500,000.

It was however noted that, a CDFC meeting held on 5 November 2012 under minute no. 5/5/11/2012, approved the procurement of the sign posts and subsequent payment for the services to the artisans. This is a clear indication that the approval for award for the supply of the sign posts was done before the quotations were invited, contrary to the requirements of Public Procurement and Disposal Act, 2005 and related 2006 regulations.

THARAKA NITHI COUNTY

1. Nithi Constituency Development Fund (CDF)

(i) Poor Implementation of Projects

During the period between the financial years 2004/2005 and 2011/2012, the government disbursed a total of Kshs.12,738,176 for construction of various projects which included class rooms, dispensaries, maternity wards, cultural centres, social halls, training schools, chief's camps and purchase of musical instruments among others. However, physical verification carried out revealed that as at the time of audit in January 2014, projects costing Kshs.6,378,177 had been abandoned while those completed had not been put into use at all. In other cases, musical equipments costing Kshs.1,765,000 procured during 2006/2007 could not be traced. In addition, some three projects for a maternity ward, police station and chief's camp costing Kshs.1,350,000 were noted to have stalled.

Consequently, no value for money appears to have been realized against the total expenditure of Kshs.12,738,176 incurred by the Government on these projects.

(ii) Non-acknowledgment of Bursary Disbursements and Lack of Policy Frame Work

A total sum of Kshs.5,923,506 was paid in October/November 2012 to various educational institutions as bursary to assist bright and needy students to pursue further education. However, the entire system of bursary funds lacked guiding policies on the criteria to be applied when identifying and awarding bursaries to the needy but bright students. At the same time, no school fees receipts, or acknowledgement letters from the institutions, or locational/ward committee minutes identifying and awarding the needy students the bursaries, were made available for audit review. In the circumstance, it was not possible to confirm the propriety of the expenditure incurred on bursaries.

(iii) Irregular Request for Quotations on Sourcing of Road Works Maintenance

Quotations for grading of three (3) different roads within the Constituency were requested, responded to, evaluated and awarded at a total cost of Kshs.5,278,999 on 6 August, 2012. The grading works were immediately undertaken, completed and certified for payment and the resultant payments effected on 22 August, 2012.

It was, however, noted that the grading works were procured by requesting for quotations yet the value of the works to be undertaken exceeded the Kshs.500,000 threshold indicated under class C where Constituency Development Fund entities fall. This was contrary to the provisions of Section 88(b) of the Public Procurement and Disposal Regulations, 2006 and Section 174 of the Public Procurement and Disposal Act, 2005. Further, no documents such as appointment letters were maintained to indicate that the tender committee was formally established as required under Section 26 (4) of the Public Procurement and Disposal Act, 2005. Similarly, the membership of the technical evaluation committee were not disclosed in the minutes of the meetings held on 6th August, 2012 at the CDF Boardroom. Further, no bills of quantities were provided for audit verification, and as a result, it was not clear how the works were costed.

(iv) Unclear Payments for Electrification Matching Facility

Under the Rural Electrification Matching Facility for the financial year 2010/2011, Nithi Constituency was allocated Kshs.11.9 million for implementation of rural electrification projects. According to Rural Electrification Authority (REA) letter ref. BEA/CP/T/14/NM/CMK dated 3 November 2010, the Constituency was to pay part of the funds and Rural Electrification Authority was to match the same amount subject to maximum contribution of Kshs.5,000,000. Although, the Constituency made a payment of Kshs.5,000,000 to REA on 10 September, 2012, no evidence was made available to show the matching amount from Rural Electrification Authority.

(v) Misapplication of Emergency Funds

A total of Kshs.1,550,000 was spent from Emergency Vote A/C No. 4-480-054-2640 201-101-010-001 in the month of October, 2012 on funding activities that are not related to Emergency cases without any document to justify the same. The funds were used for construction of classrooms and a foot bridge. Further, no Constituency Fund Committee Minutes or Fund Board Approvals were maintained in regard to the reallocation of funds for application to other unrelated areas. Evidently therefore, the approved budgetary allocations were not utilized for the intended purpose.

(vi) Unaccounted for fuel

Fuel worth Kshs.937,190 was supplied to the CDF on diverse dates during 2012/2013 and subsequently drawn by vehicle registration no. GKA 501S. The amount was settled in installments vide seven cheques dated between July 2012 and February, 2013. However, the expenditures could not be confirmed as no fuel register, motor vehicle work tickets and delivery notes were made available for audit verification. Under the circumstances, it could not be confirmed whether fuel drawn was used for official duties.

(vii) Irregular Payment of Allowances

A total of Kshs.572,000 was paid out to CDF committee members on 31 December, 2012, 15 January, 2013 and 3 March 2013 for journeys made within the Constituency while monitoring and evaluating the implementation of various projects. However, authenticity of these payments could not be confirmed as there were no approval letters for monitoring and evaluation allowance rate of Kshs.2,000 applied as field allowance per day, and lack of travel documentary evidence in some cases.

In this regard, the total expenditure on allowances remains irregular. Similarly, in absence of travel documents, it was not possible to confirm that the journeys were undertaken, and therefore propriety of the expenditure cannot be ascertained.

2. Tharaka Constituency Development Fund (CDF)

(i) Un-submitted Expenditure Returns for Emergency & Education Funded Projects

During the year under review, the CDF Fund Committee disbursed Kshs.5,026,217 and Kshs.14,834,952 to fund emergency and education oriented projects respectively. However, contrary to Section 33 (1) of the CDF Act, 2007 which requires the District Development Officer to make returns for every project implemented under the Act, no expenditure returns were made for projects on Emergency and Education amounting to Kshs.3,590,752 and Kshs.11,034,952 respectively.

In the circumstance, it was not possible to confirm the accuracy and propriety of expenditure totalling Kshs.14,627,704 incurred on the CDF projects.

(ii) Stalled Projects

During the audit of CDF records, it was observed that some twenty six projects amounting to Kshs.3,950,000 were at various implementation stages but not completed, with most of the projects having been initiated as early as financial years 2004/05, 2006/07 and 2007/2008 as shown below:-

Commencement Period	No. of Project	Amount (Kshs.)
i) 2004/2005	5	500,000
ii) 2005/2006	1	300,000
iii) 2006/2007	14	1,800,000
iv) 2007/2008	4	750,000
v) 2010/2011	1	300,000

vi)	2011/2012	<u>1</u>	<u>300,000</u>
	Total	26	<u>3,950,000</u>

There was no indication that these projects will be revived, and also no explanation was provided for initiating new projects while others had stalled.

(iii) Cash and Bank Balance

The CDF Office maintained a current account bank at Cooperative Bank, Chuka Branch. However, the cash book was updated up to 31st December, 2012. Bank reconciliation statements had also been prepared up to December 2012. Bank statements for the period January to June 2013 were not made available for audit review. Consequently, it was not possible to confirm account movements during the six months period from January to June 2013.

Also, a Board of Survey to confirm cash and bank balances as at the end of the financial year was not constituted.

In the circumstance, it was not possible to confirm the accuracy of the CDF's cash and bank balances as at 30 June, 2013.

EMBU COUNTY

1. Manyatta Constituency Development Fund (CDF)

Audit review of the expenditure incurred on various projects funded by CDF – Manyatta during 2012/2013 revealed the following unsatisfactory matters:

Un accounted for Expenditure

(i) Gichegeri Water Project

An amount of Kshs.876,080 was disbursed to Gichegeri water project by the CDFC for purchase of water pipes through payment voucher number 44 of 11 December, 2012 and cheque number 4251. However, no records were maintained at the CDF offices to show how tendering, if any, for the utilization of the grant of Kshs.876,080 was done. Information available indicated that the cheque was collected from the CDF offices by an individual on 28 December 2012, who according to information made available for audit was a former employee of the Fund. There were no expenditure returns maintained at the CDF office to support the utilization of the grant. Consequently, it was not possible to confirm how the grant of Kshs.876,080 was utilized. Although the Fund Manager had indicated that the matter was under investigation by the District Criminal Investigations Officer (DCIO) Embu, the outcome of the investigations had not been communicated to this office as at the time of reporting.

In addition, a total of 296 pieces of 90mm upvc pipes plus rings worth Kshs.523,920 were allegedly supplied to the water project by a hardware store based in Meru vide delivery note number 29704 of 8 August, 2012. Although the delivery note was signed on behalf of the water project, the person signing was unknown to the Manyatta CDF officials and therefore, the receipt and utilization of the pipes could not be confirmed.

Further, no physical verification of the water project could be carried out as the details of project location and its officials were not made available to the audit team.

Under the circumstances, propriety of the expenditure totalling Kshs.1,441,320.00 incurred on the project during the year could not be confirmed.

(ii) Runga Irrigation Water Project

The Runga Irrigation water Project Management Committee officials confirmed having received 207 pipes out of 238 pipes of 200mm diameter that were indicated supplied by the hardware store based in Meru. However, the where about of the balance of 31 pipes worth Kshs.41,320 could not be explained.

(iii) Embu Jua Kali Project

The Embu Jua Kali project was an initiative of the Embu Municipality Jua Kali Association of Embu. The project, according to Environmental Impact Assessment Report of December 2009, involved leveling of land parcel number 1295 in Embu Municipality, construction of perimeter fence and subsequently construct sheds and sanitary facilities on the ground. The facilities were meant to be used by the Association members for carrying out private businesses which mainly entails motor vehicle repairs and maintenance. The Manyatta CDFC funded the project over the years amounting to Kshs.13,380,000.

During the period under review, the CDFC allocated and disbursed Kshs.2,000,000 to the project for ground graveling, terracing and construction of a staircase way. Quotations were floated for spreading of gravel and construction of the staircase and four firms responded.

The tender was awarded to the lowest responsive bidder at a contract sum of Kshs.722,100.00 on 31 October 2012.

Audit verification revealed that the bid from the same bidder for supply and delivery of 2300 tons of approved Murrum had a bill of quantity appended at a cost of Kshs.1,250,000. However, no records were made available to show how the tender for supply of murrum was advertised and quoted for by the other firms. Further, there was no evaluation report for the same or minutes for the award of the contract and it was therefore not clear how the contract was awarded.

Physical verification of the project revealed that the gravelling was poorly done despite the fact that a Ministry of Public Works official had issued a certificate of practical completion of the project dated 14 January 2013. In addition, the contractor had been paid Kshs.2,000,000 by 16 January, 2013 an amount which exceeded the total

contracted sum of Kshs.1,972,100 by Kshs.27,900.00. No explanation has been provided for the over payment. Further, the mode of payments was not disclosed as no payment vouchers were produced for audit review. The only available information were acknowledgement letters from the contractor.

Under the circumstances, the award of contract for supply of gravel was irregular as no bids were invited as required by the Public Procurement and Disposal Act, 2005.

Poor workmanship on CDFC Funded Projects

(iv) Ngimari Primary School

A grant of Kshs.450,000 was issued to Ngimari Primary School vide payment voucher number 10 of 25 September 2012 for construction of one classroom. Quotations were floated and three bids were received and award made to the lowest bidder at a contract sum of Kshs.451,318.

Two valuation certificates were made by the Ministry of Public Works on 27 December 2012 and 6 February 2013 of Kshs.241,738 and Kshs.209,580 respectively.

A physical verification on 22 May 2013 revealed that the classroom was complete and already in use. However, there were visible cracks on the walls which run upwards from the floor, an indication of poor workmanship.

(v) Igumo Primary School

A grant of Kshs.500,000 was issued to Igumo Primary School vide payment voucher number 10 of 25 September 2012 for the construction of one classroom. Quotations were floated and three bids were received, and the tender awarded to the lowest responsive bidder at Kshs.651,230. Two valuation certificates were made by the Ministry of Public Works on 2 September 2012 and 16 January 2012 of Kshs.325,000 and Kshs.326,230 respectively.

A physical verification on 22 May 2013 revealed that the classroom was complete and already in use. However, there were visible cracks on the walls which run upwards from the floor, an indication of poor workmanship.

(vi) Kiangoci Primary School

A grant of Kshs.500,000 was issued to Kiangoci Primary School vide payment voucher number 12 of 25 September 2012 for the construction of one classroom.

As at the time of audit, expenditure returns had not been filed at the CDF office. It was, therefore, not possible to establish how the tendering was done, who the contractor was and the subsequent award of the contract and the payment to the contractor.

A physical verification on 22 May 2013 revealed that the classroom was complete and already in use. However, there were visible cracks on the walls which run upwards from the floor, an indication of poor workmanship.

(vii) Kairuri Social Hall

The tender for construction of Kairuri Social Hall was opened on 30 March 2012 and subsequent evaluation done on 3 April 2012. Ten firms had presented their bids and award was made to a contractor at a contract price of Kshs.2,491,855.

An amount of Kshs.2,328,540 was paid to the contractor vide payment voucher number 36 of 8 November 2012 and was supported by a statement for payment on account dated 02 November 2012 from the District Works Officer. The second and final payment was made vide payment voucher number 54 of 19 December 2012 for Kshs.233,171. The retention fee of Kshs.232,854 was paid vide payment voucher number 53 of 14 January 2013. This was barely a month after making the first payment which is contrary to the provision that the retention money should be paid after six months. No explanation was obtained as to why the payment was made that soon.

Physical verification of the project on 16 May 2013 revealed that the building was complete though a completion certificate had not been produced by then. However, there were visible cracks which ran from the floor slab upwards to the window levels. This is an indication of poor workmanship.

It is apparent that the CDFC failed to monitor the projects during the implementation resulting to poor workmanship by the contractors. No explanation has been provided for the omission.

(viii) Stalled Njukiri Water Project

The above project had been funded with a total of Kshs.1,000,000 during the year 2011/2012 and the funds were disbursed on 22 March 2012 for construction of a water intake. Audit review of the project file revealed that funds were reallocated from expanding the water intake to construction of offices. No additional funding has been provided towards the completion of the project. The building also stalled as confirmed during physical verification carried out on 22 May 2013. However, no funds for its completion had been allocated during the financial year under audit.

No explanation was provided by the CDFC for failure to fund the project to completion as required by CDF Act.

KITUI COUNTY

1. Mutito Constituency Development Fund (CDF)

(i) Irregular Procurement and Doubtful Supply of Medical Equipment and Drugs

The CDF committee spent Kshs.960,000 during the year under review procuring drugs for six (6) newly constructed dispensaries. However, propriety of the expenditure could not be confirmed due to the following factors:-

- (i) The committee did not make available for audit review original Constituency Development Fund Committee (CDFC) minutes for the meeting held on 3 July, 2012 which authorized the expenditure.
- (ii) Examination of a copy of minutes provided revealed that the last meeting was held on 23 January, 2012 yet it is a requirement that the CDFC hold meetings on monthly basis.
- (iii) A schedule of list of drugs requested by the District Medical Officer of Health (DMOH) Mutito district for supply to the identified dispensaries was not produced, making it difficult to confirm the correctness of the drugs procured.
- (iv) The drugs were procured through imprest which was issued in the name of CDFC Treasurer who is not a Government employee. Also, no documentary evidence was provided to prove that the pharmacy where the drugs were purchased on cash basis was among the prequalified suppliers of drugs.
- (v) No documentary evidence, such as delivery note or acknowledgement note from the dispensaries was provided to confirm actual delivery of the drugs.
- (vi) The CDFC minutes had approved procurement of drugs amounting to Kshs.140,000.00 for each dispensary, but the cash sale receipts show an expenditure of Kshs.160,000.00 each, resulting to unexplained over expenditure of Kshs.120,000. This was contrary to Section 28 (a) of CDF Act, 2007.

Due to the above concerns, the expenditure of Kshs.960,000 could not be confirmed as a proper charge on public funds.

(ii) Doubtful Payments for Project Writing Seminar

Contrary to Section 51 of the CDF Act of 2007, Mutito CDFC spent Kshs.960,000 training 8 (Eight) officers on Project Writing course at Jomo Kenyatta University of Agriculture and Technology (JKUAT) Mombasa CBD. The workshop was approved under minute reference Min/06/08/2012 with authority to use Kshs.560,000 from Monitoring and Evaluation vote and Kshs.400,000 from the Administration vote. The imprest was issued to CDF secretary on 6 September, 2012. However, the following matters were noted:-

- (i) The invitation letter supporting the expenditure was addressed to Mr. Patrick Nzula, while application letter was not made available. Also, no documentary evidence was provided to show that the invitation was extended to the rest of the team.
- (ii) Among those trained were a Copy Typist, Personal Assistant to the MP, former Secretary and former Treasurer. However, no reason was given for involving these officers in the training since the course was not relevant to their duties.

- (iii) No documentary evidence such as bus tickets or work tickets indicating mode of transport used by the officers to travel to Mombasa was provided to support the journeys to the training venue.
- (iv) Examination of CDF motor vehicle work tickets showed that the Chairman and the District Development Officer (DDO) were authorizing journeys of vehicle No. GKA 915T during the period they should have been attending the training.
- (v) Original receipt no. 436200 from JKUAT covering tuition for the whole team was not made available for review and no explanation was given as to why individual receipts were not issued to all the officers yet payment was made in cash.
- (vi) No certificates of participation or any other related reports were produced for audit review. Further, no report or course materials were filed in the CDF office for use by other officials.

In the circumstances, it was not possible to confirm the authenticity of the expenditure.

KWALE COUNTY

1. Msambweni Constituency Development Fund (CDF)

(i) Borehole Contracts - Kshs.44,925,085

A Kshs.3,920,450 contract to drill a borehole at Mwamose was awarded on 26 September 2012 and contract agreement signed on 7 October 2012. However the project progress report by the District Water Officer based on a site visit on 20 September 2012 stated that work worth Kshs.1,651,675 had been done and paid, and indicates work done before contract award contrary to the procurement laws and regulations.

Further a contract was awarded to drill a borehole at Sagalato on 7 October 2012 at a contract sum of Kshs.4,044,000 against a budget of Kshs.4,000,000. Two days after the award, i.e. 9 October 2012, a certificate of work done costed at Kshs.2,428,160 was issued by the District Water Officer for which payment was processed and paid on 10 October 2012 against a contractor's invoice dated 12 October 2012. The Management has not provided justification of the irregularity of payment being made before work done.

In addition, a contract was awarded on 26 September 2012 for construction of two classrooms at a budgeted amount of Kshs.2,802,246 and administration block budgeted at Kshs.1,980,108 at a Secondary school. Two certificates of work done were issued on 7 November 2012 of Kshs.2,000,000 and Kshs.2,400,000 for classrooms and administration block respectively and Kshs.4,398,000.00 payment done on 26 November 2012. The dates of contract award and issue of the certificate of work done of 42 days are not realistic to have any meaningful work done to project completion.

(ii) Payments of Goods and Services not Rendered - Kshs.2,429,280

Physical verification of projects implemented by the CDF Msambweni revealed an estimated loss of Kshs.2,429,280 for construction of a laboratory, classrooms and a library at a secondary school and wards and a laboratory at a dispensary. This was as a result of the following irregularities:

- (1) Inferior and low quality materials were supplied.
- (2) Quantity of goods supplied was less than the ordered materials.
- (3) Some materials were not supplied at all.
- (4) Incomplete works.

(iii) Substandard Work done at Shimoni Dispensary Kshs.11,600,000

The contract to construct Shimoni Maternity Wards was awarded at a contract sum of Kshs.4,553,460. Though the project was completed and handing over done in March 2013, the facility has not been utilized due to the following issues:

- (i) The laundry room has no drainage and the floor has cracks.
- (ii) Water storage tanks were not installed and shower and taps have all broken.
- (iii) The rooms cannot be accessed by patient trolleys because of steps put at the room entrance.
- (iv) Some rooms were fitted with flash doors instead of wooden ones.
- (v) There is no ramp to access the room as an alternative to stairs.
- (vi) Plastic waste water drainage pipes were installed above the ground instead of underground.
- (vii) Despite having not been used, the building is in deplorable state.

Similarly, a project to construct two wards and laboratory at Shimoni was awarded and fully paid in 27 November 2013 at a contract sum of Kshs.6,993,199. Though the project is classified as completed, the facility has never been put to use as drainage pipes were not fully connected. Further, the contractor did not perform part of the contract activities worth Kshs.840,800 even after he was fully paid.

The management have not provided justification for these irregularities. The investment of Kshs.4,553,460 and Kshs.6,993,199 paid for developing the facility may not benefit the intended community.

(iv) Direct Payments to the Contractor by CDF of Kshs.25,342,886

Records maintained at the Msambweni CDF Office indicated that direct payments totaling Kshs.25,342,886 were made to contractors contrary to CDF regulations which stipulate that these kind of payments are to be done through the Project Management Committees (PMCs) who are directly responsible to the projects.

These payments of which no project has been identified have not been justified by the CDF management.

2. Matuga Constituency Development Fund (CDF)

Unaccounted For Project Funds

During the period under review, Matuga CDF Committee disbursed a total of Kshs.136,656,453 to 84 projects within the Constituency. However the receipt and utilization of these funds at the project level could not be verified as the project managers could not avail essential accounting records and documentary evidence for audit despite numerous requests. In the circumstances, the propriety of the Kshs.136,656,453 expenditure incurred on the CDF projects could not be confirmed.

KILIFI COUNTY

1. Kaloleni Constituency Development Fund (CDF)

Purchase of Land for Mombasa Polytechnic University College-Kaloleni Campus

The Kaloleni Constituency Development Fund (CDF) made a payment of Kshs.5,022,000 to the District Commissioner, Kaloleni District for acquisition of land for the expansion of Mombasa Polytechnic University College, Kaloleni Campus.

The amount deposited was for payment to the vendor for land measuring 55.80 acres located at Gotani in Kayafungo Location.

There was no evidence confirming that the proposal for acquisition of the land for expansion of the Mombasa Polytechnic University College was made by the community from the area or the University College.

The list of approved proposed projects was not produced to confirm that the University College expansion project was among the approved projects to be undertaken by Kaloleni Constituency Development Fund.

No valuation report was attached when project submission was being done as required for all projects that involve purchase of land contrary to Constituency Development Fund Board circular reference CDFBOARD/CIRCULARS/VOL.I/108 dated 24 August 2010 on guidelines on land ownership for constituency development fund related projects.

Similarly, no documentary evidence has been made available for audit verification confirming that the vendor family indeed owned the land they sold to Kaloleni Constituency Development Fund.

TAITA TAVETA

1. Taveta Constituency Development Fund (CDF)

(i) Irregular Awarding of Project Contracts

The Taveta CDF awarded three (3) projects namely, Bishop Njenga Secondary School Dormitory at a cost of Kshs.7,300,000, Construction of OCPD Headquarters at Kshs.11,395,620 and Youth Empowerment Project Phase II & III at Kshs.10,000,000 through floatation of quotations. It was observed that the individual project values exceeded Kshs.5,000,000 which is the threshold for open tender as stipulated by the Public Procurement and Disposal Act 2005 and its 2006 Regulations.

Explanation was not given as to why procurement procedures were not followed.

(ii) Construction of a Medical College - Kshs.37,000,000

During the period under review, the Taveta CDF initiated a project to construct a medical college at a contract sum of Kshs.345,892,488 of which as at 30 June 2013, amounts totaling Kshs.37,000,000 had been disbursed towards the project. There was no evidence of approval from Parent Ministry to commence the project and the contract was signed without reference to the CDF Act which requires the Principal Secretary, Medical Services and CDF Board approval. Further, the project does not have a provision for other sources of funding considering the huge amount involved.

It was also noted that the contractor had abandoned the project and moved out of the site at the time of audit, hence the completion of the project remains doubtful. The management has not provided justification for the Kshs.37 million expenditure.

TURKANA COUNTY

1. Turkana South Constituency Development Fund (CDF)

(i) Unvouched Expenditure

The Fund Manager of the Constituency Development Fund (CDF) for Turkana South Constituency received Kshs.133,816,745.00 during the year 2012/2013. The amount relates to allocations for 2011/2012 and 2012/2013 financial years of Kshs.63,795,997.50 and Kshs.70,020,747.20 respectively.

Disbursements for various activities amounting to Kshs.119,484,593.80 were made to Project Management Committees (PMCs). However, expenditure returns for Kshs.78,677,263.00 as tabulated below from the various PMCs were not provided for audit verification.

Activity	Amount (Kshs.)
Education	59,160,000.00
Bursaries	296,000.00
Environment	1,023,840.00
Health	8,200,000.00
Monitoring and Evaluation	576,200.00
Sports	2,473,223.00
Water	5,000,000.00
Others	1,943,000.00
Total	<u>78,672,263.00</u>

Consequently, it was not possible to confirm that the funds disbursed to the PMCs were used for intended purpose and in accordance with the law.

(ii) Irregular Procurement of School Buses and Insurance

The Turkana South Constituency Development Fund management made a payment of Kshs.26,540,000.00 to a transport company on 25 October 2012 for supply of four 51 seater buses to four schools i.e. AGC Lokichar, Kainuk Secondary School, Katilu Boys and AIC Kangit Girls. The supplier is indicated as the lowest bidder of the three firms that were invited to quote. The following unsatisfactory matters were noted:

- i) The specifications of the buses to be bought were not properly given to enable the firms to quote for same item that is comparable.
- ii) The minutes of the Evaluation Committee and Tender Committee were not provided for audit review;
- iii) The Inspection and Acceptance Committee Certificate was not provided to confirm that the right buses were supplied and received in good order before making payment.
- iv) The value of the buses exceeded the limit for use of request for quotations as a procurement method and no reason has been provided for not using the open tender method.
- v) The ownership of the buses could not be confirmed due to lack of motor vehicle registration documents and logbooks.

The Fund further made a payment of Kshs.2,768,392.00 to an insurance agency on 14 December 2012 in respect of insurance for the four buses. Although the firm was the lowest bidder of the three firms that quoted, it was not indicated whether the insurance was comprehensive or for third party only. The fund had not made provision in the budget for insurance of the buses and the amount exceeded the limit of Kshs.1,000,000.00 for use of quotation. No reason has been provided for not using the open tender method.

Further, valuation report, minutes of the Evaluation Committee and Tender Committee and the Insurance Policy documents were not provided for verification.

Consequently, the propriety of the expenditure of Kshs.29,308,392.00 could not be confirmed.

(iii) Unconfirmed Fuel expenditure

The Constituency Development Fund made payments to a local company (supplier) totaling Kshs.1,675,935.00 on various dates for the supply of fuel in bulk as tabulated below:

Date	cheque No.	Amount (Kshs)
31.10.2012	2937	440,500.00
31.10.2012	2970	400,000.00
13.2.2013	Not indicated	354,095.00
7.7.2012	2894	<u>481,340.00</u>
	Total	<u>1,675,935.00</u>

The following unsatisfactory matters were however noted;

- (i) There was no information on how the firm was identified to supply fuel; and
- (ii) Fuel register, copies of detailed orders and work tickets were not provided to show how the fuel paid for was utilized.

In the absence of these documents, the usage and propriety of fuel worth Kshs.1,675,935.00 could not be confirmed.

WEST POKOT COUNTY

1. Kapenguria Constituency Development Fund (CDF)

(i) Drilling of Boreholes on Privately Owned Land

Records maintained at the Kapenguria CDF office indicate that an amount of Kshs.7,250,000.00 was incurred during the year on drilling of five (5) boreholes and installation of pumps at Bendera, Kamito, Kapchepkai, Kaplelachkaror and Psigirio areas. However, the land on which the boreholes are located was indicated as donated by private individuals and the ownership has not been transferred to the community for use as public land. No explanation has been provided for sinking the boreholes on private land.

(ii) Irregular Advance Payments

An audit carried out on the expenditure records at the CDF office indicates that on 6 November 2012, the Constituency Development Funds Committee (CDFC) awarded contract to a Kapenguria based company to drill and equip three boreholes at Polol, Keringet and Kaplelachkaror areas within the Constituency at a contract sum of Kshs.1,500,000.00, Kshs.2,200,000.00 and Kshs.1,500,000.00 respectively. It was however observed that the contract sum was paid in advance to the contractor on the same day of awarding the contract before the service was rendered. Further, 10% retention fee was also not withheld contrary to Section 14.8 of the Government Financial Regulations and Procedures.

A site inspection carried out on 6 February 2014 revealed that boreholes at Polol and Keringet had not been equipped with water pumps and none had water. It is not clear whether the District Water Office was involved in identifying and carrying out geological assessment before drilling was done. It was also established that the borehole at Kaplelachkaror was dry and the water pump was broken. It is not clear why the CDFC paid the contractor in advance the full contract sum before service was rendered. It appears also that no remedial action is being taken by the CDFC to ensure that the Government gets value for money on the above expenditure.

(iii) Doubtful Expenditure on Mtelo Water Project

Available information indicates that the CDFC disbursed funds amounting to Kshs.6,942,857.00 to Mtelo Water Project Management Committee (PMC) during the years 2007 to 2013. The project which was intended to serve residents of Endugh and Chepkomor locations at estimated total cost of Kshs.107,745,095.00 when it is complete. The expenditure returns on the disbursement of Kshs 6,942,857.00 were not made available for audit review. In addition, the site inspection carried out in February 2014 revealed that little work had been done on the ground despite the fact that money disbursed was meant for water intake construction and piping.

It has not been possible therefore to confirm that funds were used only for the intended purpose.

2. Sigor Constituency Development Fund

(i) Drilling and construction of Boreholes

The Sigor Constituency Development Fund Committee (CDFC) entered into a contract with a local company to drill and equip three (3) boreholes at Kalikwon, Korellach and Chepurkut locations in the Constituency at a total cost of Kshs.6,900,000.00.

According to available information, there was no competitive bidding in identifying the contractor and the construction was single sourced contrary to Section 74 of the Public Procurement and Disposal Act, 2005.

Further, a physical verification carried out on the borehole at Korellach revealed that the borehole was dry and without water, indicating that the amount spent on the project may have gone to waste.

(ii) Roads Maintenance

Examination of records maintained at the CDF office revealed that during the year, a total of Kshs.10,500,000.00 was paid to various contractors for maintenance of Lomut-Cheptokol, Amaler-Akolo, Psupen, Tapach, Sikow-Tilak and Tomusiro roads in the Constituency. However, procurement records, contract agreement, bills of quantities, inspection and certificates of work done were not made available for audit review. Consequently, the propriety of the expenditure of Kshs.10,500,000.00 incurred on the roads could not be ascertained.

(iii) Grants to Schools, Water Projects and Construction of Security Offices

The CDF office made disbursements in August and September 2012 to various schools and water Projects Management Committees (PMCs) totalling Kshs.3,900,000.00 and Kshs.4,200,000.00 respectively. Further, payments were made to other PMCs for the construction of Security Offices at Amaler Police Post, Tamkal and Wakor Chief's Offices amounting to Kshs.3,000,000.00, Kshs.200,000.00 and Kshs.500,000.00 respectively. An audit carried out in January 2014 revealed that expenditure returns from the Project Management Committees (PMCs) had not been submitted to the CDF office for verification.

As a result, the propriety of the expenditure totalling Kshs.11,800,000.00 could not be ascertained.

3. Kacheliba Constituency Development Fund

(i) Construction of CDF Office at Alale

The tender for construction of CDF Office at Alale was awarded by the District Tender Committee on 5 May 2010 to a construction company based in Kapenguria, at a contract sum of Kshs.10,000,000.00.

Scope of Work

According to records available, the scope of work for the project involved erection and completion of an office block including ground floor slab, walling, ceiling and roofing, plastering and installation of doors and windows, electrical works and plumbing works.

Contract Period and Progress of Work

The contract period was 54 weeks running from 7 June 2010 to 7 July 2011. However, as at January 2014, records show that approximately 40% of the physical work had been completed, while the contract period had been surpassed by over 19 months. No reasons have been provided for the apparent slow progress of the works.

Payments

A review of payment certificate and expenditure records showed that a sum of Kshs.5,808,753.00 had been paid to the contractor as at 30 June 2013 against the contract sum of Kshs.10,000,000.00. The payment represent approximately 58% of the contract sum, while 40% of the physical work had been completed. The payments made therefore were not commensurate with the work done on the ground.

(ii) Construction of CDF Office at Konyao

Award of Contract and Scope of Work

A contract for construction of CDF office at Konyao was also awarded by the District Tender Committee on 5 May 2010 to a firm based in Kapenguria at a contract sum of Kshs.8,428,753.00. The scope of work involved erection and completion of office block comprising of 6 rooms.

Contract Period and Progress of Work

The contract period was to run for 32 weeks starting from 7 June 2010 to 28 February 2011. However, physical inspection carried out in January 2014 revealed that 90% of the works had been completed. Payments made to the contractor as at 30 June 2013 amounted to Kshs.5,175,290.00 or approximately 61% of the contract sum.

The CDF Management did not provide satisfactory explanation for the delay in construction of the office block.

(iii) Incomplete Projects

Examination of records for various projects at the Kacheliba Constituency Development Fund Office disclosed that grants amounting to Kshs.481,009,650.00 were received in the office between 2004/2005 and 2012/2013 out of which Kshs.60,177,367.00 was incurred on several water projects, roads, schools and dispensaries spread across the Constituency.

An audit verification of the projects conducted in January 2014, however, revealed that the above mentioned projects worth Kshs.60,177,367.00 have stalled, incomplete, and the funds spent may go to waste. The Fund Office has not provided satisfactory reasons for the poor management of the projects.

CONSTITUENCY DEVELOPMENT FUND - ELDORET EAST

Examination of Eldoret East Constituency Development Fund records as at 30 June 2013 revealed the following anomalies:

1. Construction of Office Block

According to records available, the CDF office, received disbursements amounting to Kshs.2,000,000.00 and Kshs.750,000.00 in the financial years 2011/2012 and 2012/2013 respectively for the construction of a proposed office block in Eldoret. The contract was awarded to a local construction company on 31 July 2012, through restricted tendering.

An advertisement for construction of the office block at Eldoret was done on 11 June 2012 and closed on 27 June 2012. Subsequently, three (3) bids were received and according to the tender opening minutes of 27 June 2012, the three bidders had quoted sums of Kshs.4,732,830.00, Kshs.3,596,087.00 and Kshs.3,087,500.00. After evaluation, the tender committee meeting of 31 July 2013 awarded the tender to the lowest bidder at a contract sum of Kshs.3,087,500.00.

The audit revealed the following unsatisfactory matters:

i) Cost Estimate

The engineer's estimated cost of the office block was Kshs.8,382,302.00, which reflects that the bid was 63.2% below the engineer's estimated cost.

ii) Award of Contract

The lowest bidder was notified of the award of tender through undated letter reference CDF/OFFICE/1/2012 and separately accepted the contract vide letter dated 6 July

2013; a date before awarding of the tender. This appears to indicate that the tender committee meeting of 31 July 2012 was just a procedure to formalize what had been decided earlier.

iii) Contract Agreement and duration

According to available information, the contract agreement was to be prepared by the CDF Office for signing by both parties and duration of work was to be completed within a period of twenty (20) weeks from the date to be determined by the Public Works Officer, Eldoret. No written contract agreement appears to have been drawn between the two parties as at 20 September, 2013.

An inspection carried out on 20 September 2013 revealed approximately 58% of work had been done according to the engineer's estimate against fifty nine (59) weeks or 295% of the time elapsed since the award of the contract. It has not been possible therefore to establish the contract terms and payment in absence of the contract agreement.

iv) Scope of works and payments

The scope of works involved construction of office block with (9) columns above ground floor slab, natural stonework walling, ceiling and roofing, plastering, painting and installation of doors and windows.

An audit inspection of the project carried out in July 2013, however, revealed that the contractor used bricks and blocks on walling up to lintel level instead of natural stonework as stipulated in the bills of quantities. Further, the works has apparently stalled and the contractor was not on site after completing substructure work, concrete and walling all valued at Kshs.1,808,490.10 as per interim completion certificate number

1 dated 30 October 2011. The payments on the above interim certificate were made on 19 December 2012.

No reason was given on the change of specifications on walling and failure to complete the building within the specified period.

There is thus uncertainty of quality of work, completion and risk of escalation in cost considering the slow rate of progress of works and lack of critical documents including contract agreement.

2. Stalled Projects

An examination of CDF records on projects implementation revealed that several projects which were funded several years back have stalled at various stages of completion and others have not started despite the disbursement of funds.

According to available information, between the period 2004/2005 and 2010/2011, disbursements totaling Kshs.4,189,100.00 was made to Project Management Committees from the Constituency Development Fund to finance projects and programmes under Education, Health and Water sectors as detailed below. No evidence has been provided on the action being taken by the management to complete the projects.

S/No	Year	Name of Project	Cheque No	Date of cheque	Amount	Contractual/Labour based(LB)	Remarks
		Education Institutions					
1	2009/2010	Saito Primary-construction of green house	2398	17.7.11	262,000	LB	Green house failed
2	2008/2009	Toloita Primary-construction of 3 classrooms	2728	8.2.12	400,000	LB	40% complete
3	2008/2009	Kapsilot Secondary-construction of Admin block	2745	23.2.12	300,000	LB	
4	2009/2010	Kalyet Secondary	2042	29.10.10	400,000	LB	No reason given for failure to spend amount issued
5	2009/2010	Kaperi Primary	2191	17.3.11	300,000	LB	Money released but not yet spent
		Health/ Dispensaries					
6	2009/2010	Kapkeno Dispensary	2078	22.11.10	307,100	LB	Stalled at lintel level because of underfunding
		Water Projects					
7	2010/2011	Konyalil water project	2725	8.2.12	560,000	LB	Money not yet spent

8	2010/2011	Cheptigit water project	2075	11.11.10	200,000	LB	Work not commenced because of land dispute
			2642	10.10.11	700,000		
			1427	18.11.09	200,000		
9	2010/2011	Ainet water project	2460	30.8.11	560,000	LB	Work yet to commence
		Other Projects					
10	2004/2005	Mara Primary-const of 2 classrooms	-	-	-	-	No information provided
11	2004/2005	Ngarua Primary-const of one classroom	„	„	„	-	“
12	2004/2005	Chepngoror Secondary-const of 2 classrooms	-	-	-	-	No information on % completion/payment
		Total			<u>4,189,100</u>		

3. Construction of Moiben-Kose Bridge

The Constituency Development Fund disbursed Kshs.700,000.00 for the construction of Moiben - Kose Bridge in Eldoret East Constituency and a further Kshs.2,000,000.00 in 2012/2013 for the construction of a bridge across Moiben River. Although indications are that the funds were spent, a site visit carried out in July 2013 revealed that substantial work had been done but the project was incomplete. Further, details on the procurement, award of tender and contract agreement for the project were not made available for audit review.

Consequently, the propriety of the expenditure of Kshs.2,700,000.00 could not be ascertained.

ELGEYO MARAKWET COUNTY

1. Marakwet East Constituency Development Fund

(i) Unsupported Expenditure on Projects

During the year under review, disbursements totalling Kshs.13,963,112.00 were made from the Constituency Development Fund to finance various projects and programmes under Health, Water, Security and Cattle dips comprising amounts of Kshs.4,691,175.00, Kshs.2,200,000.00, Kshs.5,671,937.00 and Kshs.1,400,000.00 respectively. However, expenditure records showing how the amount of Kshs.13,963,112.00 was utilized and accounted for have not been made available for audit review. The propriety of the expenditure therefore could not be confirmed.

(ii) Procurement of construction works

Available information indicates that the CDF office made payments to four (4) firms for the construction of Kapyego Police Post, partitioning and wiring of D. O's Office at Cheboi, construction of Police Post at Tot and construction of Kamoge Police staff houses at Kshs.400,000.00, Kshs.463,965.00 Kshs.105,000.00 and Kshs.1,500,000.00 respectively. However, bills of quantities, structural drawing designs, tender documents and certificate of works done were not produced for audit review. As a result, it has not been possible to establish how the contracts were awarded and whether the funds were used for the intended purpose.

(iii) Doubtful Expenditure – Kshs.6,931,340.00

During the year under review, the CDF office further purchased tree seedlings from two local women groups at a cost of Kshs.174,000.00 and Kshs.143,000.00 respectively. The seedlings were intended to be distributed to various schools and institutions in the constituency. Details of the recipients were not attached to the payment vouchers.

Further, expenditure amounting to Kshs.6,000,000.00 was incurred on renovation of CDF office at Chesoi. However, relevant records including tender documents, bills of quantities and certificate of work were not maintained. The CDF management also never accounted for the emergency funds amounting to Kshs.614,340.00 allocated to schools after heavy rainfall floods during the year. Under the circumstances, the propriety of the expenditure of Kshs.6,931,340.00 could not be ascertained.

2. Marakwet West Constituency Development Fund

(i) Sports and Games Kshs.2,457,200.00

A total of Kshs.2,357,200.00 was paid to various organizations and individuals in support of various sports activities in the constituency. The funds were spent in purchasing sports items such as boots, T-shirts, track suits, cornet stockings among

others. However, no details of the beneficiaries duly acknowledging receipt of the items was provided. Further, a payment of Kshs.100,000.00 was paid to Athletics Kenya Association, Keiyo Marakwet County to support home coming party to London 2012 Olympians. The association request for funding was not supported by relevant documents to confirm whether it is duly registered with the Social Services Department. In addition, the donation request letter did not have the physical location of the association or its postal address. It was also not clear why the payment to the association was made in cash instead of cheque. The propriety of the expenditure amounting to Kshs.2,457,200.00 could therefore, not be confirmed.

(ii) Payments for trips outside the County

Payments amounting to Kshs.1,342,800.00 were made for trips outside the county. However records presented only showed that the Constituency Development Fund Committee approved the trips but there were no details to confirm the purpose and need for the trips. Further, there were no reports from the participants which could form the basis of assessing the benefits accruing from the trips and as evidence of services rendered. Consequently, the expenditure of Kshs.1,342,800.00 could not be verified.

(iii) Primary and Secondary Schools Projects

The CDF office made disbursements amounting to Kshs.11,800,000.00 to finance various projects in schools spread across the constituency. However, expenditure returns including completion certificates were not made available for audit verification. In absence of relevant records, the funds remain unaccounted for and the validity of the payments could not be confirmed.

(iv) Bank Reconciliation Statement – Payments in Cashbook not in Bank Statement

Examination of the bank reconciliation statement for the month of June 2013 revealed overdue outstanding reconciling items amounting to Kshs.1,850,599.40 relating mainly to bursary payments to various institutions of learning with some dating back to the year 2011. The cheques are already stale and therefore cannot be presented for payment. No reason was provided as to why replacement cheques have not been issued.

3. Keiyo North Constituency Development Fund

(i) Unaccounted for funds - Kaitalel Primary School

Kaitalel Primary School received funding totalling Kshs.1,550,000.00 from Keiyo North Constituency for purchasing land and construction of classrooms. The funds were disbursed in tranches of Kshs.250,000.00, Kshs.800,000.00 and Kshs.500,000.00 in the financial years 2010/2011, 2011/2012 and 2012/2013 respectively. However, as at the time of audit in February 2014, the land had not been acquired and construction had not started. There were no records available to proof that the funds were still intact in the

project management bank account. The funds disbursed to the project therefore have not been accounted for.

(ii) Purchase of Sports and Games Materials- Kshs.1,012,500.00

An expenditure amounting to Kshs.1,012,500.00 was incurred from sports and games budget allocation. An amount of Kshs.151,000.00 was paid for purchase of footballs, uniforms and football boots. However, the supplier was single sourced contrary to Section 74 of the Public Procurement and Disposal Act, 2005. No records were provided confirming receipt and issuance of the items to the intended institutions. Further, Kshs.861,500.00 was paid for supply and delivery of calendars for the year 2013. This expenditure was irregularly charged to sports and games vote while counter issue and receipt note (S11) for calendars was not provided for audit review. Consequently, the propriety of the expenditure is therefore doubtful.

(iii) Construction of CDF Office at Iten - Kshs.8,000,000.00

Award of Tender

Available information indicates that construction of CDF office block commenced in 2011. As at 30 June 2013, disbursements to the project amounting to Kshs.8,000,000.00 had been made for the office block and septic tank. Records maintained by the office also indicate that contract for the construction of the office and septic tank was awarded to a Kabarnet based company at a sum of Kshs.5,307,292.00 and Kshs.490,000.00 respectively. However, tender documents including bills of quantities and tender evaluation minutes were not made available for audit review. We could not establish therefore whether competitive tendering was adhered to as required by Public Procurement and Disposal Act, 2005.

Payments

The contractor had been paid a total sum of Kshs.5,497,292.00 as at 30 June 2013. However, payment vouchers, relevant certificates and other supporting documents were not made available for audit review. Further, the CDF office used part of the project funds totalling Kshs.129,565.00 on purchase of furniture without floating quotations so as to ensure value for money is achieved.

A review of the project bank statement also revealed that the balance in bank account as at 21 November 2012 was only Kshs.879,238.00 an indication that a total of Kshs.7,120,762.00 had been spent as at that date. An amount of Kshs.1,493,905.00 therefore could not be accounted for taking into consideration of payments to the contractor, purchase of furniture and balance in the bank.

Consequently, it could not be determined whether the Government got value for money in the above transactions.

(iv) Unsupported Monitoring and Evaluation and Insurance Expenditure

During the year under review, the Keiyo North CDF spent Kshs.1,660,444.00 on payment of allowances in monitoring and evaluation of projects within the constituency. However, examination of expenditure records maintained at the CDF office disclosed that specific location of the projects visited was not indicated and could not be established and no reports were prepared to support the monitoring and evaluation exercises undertaken. In addition, the CDF office made payments amounting to Kshs.230,100.00 to an insurance company for insurance cover of motor vehicle GK A 363U for the period from 15 December 2012 to 14 December 2013. However insurance policy document was not made available for audit review.

In the circumstances, it has not been possible to establish the propriety of the above payments totalling to Kshs.1,890,544.00.

(v) Construction of Medical Training College

The construction of Kenya Medical Training College (KMTTC) – Iten started in 2011. The first phase of the project involved the construction of six (6) classrooms in a one storey building. Examination of bank statements for the project indicates that Keiyo North CDF financed the project at a total of Kshs.19,445,031.00 from the year 2011 to 2013. Contracts for the construction were split into labour and material contract. Labour contract was awarded to an Iten-based company at a contract sum of Kshs.3,470,854.00 while Project Management Committee was to purchase materials for the project. No tender documents, bills of quantities, payment to the contractor and material purchases supporting documents were made available for audit review. Further, a review of the project bank statements indicated that a balance of Kshs.15,806.60 remained unutilized in the bank account as on 27 July 2013 indicating that a total of Kshs.19,429,225.00 of the total funds disbursed of Kshs.19,445,031.00 had already been spent. Expenditure returns and reports from the project management committee and certificates from Ministry of Public Works were not provided for audit verification.

In absence of relevant records, the propriety of the expenditure of Kshs.19,445,036.00 could not be ascertained.

(vi) Electricity Projects

Examination of records maintained by Keiyo North CDF indicated that a total of Kshs.5,600,000.00 was paid out to various electricity projects in the 2012/2013 financial year, including an amount of Kshs.1,000,000.00 that was paid in respect for Iten town lighting project. The implementation of Iten town lighting project could not be verified due to lack of relevant records and the unavailability of Project Management Committee to identify the works done. Further, no project files were provided for audit review. Therefore, the propriety of Kshs.5,600,000.00 could not be ascertained.

(vii) Irregular re-allocation of emergency funds

In the financial year 2012/2013, a total of Kshs.4,443,274.00 was allocated by the CDF Board for emergency purpose in the constituency. However, an amount of Kshs.1,145,131.00 and Kshs.1,600,000.00 was paid out of the vote to KMTCL Iten and CDF office construction respectively. The two cases do not fit the emergency criteria as stipulated in the CDF Act, 2013 and therefore the funds totalling to Kshs.2,745,131.00 was irregularly diverted and utilized on unauthorized projects.

NANDI COUNTY

1. Tinderet Constituency Development Fund

(i) Unaccounted for Bulk Fuel

Examination of records maintained at Tinderet CDF office indicate that the office purchased 7258 litres of bulk diesel fuel worth Kshs.750,505.00 from a service station based in Nandi Hills. However, the fuel had not been accounted for as at 30 June 2013, as the detailed orders, fuel register and relevant work tickets were not maintained. The propriety of the expenditure could not therefore, be ascertained.

(ii) Purchase of Land for Projects

During the year the Constituency Development Fund Committee (CDFC) funded various schools to purchase parcels of land for projects spread across the Constituency. It was however, established that four(4) parcels of land did not have title deeds as proof of ownership contrary to CDF Board Circular No.VOL.1/108 dated 24 August 2010. Further, sale agreements and valuation reports prepared by the relevant Ministry were not provided for audit review. Consequently, the propriety of expenditure amounting to Kshs.4,100,000.00 as shown below could not be confirmed.

	Date	Cheque No.	Name of School	Size of Land (acres)	Amount (Kshs)
1.	10.9.2012	002841	Kabikwen Primary school	2.5	900,000
2.	10.9.2012	002846	Matumon Primary school	2.0	600,000
3.	10.9.2012	002845	Chepkitlel Primary school	3.2	600,000
4.	19.9.2012	002893	Cheplelachbei Sec. school	4.0	<u>2,000,000</u>
	Total				<u>4,100,000</u>

(iii) Non-implemented Water Projects

Available information indicate that the CDF office disbursed funds totalling Kshs.3,500,000.00 in September 2012 to five(5) water Project Management Committees(PMC) namely: Chemamul, Kapkerio, Tuiyobei, Chebarus 'B' and

Keben/Koilot for construction of water tanks, laying of pipes from the mains to the storage tanks and construction of intake points.

An audit inspection carried out in February 2014, however, revealed that the projects had not been implemented more than one (1) year after the funds were released. Further, it could not be established whether the funds were still intact in the bank account because relevant bank statements were not made available for audit review.

Consequently, it has not been possible to confirm the propriety of the expenditure incurred on the water projects.

(iv) Construction of Nandi East District Headquarters

a. Project Over-funding - Kshs.10,675,892.00

As previously reported the Nandi East District Treasury received a total of Kshs.58,686,012.00 from various stakeholders between 2008/2009 and 2012/2013 for the construction of phase I and completion of District Headquarters. The CDF contributed a total of Kshs.32,000,000.00, the Ministry of State for Provincial Administration and Internal Security (District Commissioner, Nandi East) contributed Kshs.25,766,696.00, the Eastern Produce of Kenya (EPK) Kshs.653,400.00 while Kenya Tea Growers Association (KTGA) contributed Kshs.265,916.00.

The tender for the final phase was competitively awarded on 30 March 2010 to an Eldoret based company at a contract sum of Kshs.43,065,100.00 being the same company that had undertaken the construction of the first phase at a cost of Kshs.4,945,020.00 bringing the total of the project cost to Kshs.48,010,120.00. The project therefore, received unexplained over-funding of Kshs.10,675,892.00.

b. Progress and Quality of Work

The contract for the completion of the building which commenced on 12 April 2010 was to take forty two (42) weeks to 10 February 2011. However, an audit inspection carried out on 14 February 2014 revealed that the works was at 72% completion level while contract period had been exceeded by thirty six (36) months. Further, several cracks were visible on the walls of the building indicating poor workmanship by the contractor. In addition, the contractor was paid for works not done vide Interim Certificates No. 10 and 12 for electrical works and materials on site valued at Kshs.357,500.00 and Kshs.676,000.00 respectively. No reason was provided for the anomaly.

c. Doubtful Expenditure

The District Commissioner failed to provide the following items for audit review; complete details of certificates of works done, bank statements and payment vouchers amounting to Kshs.53,686,012.00.

Consequently, it has not been possible to establish the validity and propriety of the expenditure so far spent on the project as at 30 June 2013.

2. Mosop Constituency Development Fund

(i) Construction of CDF Office Block-Ksh.8,843,787.00

The construction of Mosop CDF office block was funded by Constituency Development Fund Committee (CDFC) with a total of Kshs.4,940,930.00 and Kshs.3,902,857.00 in 2011/2012 and 2012/2013 respectively.

Expenditure records maintained at the CDF office further indicates that labour contract was awarded to a Housing Corporation on 16 September, 2011 at a contract sum of Kshs.1,419,852.00 being the lowest evaluated bidder. On 16 December 2012, the CDFC entered into a new labour contract with an individual to construct the same building at a sum of Kshs.1,197,600.00. It is not clear why the initial winner of the contract was terminated and for what reasons. Tender documents including evaluation minutes were also not provided for audit review. No contract agreement appears to have been entered into between the CDF office and the contractors and therefore start and completion dates of the project could not be determined. Further, expenditure details on purchase of materials and use of Kshs.7,646,187.00 of balance of funds disbursed for the project was not provided for audit review and remain unaccounted for.

A site inspection carried out in February 2014 revealed that the project was about 95% completion level.

(ii) Funding of Primary schools in privately owned land

Examination of records maintained by the CDF office further indicate that funds amounting to Kshs.800,000.00 and Kshs.5,600,000.00 were disbursed to Kabiyet Township Primary School and St. Mary's Teresia Primary School respectively. The funds were meant for purchase of land at Kabiyet School while the amount sent to St. Mary's Teresia School was to be utilized in purchase of land and construction of 10 classrooms.

However, no valuation reports, sale agreement and title deed were made available for audit review and no explanation was provided for funding project on privately owned land instead of public land as required by the CDF Act, 2003.

(iii) Purchase of a Private School

The Mosop CDF office during the year incurred a total of Kshs.4,750,000.00 on purchase of St. Peters Sangalo Central Primary School; a privately owned school in Sangalo area. Records available indicate that the expenditure was incurred on land, furniture and building development at a cost of Kshs.400,000.00, Kshs.334,500.00 and Kshs.4,350,000.00 respectively. However, an audit carried out on the expenditure revealed that valuation of the property was done by a private valuer contrary to the Government Financial Regulations and Procedures which require that a government

valuer should be engaged for such work. Further, no evidence was provided indicating the need of buying an existing school while within the same locality there are five (5) other public primary schools.

An inspection carried out in February 2014 also revealed that the school was still operated in the name of private academy and had not been changed. Under the circumstances, it has not been possible to establish the propriety of the expenditure totaling to Kshs.4,750,000.00 incurred by the CDF office.

KAKAMEGA COUNTY

1. Lugari Constituency Development Fund

(i) Construction of Muhomo Bridge

The above construction was irregularly awarded to a contractor through direct procurement at a contract sum of Kshs.5,474,800.00 even though a Tender Evaluation Report from Kenya Rural Roads Authority had recommended a different contractor having been the lowest evaluated bidder who had quoted Kshs.5,472,150.00 among other bidders. No reason was given for this anomaly.

Further, the contractor requested for a variation of the contract and was awarded additional works amounting to Kshs.3,334,200.00 or about 90.6% of the contract sum which is 80.6% more than the required 10% allowed variation price.

Failure to award the work competitively amounted to non compliance with the Public Financial Regulations and the Public Procurement and Disposal Act, 2005.

(ii) Incomplete Construction of a Dispensary and a Polytechnic at Maturu

The CDF office Lugari disbursed Kshs.1,950,000.00 and Kshs.1,800,000.00 for completion of Maturu Dispensary and the construction of Maturu Polytechnic respectively.

Audit verification revealed that even though the payments had been paid in full, works quantified in the bills of quantities at Kshs.759,826 for the dispensary and Kshs.501,900.00 for polytechnic totaling Kshs.1,261,726.00 were not complete.

The amount of Kshs.1,261,726.00 paid for work not done may represent a loss to the CDF. Management have not provided explanation for payment of work not done.

(iii) Un- implemented CDF Projects

Amounts totaling Kshs.7,855,693.00 on approved various projects during the year were disbursed. Those projects had not been implemented as at the time of audit inspection.

It is not clear why the committee continued to hold on to the money while service delivery stalled.

The intended beneficiaries of the projects and the country may not get value for money disbursed and the amounts allocated may also prove inadequate due to increasing prices of goods and services.

(iv) Lack of land ownership documents

The fund approved and disbursed funds totaling Kshs.1,750,000 for the purchase of parcels of land for five (5) beneficiary institutions. However, ownership documents for the parcels of land purchased were not made available for audit verification.

2. Butere Constituency Development Fund

The Butere Constituency Development Fund office paid during the year Kshs.2,239,287.00 towards the construction of Butere Community Resource Centre making the total payments to date to add up to Kshs.7,700,000.00.

Information available and physical inspection on the project revealed that the project is being constructed on land belonging to a private organisation and thus not owned and cannot be utilized for such development. It was noted that the contractor left the site during the month of February, 2013 and no work is going on.

Management have not provided justification for the total Kshs.7,700,000.00 expenditure.

3. Khwisero Constituency Development Fund

(i) Unsupported Payments

Audit of financial statements maintained at the Khwisero CDF disclosed payments totaling Kshs.56,962,678 that were not authorized and supported with documentation.

It was, therefore, not possible to confirm propriety of the Kshs.56,962,678.00 expenditures charged to public funds.

(ii) Stalled Projects

A review of the Project Implementation Status Report for the period 2003 to 2013 revealed that projects funded between financial year 2003 to 2010 at a total cost of Kshs.4,900,000.00 had stalled and contractors abandoned the site. The CDF management has not explained the steps it has taken to ensure the projects are completed with no cost overruns.

(iii) Non-existent Projects

A review of the Project Status report revealed that projects funded (mostly water springs) to the tune of Kshs.1,840,000.00 between the year 2004 to 2008 were either non-existent or their locations on the ground and status was not known. Consequently, the propriety of the Kshs.1,840,000 expenditure could not be confirmed.

(iv) Payment for works not done

The payments were made to Rural Electrification Authority and Rift Valley Railways in respect of installation of electricity and road crossing. At the time of audit, works worth Kshs.3,500,000 had not been done.

CDF management have not provided explanation for these irregularities.

4. Shinyalu Development Fund (CDF)

(i) Missing Cash

The Shinyalu CDF cash book as of 30 June 2013 reflected a cash on hand balance of Kshs.2,437,880 that was represented by Kshs.1,215,630 held in form of outstanding imprests and Kshs.1,222,250 in cash, that was unaccounted for. No justification has been provided for the missing cash of Kshs.1,222,250.

In addition, the Kshs.1,215,630 cash held in form of long outstanding imprest includes Kshs.79,580 held by one officer and Kshs.275,000 issued to a former CDF secretary in August 2012 who has since left the office. No efforts have been made to recover the imprest from the officer's salaries as required by Government Financial Regulations and Procedures.

(ii) Irregular and Unaccounted for Cash Withdrawals

Bank records availed reflect that between the months of December 2012 and January 2013 cash withdrawals amounting in total to Kshs.3,800,000 were made to two officials of the CDF with the secretary getting Kshs.3,000,000 and Kshs.800,000 to the treasurer.

These payments were made without any supporting documentary evidence hence unaccounted for.

(iii) Irregular Transaction

The CDF cash book had an entry in the bank payment column of Kshs.6,495,100 posted on 30 August, 2012 and narrated as cashbook adjustment which was not explained. This had the effect of reducing the balances at bank by the same amount. Further, a review of the cashbook transactions after the year end revealed that a new cash book was opened on 25 August, 2013 without closing the old one and carrying forward the cash book balances which stood at Kshs.2,437,880 for cash on hand and Kshs.822,033 for cash at bank respectively. No justification has been provided for this irregular transaction.

(iv) Payments Unaccounted for

The bank reconciliation statement reflects payments in bank statement not yet recorded in the cashbook of Kshs.15,200,944.15 out of which only Kshs.97,281.50 represented

bank charges with the rest amounting to Kshs.15,103,662.65 being payments to other parties. This in effect reduces expenditure and distorts financial statements.

No reason has been provided for failure to enter and update the cash book with the payments.

(v) Unsupported Payment/Falsification of Documents

Two payments of Kshs.400,000 each amounting in total to Kshs.800,000 were made to officers without proper support documents in form of authorizing minutes. In one case, the payment purportedly authorized by the executive committee was supported by minutes of Constituency Development Fund Committee which was also found not to have taken place. Yet in the other case the resolution authorizing payment was not in the original minutes meaning it had merely been inserted to facilitate payment. Consequently, the propriety of the Kshs.800,000 expenditure could not be confirmed.

(vi) Irregular Diversion of Funds

A physical verification at St. Augustine Mukumu Primary School on 4 February, 2014 revealed that an amount of Kshs.1,000,000 disbursed for construction of a dormitory was without prerequisite authority, diverted to the completion of four classrooms at the school. The CDF had earlier allocated Kshs.150,000 for the completion of these classrooms whose construction had stalled and therefore it is not clear how the amount was used.

BUNGOMA COUNTY

1. Kanduyi Constituency Development Fund (CDF)

(i) Unsupported Payments

There were no documentary evidence availed in support of expenditure amounting to Kshs.4,286,000.00 that included an amount of Kshs.1,425,000.00 paid to the CDF Treasurer. Also the Kanduyi CDF paid Kshs.300,000.00 to Township Chief's office for plastering and painting of the office during the year under review. However, a site visit to the office on 6 February 2014 revealed that no such works had been carried out.

Payment amounting to Kshs.1,000,000.00 paid to Ultra Holding (K) Limited in respect of procurement of fuel could not be accounted as there was no supporting documents like detail orders, delivery notes and fuel register to confirm the same.

An official of the Constituency Development Fund was paid in cash a total of Kshs.575,000.00 for the purpose of purchasing office equipment and furniture. However, this amount could not be accounted for during the audit inspection. It was also not clear why normal Government procurement procedures which require competitive bids were not adhered to.

Under the circumstances, the propriety of these payments could not be ascertained.

BUSIA COUNTY

1. Nambale Constituency Development Fund

(i) Unauthorised Expenditure on Construction of Bridge and Culvert Kshs.6,175,967.00

The Nambale Constituency Development Fund without approval of the Constituency Development Fund Board spent Kshs.3,113,440.00 to construct a bridge along Lupida-Kocholia road and another Kshs.3,062,527.00 to build a Box Culvert on Mwenge-Madivo road. The Bills Of Quantities for both projects were not available for audit and thus the intended scope of works was not known. Further, no minutes were available to confirm involvement of the entire Constituency Development Fund committee as required.

(ii) Incomplete Busia Chief's Office

Nambale CDF incurred an amount of Kshs.1,800,000 for the construction of the Busia Chief's Camp without preparing proper Bills of Quantity (BQ). The fund paid the full amount on the contract even when works such as decorations, fixing of facial board, painting and other finishes were still incomplete. The project had been irregularly varied upwards from the Kshs.1,322,213.40 as reflected in the Bill of Quantities to Kshs.1,800,000 by Kshs.477,786.60 which was well above the statutory limit of 15% without approval.

(iii) Missing Returns for Matayos Health Centre Ward

An amount of Kshs.1,200,000.00 was disbursed to the Project Management Committee (PMC) for the completion of a ward at Matayos Health Centre. However, no documentary evidence including returns, bank statements, Bills of Quantities, project designs/plan and procurement documents were available for audit. Consequently, the propriety of the Kshs.1,200,000.00 expenditure could therefore not be confirmed.

(iv) Weak Controls over Bursary

Records available reveal that an amount of Kshs.800,000.00 was paid out irregularly as bursaries to students not among those vetted as potential beneficiaries. It was therefore, not clear as to how these beneficiaries were identified and actually whether they deserved.

2. Amagoro Constituency Development Fund

On sample basis CDF made payments without relevant support documents amounting to Kshs.1,710,000.00. The propriety of the expenditure could not be ascertained.

(i) Unapproved Expenditures

A total of Kshs.2,656,000 was released to fund four projects that were not approved by the CDF Board. Kshs.379,000 paid for repair of a borehole, Kshs.1,585,000 excavation and supply of a frider water pump, Kshs.460,000 and Kshs.792,000 for installation of 5 culverts line. No justification has been provided for these unauthorized payments.

SIAYA COUNTY

1 Alego Usonga Constituency Development Fund

(i) Non Accountability of Procured Construction Materials

During the year under review, Project Management Committee for Ngiya Mixed Secondary School, Bar Olengo Secondary School and Usula Secondary School procured construction materials worth Kshs.6,300,000. However, it was observed that the assorted building materials were not entered in the stores records. The receipts, requisition and store issue notes were not availed for audit verification. The procurements and used materials could, therefore, not be accounted for. Under the circumstances, the propriety of Kshs.6,300,000 expenditure could not be confirmed.

2. Rarieda Constituency Development Fund

(i) Un-Authorized Issuance of Imprest Kshs. 4,348,000

The Constituency Development Fund management issued imprests totaling to Kshs.4,348,000 to the CDF Treasurer to pay Sitting Allowances to CDF committee members. However, examination of surrender payment vouchers revealed that the payment vouchers were not authorized and there was no documentary evidence to confirm meetings took place. Under the circumstance, the propriety of the Kshs.4,348,000 expenditure could not be confirmed.

KISUMU COUNTY

1. Kisumu Town East Constituency Development Fund

(i) Unaccounted for Imprests

Cash survey carried out on the 28/01/2014 on Kisumu Town East Constituency Development Fund revealed that there were outstanding imprests totalling Kshs.1,501,500, some dating back to March 2012, issued to cater for allowances during meetings, field activities and projects evaluation and monitoring exercises that had not been accounted for. The management has not provided justification for this irregularity and failure to adhere to Government Financial Regulations and Procedures governing issuance and surrender of imprests.

(ii) Non-Submission of Expenditure Returns by the Project Management Committees.

It was observed that the Project Management Committees (PMCs) during the year under review did not file expenditure returns and the bank reconciliation statements for all the fundings advanced by the CDF management committee. This is a breach of the Constituencies Development Fund Act, 2013.

(iii) Works not carried for funds released to the Project Management Committees

a. Wandiege (Kuoyo) Dispensary Project – Kshs.1,892,000.

The Kisumu Town East Constituency Development Fund Committee meeting of 29 June 2012 allocated Kshs.1,892,000 to Wandiege (Kuoyo) Dispensary. The funding was done through the Kuoyo Unit Development Group, and was for the construction of a septic tank, a soak pit and completion of the finishing works. Funds were released to the project as follows:

Date	Cheque Number	Amounts Kshs.
26/09/2012	001156	500,000
26/09/2012	001157	500,000
10/12/2012	001752	<u>892,000</u>
Total Payment		<u>1,892,000</u>

A physical verification and site visit of the project on the 30/01/2014, revealed that no works had taken place on the site. Further, we were unable to confirm whether the funds were still held in the project bank account as the bank reconciliation statement was not availed for audit verification. The dispensary is non-operational and the propriety of the expenditure could not be confirmed.

b. Kotunga Community Health Centre Project – Kshs.1,500,000

The Kotunga Community Health Centre in Kisumu Town East Constituency was on 30 April 2012 allocated Kshs.1,500,000 for the construction and completion of the Health Centre. Physical verification carried out on the 30/01/2014 revealed that no work had taken place. The health centre is still non-operational and there was evidence of neglect and vandalism on the existing facility.

c. Poor Construction of toilets at Migosi Primary School- Kshs.1,500,000

The Migosi Primary School was on 22 September, 2012 allocated Kshs.1,500,000 towards the construction of a 10 toilets facility for pupils and a modern toilet for the staff. Physical verification carried out on 30/01/2014 revealed poor workmanship. The staff members' modern toilets were not fitted with some items specified in the bills of quantities including a septic and water tank. Further, the school did not avail bank

statements and expenditure returns for the project to support payments. Under the circumstances, the propriety of the expenditure could not be confirmed.

d. Chiga Dispensary – Kshs.1,000,000

The Chiga Community Dispensary was on 29 June 2012 allocated Kshs.1,000,000 through Chiga Dispensary Project Management Committee for the construction and completion of the dispensary. Physical verification revealed that the building that was erected had big cracks on the walls and could collapse or be condemned even before occupation. The construction of the septic tanks and soak pit had also not been done. Project bank statements and expenditure returns to support the expenditure were not availed for audit review. The project management have not provided justification for the expenditure.

2. Kisumu Town West Constituency Development Fund

(i) Unsupported Expenditure

Payment totalling Kshs.1,179,831 including Kshs.1,089,450 paid to two individuals were not supported with relevant documentary evidence. Under the circumstances the propriety of the expenditure totalling Kshs.1,179,831 could not be confirmed.

(ii) Construction of Otonglo Health Centre

A total of Kshs.1,000,000 was on 28 August 2012 allocated towards the construction of an ongoing health Centre at Otonglo to replace the original one that was condemned and demolished for unknown reasons. Tender documents and bill of quantities were not availed for audit review. Several cracks were noticed in the building raising doubts on the structural soundness of the building. The project seemed abandoned as there was no contractor on site and the works were not complete. Under the circumstances, the propriety of the expenditure totalling Kshs.1,000,000 could not be confirmed.

(iii) Poor workmanship at Kisian-Kemri footbridges- Kshs.3,000,000

The Kisumu Town West Constituency Development Fund Committee meeting of 13 September 2012 allocated Kshs.3,000,000 towards the construction of a foot bridge along Kisian-Kemri road.

Tender documents and contract agreement were not availed for audit verification. A site visit revealed that the bridge was not stable and seemed structurally unsound as it was shaky and already caved in. There was no evidence that the project was supervised by a structural engineer. Bill of quantities was not availed for audit verification casting doubt as to whether the bridge was constructed as per the requirements of an engineer. Management have not provided explanation for these irregularities.

(iv) Construction of Rota Dispensary- Kshs.3,500,000

The Kisumu Town West Constituency Development Fund Committee meeting of 13 September 2012 allocated Kshs.3,500,000 towards the construction of an outpatient block at Rota dispensary.

Tender documents and Bill of quantities used for requisition of funds were not availed for audit verification.

The project was not supervised by the Ministry of Public Works as required and no certificate of completion was availed for audit verification

Under the circumstances, it was not possible to confirm that the public got value for money on the expenditure amounting to Kshs.3,500,000.

3. Nyando Constituency Development Fund

(i) Poor Construction Works

During the year under review, the Constituency Development Fund allocated and paid Kshs.13,300,000.00 towards development in six schools as listed below:

School	Amount (Kshs.)
1) Awasi Girls PAG Secondary School	1,200,000.00
2) Lela Secondary School	1,000,000.00
3) Katolo Secondary School	5,000,000.00
4) Withur Secondary School	4,000,000.00
5) Kobura Girls Secondary School	1,000,000.00
6) Migingo Primary School	1,100,000.00

No tender documents and certificate of completion were availed for audit verification. Physical verification of the projects revealed that the projects were not done as per the bill of quantities e.g.floors had not been plastered and ventilation and lighting were poorly done. Further, the works were not supervised by Ministry of Public Works contrary to the standard requirements. Under the circumstances, it could not be confirmed that value for money was achieved through the above expenditure charged to public funds.

(ii) Projects Management

During the year under review, Nyando Constituency Development Fund allocated and awarded contracts totalling Kshs.2,700,000 for the following projects:

Project	Amount (Kshs.)
1) Kochogo Youth Polytechnic	700,000.00
2) Hongo Ogosa Dispensary	1,000,000.00
3) Ugwe Dispensary	1,000,000.00

Although the amounts were paid, works were not completed at the time of audit inspection. There was no evidence of the projects having been supervised and certified by Ministry of Public Works as required by law and regulations.

Under the circumstances, value for money may not be achieved for these projects.

(iii) Unapproved Re-Allocation of Funds

During the year under review, Nyando Constituency Development Fund allocated Kshs.12,300,000 towards schools' projects. Examination of payment vouchers revealed that the school Project Management Committees (PMCs) utilized the funds that were allocated to them to finance other projects, other than the ones approved by the Constituency Development Fund Committee without seeking approval. Examples include;

- i. Withur Boys Secondary School received Kshs.1,300,000.00 towards payment of a school bus but no documentary evidence was availed to confirm purchase of a bus.
- ii. Otieno Oyoo Secondary School received Kshs.2,000,000.00 towards construction of 8 classrooms to completion but the amount was used for the construction of an ultra-modern office administration block and library.

(iv) Ugwe Box Culvert - Kshs.1,000,000.00

Ugwe Box Culvert Management Committee received Kshs.1,000,000.00 towards the construction of box culvert. The Project Management Committee did not produce bank statements, payments and procurement documents to account for Kshs.1,000,000.00. Under the circumstances the propriety of the expenditure could not be confirmed as at 30 June 2013.

4. KISUMU RURAL CDF

(i) Unsupported Payments

Payments totalling Kshs.5,839,369 paid to two individuals of Kshs.4,096,605 and Kshs.1,742,764 each were not supported with documentary evidence. Consequently, the propriety of the expenditure amounting to Kshs.5,839,369 could not be confirmed.

(ii) Irregular award of contracts

During the year under review, Kisumu Rural Constituency Development Fund made allocation of Kshs.11,100,000 to various projects in the constituency that were not

advertised and thus no competitive bidding took place. Contractors were single sourced by the CDF Committee directly without the involvement of Project Management Committees (PMCs) and projects were not supervised by the Public Works office. It was noted that payments were made directly to Contractors instead of the Project Management Committee by the CDF Management Committee.

The contracts works were undertaken without bills of quantities being prepared from the Ministry of Public Works.

Under the circumstances the propriety of the expenditure totalling Kshs.11,100,000 could not be confirmed.

(iii) Unaccounted Expenditure - Kshs.4,700,000

The Kisumu Rural Constituency Development Fund allocated Kshs.2,700,000 towards the construction of four (4) classrooms at Prof. Anyang' Nyong'o Secondary School. An additional grant of Kshs.2,000,000 was given to the school towards the same project. It was not possible to confirm receipts of funds by the school in absence of cash records and bank statements.

(iv) Nyarombo Primary School

During the year under review, Kisumu Rural Constituency Development Fund allocated Kshs.2,800,000 towards renovation of six classrooms which had been blown off by winds at Nyarombo Primary School. The following irregularities were observed:

- i. No project committee was instituted to monitor the implementation of the project; instead this was done from the CDF office.
- ii. Bill of Quantities estimating the projects material cost and tender documents were not availed for audit review.
- iii. No tender documents were availed for audit review. However, explanation provided by the head teacher indicated that a contractor was appointed by the CDF office and that the School Management Committee played no role in the project.
- iv. Of the Kshs.2,800,000 allocated and paid, only Kshs.950,000 was confirmed received in the school CDF project bank statement that was availed. No justification was provided by management on the unaccounted for funds amounting to Kshs.1,850,000.
- v. There was no certificate of completion issued for the project, thus the basis on which the contractor was paid could not be determined.
- vi. A physical verification of the project revealed that the building had several cracks thus casting doubt on the quality of works done.

Under the circumstances, the propriety of the total Kshs.2,800,000 expenditure could not be confirmed.

(v) Spending above ceiling

During the year under review, Kisumu Rural Constituency Fund was allocated Kshs.5,744,935 (being 6% of the total allocation) to cater for administration and secretariat expenses. However, the financial records indicate that amounts totalling Kshs.9,766,389 were spent under the same item leading to over expenditure on the item of Kshs.4,021,454 for the year under review. Further, amounts totalling Kshs.2,872,467(being 3% of the total allocation) for capacity building and efficiency monitoring were allocated, while the fund spent Kshs.5,550,059 on the same item leading to over expenditure on the item of Kshs.2,677,592. In addition, the fund was allocated Kshs.4,787,446 (being 5% of the total allocation) for emergency services, and part of the funds was spent on administrative expenses including Kshs.380,057.00 on allowances. These payments were made contrary to Constituency Development Fund Act Section.12 and management has not provided justification for the irregularities.

HOMA BAY COUNTY

1. Kasipul Kabondo Constituency Development Fund

(i) Stalled Projects- Kshs.13,792,000

As reported in the previous year, Kasipul Kabondo Constituency Development Fund (CDF) had released a total of Kshs.13,792,000 to fifteen (15) projects started in the constituency, which had either stalled or funds unaccounted for. No action by management has been made to date to rectify the unsatisfactory position. The objectives of these projects have therefore not been achieved and public funds have not been put to the intended purpose.

2. Karachuonyo Constituency Development Fund

(i) Nugatory payment

During the year under review, Karachuonyo Constituency Development Fund allocated Kshs.909,398 to Kendu Bay Adventist Hospital towards the purchase of additional accessories for Telemedicine. However, the following anomalies were noted;

- i) Kendu Bay Adventist Hospital is a private hospital run by the Adventist Church. Management did not comply with Section 22(4) of the Constituency Development Act, 2013 which prohibits funding to private institutions except for emergencies as provided for under Section 22 (5).
- ii) The contractor was not competitively sourced and the contract agreement was not availed for audit verification.

- iii) Physical verification of the project established that no work/or accessories had been fitted at the hospital at all despite the contractor being paid.

Under the circumstances the propriety of the Kshs.909,398 expenditure could not be confirmed.

3. Rangwe Constituency Development Fund

(i) Stalled projects

As reported in the previous year, Rangwe Constituency Development Fund (CDF) had released a total of Kshs.10,537,118 to a number of projects started in the constituency, which had either stalled or were being implemented at a slow pace that does not lead to realization of intended benefits to members of the communities targeted. Shauriyako Primary School in Homa-Bay town, had received a total of Kshs.7,700,000 to build a storey building classroom that was started in 2003/4 but the funding stopped in 2011/12. The building has not been completed and has begun developing structural defects. Further, funding for another classroom in the same school of Kshs.1,500,000 was made during the year under review (2012/2013) leading to two incomplete projects in the same school.

Under the circumstances, it could not be confirmed whether the funds are being utilized prudently for intended purposes.

MIGORI COUNTY

1. Migori Constituency Development Fund

(i) Odiyo Wang'e Community Dam in Migori Constituency

A contract for the construction of OdiyoWang'e Community Dam was awarded to a firm at a contract sum of Kshs.4,844,157 in September, 2012. However, details and bid documents on how the firm was identified were not availed for audit verification. Further, the dam in its current state is not in a useable state as a result of a portion of the embankment having been washed away. Consequently, it was not possible in the absence of documentation to determine whether the community got value for money from the expenditure incurred.

(ii) Monitoring and Evaluation in Migori Constituency – Kshs.1,611,000

During the year under review, the CDF committee was paid allowances totalling Kshs.1,611,000 for monitoring and evaluation at the rate of Kshs.5,000 per day contrary to CDF Board and Treasury circulars of 16 July 2012 and 12 November 2009 respectively. These circulars require that the expenditure be in conformity with the authorised laid down government financial procedures in which lunch allowances are specifically pegged at Kshs.2,000 to the senior most officers in government. No justification has been provided for the irregular expenditure of Kshs.1,611,000.

2. Kuria West Constituency Development Fund

(i) Naora Water Dam in Kuria West Constituency

A contract for the construction of Naora Water Dam was awarded during the year under review to a building construction company at a contract sum of Kshs.1,100,000 and payment made in full in November 2012. However, as at the time of the audit, the project had not been completed. Management has not provided explanations for the delay.

(ii) X-Ray Building

An X-Ray building at Kuria West District Hospital which had been contracted at a sum of Kshs.6,901,269 has since stalled due to the building's unsuitability to host X-Ray facilities. The building was rejected by the Ministry of Medical Services after CDF had spent Kshs.2,069,400 with an allocation of Kshs.500,000 in the year under review. This necessitated the Ministry to construct a new building at a contract cost of Kshs.8,230,000. In the circumstances, the CDF incurred a nugatory expenditure of Kshs.2,069,400 due to poor planning of the project.

(iii) Funding Renovation on the DC's Residence

The CDF has been funding costs related to the District Commissioner's residence over a period of time. In the 2012/2013 an allocation of Kshs.1,500,000 was made to complete works that included renovation of sections of the building. To date, management has spent Kshs.2,600,000 out of Kshs.2,900,000 contract sum and works are far from being completed. Further, the contract documents were not availed for review.

KISII COUNTY

1. South Mugirango Constituency Development Fund

(i) Irregular Allocation of Funds

The CDF paid a total of Kshs.5,784,829 to a contractor on substructure construction of Kisii University Nyangweta campus. Information available indicates that the university did not request for funding from the CDF office. Management have not provided justification for this irregular payments.

2. Nyaribari Masaba Constituency Development Fund

(i) Unsupported Payments

The CDF management during the year made payments totaling Kshs.2,900,000 to the Constituency Sport Committee which have not been supported with documentary

evidence. In the circumstances, it has not been possible to confirm that the amount of Kshs.2,900,000 were properly charged to public funds.

3. Kitutu Chache Constituency Development Fund

(i) Non-Compliance to Public Procurement Regulations.

During the Year ended 30 June 2013 Kitutu Chache CDF Committee and Project management Committees Procured Project Water Pipes and Building Materials, while they also constructed Health centres and roads at a cost of Kshs.6,938,562.00 without inviting competitive bidding and quotations contrary to Public Procurement laws and Regulations. In the circumstances, the public may not have received value for money for the cost incurred.

(ii) Stalled Projects

Audit verification of projects being undertaken by Kitutu Chache revealed that eight (8) coffee factories, a primary school and a water project all valued at Kshs.3,500,000.00 had stalled before completion. The stalled projects may lead to waste of public funds and the public may not get value for money invested.

(iii) Failure to disburse Funds/Funds Withheld.

It was noted that sixty two (62) projects did not receive second disbursement totalling to Ksh.20,000,000.00 as budgeted even though the funds were available. The CDF committee was holding the money back thus delaying completion of the project and increasing the risk of stalling. Management has not provided justification for this anomaly.

NYAMIRA COUNTY

1. West Mugirango Constituency Development Fund

(i) Unsupported bursaries

Included in the Bursaries expenditure figure of Kshs.17,000,000 is an amount of Kshs.5,341,000 representing bursaries payments that have not been supported with documentary evidence. Further, no information on how the deserving students were identified and evaluated was availed.

In the circumstances, I am unable to confirm expenditure of Kshs.17,000,000 as a proper charge to public funds.

(ii) Imprests not accounted for Kshs.23,342,573

Examination of the West Mugirango CDF cash records revealed that imprests totaling to Kshs.23,342,573 which includes Kshs.15,678,574 for the current year 2012/2013 and the balance of Kshs.7,663,999 for the previous years dating as far back as April 2009

were outstanding. This is in contravention of Government Financial Regulations in place governing issuance and accounting for imprests which requires that imprests should be accounted for within 48 hours after completion of the activity for which was issued.

Management did not give any explanation why imprests are not accounted for as per the Government regulations.

3. North Mugirango Constituency Development Fund

(i) Temporary Imprest – Kshs.35,386,776

The CDF management had outstanding imprests covering the year 2009 to 2013 totaling to Kshs.35,386,776 which were purportedly surrendered during the year. However, no documentary evidence was availed to support or account for the expenditure charged. In the circumstances, the propriety of the expenditure amounting to Kshs.35,386,776 charged to public funds could not be confirmed for the year ended 30 June, 2013.

NYANDARUA COUNTY

1. OI Kalou Constituency Development Fund

(i) Failure to Keep Proper CDF Records

Section 33 of the CDF Act 2013 provides that the officer of the Constituency Development Fund Board in every constituency shall compile a record showing all receipts and disbursements on a monthly basis in respect of every project and subproject. However, the OI Kalou CDF Committee did not make available its monthly and annual expenditure returns for audit review. Further, the project implementation status report made available for audit review was not updated to reflect the status of the projects, including funds allocation and disbursements for financial year 2012/2013. The CDFC was therefore in breach of the law.

Consequently, it was not possible to ascertain the full accountability of the CDF funds amounting to Kshs.99,609,181.00 received during the period under review.

(ii) Construction of Demonstration Green Houses - Kshs.679,184.00

Records made available at Olkalou CDF office indicate that an amount of Kshs.679,184.00 was allocated to construction of Demonstration Green Houses for eight (8) schools (Kshs.84,898.0 per school) during 2012/2013 financial year. A visit in February 2014 to four (4) out of eight schools namely Ruriii, Huruma, Busara Academy and AC Olkalou Primary schools showed that these projects had not been implemented in the schools at the time of the audit. Further, the CDFC did not explain how the allocated funds were utilized and accounted for.

2. Ndaragwa Constituency Development Fund

(i) Unaccounted for Matching Fund of Kshs.16,500,000.00

Audit of records maintained at Ndaragwa CDF office revealed that since 2009/2010 financial year, CDF Committee proposed and authorized disbursements totalling Kshs.16,500,000.00 to Rural Electrification Authority (REA) for purchase of transformers and erection of transmission lines for electrification of Ndaragwa Constituency. During the 2012/2013 financial year, the CDF Committee disbursed a further Kshs.9,000,000.00 to REA for this project. It was also explained that the project was to be co-funded by Kenya Rural Electrification with a similar amount and the project implementation was to be carried out by REA on behalf of the CDF. However, the CDF Committee did not make available for audit verification, an estimate of the number of transformers to be installed, the area to be covered, the estimated cost of the transformers and the installation works. A physical verification in March 2014 revealed that this project has never been implemented and that no transformers had been delivered and installed within the constituency at the time of the audit.

Further, there was no verifiable evidence to show that the total amount of Kshs.16,500,000.00 was actually paid to the Rural Electrification Authority (REA) and was still intact in their bank account. In the circumstances, the propriety of the disbursed funds is doubtful.

(ii) Rehabilitation of Constituency Rural Roads - Kshs.12,556,238.00

Records maintained by the CDF indicate that a total of Kshs.12,556,238.00 was spent on rehabilitation of various rural roads in Ndaragwa Constituency during 2012/2013 financial year. The amount was issued as an imprest to the CDF Treasurer to pay casuals engaged in the rehabilitation of roads. The rehabilitation work was implemented by the project management committee through labour based contracts. Available information indicates that the amount of Kshs.12,556,238.00 was however not properly accounted for. The officer issued with the imprest altered the minutes for financial year 2011 to read 2012 which he then used to support a payment of Kshs.969,250.00 in October 2012 without any approval from CDF Committee. Duplication of payments amounting to Kshs.6,030,938.00 as evidenced by the payment vouchers was also noted and most of the documents used to support these payments appear fictitious since they were irregularly altered. Physical verification of the roads indicated that the roads were rehabilitated only once although records at the CDF offices showed the roads were done several times during the year but washed away by heavy rains. This could not be confirmed since no record was made available to show that the rehabilitation work on the roads was supervised, and certified by the Kenya Rural Roads Authority (KERRA) as required. In the circumstances, the propriety of the expenditure of Kshs.12,556,238.00 could not be confirmed.

(iii) Irregular Construction of Ndaragwa CDF Offices – Kshs.7,299,913.00

The construction of Ndaragwa CDF offices was started in 2011/2012 financial year and by 2012/2013 had received a total of Kshs.7,299,913.00 from Ndaragwa CDF Committee. The scope of work involved the construction of an office block at Mairo Inya to completion. The CDF procured the supply of materials by floating of quotations when the real construction was labour based. Two Nyandarua based suppliers were contracted to supply hardware and building materials. However, no contract agreement was signed between the contractor and the project management committee. Consequently, the commencement and the completion date of the project were not specified. Similarly, it was observed that no Bills of Quantities (BQ's) or building plans were prepared, while there was no evidence to show that the construction work was being supervised by Ministry of Public Works as required. The work done was not quantified and therefore the propriety of the amount spent could not be confirmed. Physical verification of the project revealed that it was about 60% complete although the full amount of Kshs.7,299,913.00 had already been paid.

(iv) Irregular Purchase of Land – Kshs.3,180,000.00

In 2012/2013, Ndaragwa CDF Committee granted Kshs.3,180,000.00 for the purchase of various parcels of land for Access Roads and Education Projects in Ndaragwa Constituency.

Although, the CDF Committee authorized the purchase of the parcels of land and paid the amount to the land sellers, the official search details, ownership documents, and sale agreement for various parcels purchased were not availed for review. Under the circumstance, it was not possible to confirm the ownership, and the respective sizes of the parcels of land and whether there were encumbrances on any of the parcels. This may lead to unspecified contingencies, legal battles and eventual loss of the money spent.

(v) Unsupported Bursary Payments – Kshs.8,000,000.00

The Ndaragwa CDF Committee Bursary Committee paid Kshs.8,000,000.00 as bursaries for needy students in various secondary schools and colleges. However, it was observed that the list of beneficiaries availed for audit review did not have acknowledgement receipts issued by the schools. It was therefore not possible to ascertain whether the beneficiaries were bonafide students of secondary schools and colleges listed.

3. KINANGOP CONSTITUENCY DEVELOPMENT FUND

(i) Unaccounted for Matching Fund

Audit of financial records maintained at Kinangop CDF office shows that the CDF management made a payment of Kshs.5,000,000.00 to the Rural Electrification Authority (REA) on 19 October 2012. The payment was in respect of purchase of transformers for electrification of Kinangop Constituency. This project was to be implemented by the Rural Electrification Authority on behalf of the CDF Office. However, the CDF Committee did not make available the details on the number of transformers to be purchased and installed, the area to be covered, and the cost of transformers. The basis of determining the amount to be paid by CDF to REA was also not explained.

A verification of the project records revealed that no transformers had been bought and installed at the time of our audit in March 2014. The fund manager could not provide the implementation status of the project either.

The prolonged delay in implementing this project implies that the value for money objective was not achieved as it denied essential service delivery to the community. Further, it could not be confirmed whether the public funds deposited in the Rural Electrification Authority account was still intact.

(ii) Purchase of Computers for Schools - Kshs.9,000,000.00

Records maintained by Kinangop CDF revealed that total of Kshs.9,000,000.00 was allocated to fund purchase of computers for schools in the Constituency during 2012/2013 financial year. The contract for the supply of computers was awarded to a Nyahururu based company at a contract sum of Kshs.4,500,000.00. The CDF Committee, however, did not adhere to section 88 sub-section (b) and section 89(b) of the Public Procurement and Disposal Regulation 2006 since they procured the computers through quotations instead of open tender. Therefore, the CDF Committee were in breach of the law.

Further, although 100 computers were shown as delivered on the delivery notes, the CDF management did not show how the computers were distributed or indicate which schools benefited from the computers. It was also noted that the computers were not entered in the stores records as required before being issued. The inspection and acceptance committee did not have a technical person during the inspection and therefore we could not confirm whether the computers supplied met the specifications set in the procurement document.

(iii) Supply of Medical Laboratory Equipment – Kshs.3,992,800.00

The Kinangop CDF Committee allocated Kshs.4,000,000.00 for purchase of medical laboratory equipment for various dispensaries and health centres within the Constituency. The contract for the supply of this equipment was awarded to a Nairobi

based company at a contract sum of Kshs.3,992,800.00. However, no contract agreement was made available for audit verification.

It was further observed that the CDF committee procured the medical equipment by floating quotations instead of going for open tenders as required by the Public Procurement and Disposal Act 2005. Further, the verification by the Inspection and Acceptance report was not done by a technical person. The CDF committee was therefore in breach of the law.

The physical verification of the equipment supplied could not be carried out since the CDF management did not make available the list of benefiting Dispensaries and Health Centres. In the circumstances, it was not possible to ascertain whether all the equipments were supplied and distributed to the intended beneficiaries.

(iv) Unaccounted for Fuel – Kshs.1,047,750.00

The CDF Committee procured fuel worth Kshs.1,047,750.00 during the year under review. The fuel was to be used by CDF vehicles. However, it was observed that the fuel was not recorded in the stores records and in the fuel register. Detailed usage orders and other related records such as work tickets for the vehicles used were also not being maintained contrary to the Government Financial Regulation and Procedures. In the circumstances, it has not been possible to confirm that the fuel worth Kshs.1,047,750.00 was actually procured, used for the intended purposes and properly accounted for.

(v) Purchase of land for Baraka Primary School – Kshs.1,900,000.00

Audit of financial records maintained by Kinangop CDF disclosed that disbursement amounting to Kshs.1,900,000.00 was made to Baraka Primary School Committee for the purchase of land for construction of a new primary school. However, although the parcel of land purchased was physically seen, the official search details and ownership documents were not made available for audit verification. Further, although the land sale agreement was drawn in July 2012, the valuation of land was done in the month of October 2012, four months later.

It was not explained why the School Committee carried the valuation of the land when the payment had already been done. Under the circumstances, it was not possible to confirm the ownership and the actual value of the land purchased.

(vi) Training Services for Motor Bike Operators – Kshs.1,983,400.00

Kinangop CDF Committee single sourced provision of training services of Ndunyu Njeru Motor Bike Cyclists and awarded the tender to a Driving School based in Kinangop at a contract sum of Kshs.1,983,400.00. The payment for these services was made from CDF bursary account. The bursary was meant for the assistance to the needy students within the constituency. However, it was not explained why it was necessary to train motor bike operators using bursary funds. Further, no report was made available to

confirm whether all intended participants went through the training to justify the payment made. It could not be ascertained whether the fees charged were competitive enough in the absence of competitive bidding.

NYERI COUNTY

1. Mathira Constituency Development Fund

(i) Irregular Procurement of Students Microscopes – Kshs.1,200,000.00

Audit of records maintained by Mathira CDF Committee revealed that the CDF authorized disbursement of Kshs.1,200,000.00 during 2012/2013 financial year for purchase of microscopes for students.

The tender for purchase of the microscopes was awarded to the lowest bidder, a Nairobi based firm at contract sum of Kshs.1,199,940.00. It was however noted that the CDF Committee did not constitute a tender evaluation and award committee to evaluate and award the tenders contrary to Section 16(1) of the public Procurement and Disposal Regulations 2006. It was also established that, although the microscopes were delivered, some had not been dispatched to end users. No explanation was provided as to why all the microscopes had not been dispatched to the users 19 months since delivery.

(ii) Kaguyu Water Project - Kshs.1,948,935.00.

Mathira CDF committee procured water pipes at a cost of Kshs.12,566,661.00 and paid against invoice No. 13609 dated 21 February 2013 from a local firm. The Pipes were delivered to several water projects including Kaguyu Water project. One hundred twenty three (123) 280mm classic pipes valued at Kshs.1,948,935.00 were delivered to Kaguyu project on 20 February 2013. A visit to the project on 31 January 2014 revealed that the pipes had never been put into use.

The project management committee cited the lack of funds as the biggest obstacle for not laying down the pipes. The pipes were also said not to be enough for the project. The funding of this project therefore goes against the CDF Act which requires funding to be done for a complete or a defined phase of a project. It was therefore not possible to confirm propriety of sinking funds in a stalled project.

(iii) Iruri Water Project – Kshs.2,816,865.00

Records maintained at Mathira CDF office showed that Iruri Water Project was started by the community back in 1997. During the financial year 2012/2013, the CDF procured pipes valued at Kshs.12,566,661.00 from a supplier who had been contracted to supply the pipes. The pipes were delivered to several water projects including Iruri water project where 77 No. 280mm class C and 200 No. 255m class C pipes all valued at

Kshs.2,816,865.00 were confirmed delivered to this project. Though the pipes have been installed, the project is far from completion due to lack of funds.

Further, no evaluation, both technical and financial was done before the pipes were delivered. In addition, there was no memorandum of understanding made between the CDF and the community in regard to taking over the project or the component the CDF was to finance. No explanation was provided on the partial funding of the project whose benefits to the community may not be realized in the near future.

(iv) Unrecorded cheques in the Bank Statements – Kshs.2,807,100.00

Audit of the cash and bank records maintained at Mathira CDF office revealed that bank reconciliation as at 30 June 2013 reflected unrepresented cheques amounting to Kshs.2,807,100.00 out of which cheques totalling to Kshs.1,191,280.00 dating between 17 March 2010 and 10 December 2012 had not been presented to the bank and were therefore stale. The stale cheques had also not been reversed in the cash book. No explanation was provided as to why this was not done. The accuracy of the CDF bank and cash balances is doubtful.

2. Othaya Constituency Development Fund

(i) Failure to keep proper Constituency Development Fund Records

Othaya Constituency Development Fund Committee received a total of Kshs.84,006,120.00 during the financial year 2012/2013. However, the CDF Committee did not avail for audit review the monthly expenditure returns showing the details of how the allocated funds were utilized and accounted for. Further, the project implementation status report availed for audit review did not show all projects approved and funded during the year under review.

It was not possible to ascertain full accountability for the CDF funds amounting Kshs.84,006,120.00 received during the period under review. The Committee was evidently in breach of CDF Act.

(ii) Irregular Re-allocation of Emergency Reserve Fund - Kshs.6,226,217.00.

Audit of financial records maintained by Othaya CDF disclosed that the CDF Committee during their meeting of 21 December 2012, re-allocated total of Kshs.5,026,217.00 from emergency reserve fund to other eight (8) projects. Further, another Kshs.1,200,000.00 was re-allocated from Witime Health Centre Project to Unjiru community centre project. However, it was not explained why these re-allocations were effected in the middle of the year despite the projects having been separately funded. Furthermore, these re-allocation were effected without the approval of the CDF board contrary to section 9 (2) of the CDF Act 2003. The Committee was therefore in breach of the law.

(iii) Unsupported Expenditure – Kshs.1,200,000.00

The CDFC incurred an expenditure of Kshs.1,200,000.00 during the year ended 30 June 2013 in respect of monitoring and evaluation allowances to its members and other related expenses. However, no records were maintained to support the expenditure. In the absence of documentary evidence to support the payments, the propriety of the expenditure of Kshs.1,200,000.00 could not be confirmed.

(iv) Irregular Procurement of Public Address Equipments, Seats and Computers – Kshs.2,552,980.00

The Othaya CDF Committee resolved to procure public address systems, computers and accessories, presentation equipment and plastic seats for Othaya social hall. The tender for supply of these items was awarded to a Nairobi based company at a cost of Kshs.2,552,980.00.

However, it was observed that the procurement of hall seats and the public address equipment which belong to different classes of items were sourced through the same quotation and therefore the prices quoted could have been inflated since the supplier acted as 'brokers' for the items that they usually do not stock or deal with. Further, the CDFC violated procurement regulations by specifying a particular brand name of a known manufacturer for chairs to be supplied. Physical verification of the supplied items showed that all the items were supplied except a sony camera, camera stand, projector display screen costing Kshs.25,500.00, 8,500.00 and 6,500.00 respectively.

KIRINYAGA COUNTY

1. Mwea Constituency Development Fund (CDF)

(i) Construction of Mugambaciura Footbridge – Kshs.1,396,969.00

The contract for construction of Mugambaciura footbridge in Mwea Constituency was awarded to Embu based company being the lowest bidder at a contract sum of Kshs.1,396,969.00. Although, a physical verification revealed that the footbridge had been completed, it was however noted that the contract sum was increased by Kshs.301,231.00 or about 21% of the contract price contrary to Public Procurement and Disposal Act 2005.

According to Ministry of Works certificates, the variation was due to extra works carried out by the contractor which were not originally included in the initial bill of quantities. However, the extra payment was never deliberated and approved by the project management committee. In the circumstances, the propriety of the contract variation by Kshs.301,231.00 could not be confirmed.

(ii) Construction of classrooms and office – Kombu-ini Mixed Secondary School – Kshs.2,050,000.00

The school was allocated a total of Kshs.2,050,000.00 for construction of 2 standard classrooms and an office. Records showed that the tenders for construction of standard classrooms and 6 exhaustible toilets which was in the initial project were both awarded to a local construction company. However, expenditure documents, project files and other documents relating to the project were not availed for audit review.

Further, there was no evidence to show that the works were being supervised by the Ministry of Public Works as required by the CDF Act. In addition, the tender documents were irregularly altered to include construction of six (6) exhaustible pit latrines without countersigning them contrary to Public Procurement and Disposal Act 2005. Inclusion of construction of exhaustible pit latrine in the tender was also irregular since the same was not included in the allocated funds to the school. Physical verification revealed that although one standard classroom and an office were complete, the other had outstanding works of painting and fixing of window panes.

In the absence of the expenditure documents and other relevant project documents, it has not been possible to determine whether the construction of these projects was in accordance with specification and whether proper procurement procedures were followed.

(iii) Unsupported Expenditure – Kshs.4,000,000.00

Mwea Constituency Development Fund Committee (CDFC) on 17 December 2012 disbursed Kshs.4,000,000.00 for construction of a youth empowerment centre at Wanguru. Physical verification carried out revealed that one wing of the empowerment centre had been completed but the walls had not been painted.

Further, no expenditure returns, bank statements, bill of quantities and other documents related to the project showing how the disbursed amount of Kshs.4,000,000.00 was utilized were made available for audit review. In addition, there was no evidence to show that the works were being supervised by the Ministry of Public Works as required by the CDF Act. In the absence of BQ's and other relevant project documents, it has not been possible to determine whether the construction of the youth empowerment centre was in accordance with specification and whether the allocated funds were used for the intended purpose.

(iv) Construction of Kimbimbi Hospital Mortuary Project – Kshs.5,519,671.00

Records available at Mwea CDF office indicate that an amount of Kshs.5,000,000.00 was on 28 September 2012 allocated for completion of Kimbimbi Hospital Mortuary project. The scope of work included supply and installation of pre-fabricated cold room chambers, embalment body cubicles, fittings, postmortem table, concrete works and painting works.

Accordingly, a Nairobi based company being the lowest responsive bidder was awarded the contract for construction of the mortuary at a contract sum of Kshs.5,519,671.00.

Physical verification on the project revealed that although the project had been completed, it had not been put into use. Further, it was not explained how the contractors who quoted for this tender were identified as no prequalification list was made available for audit verification. In addition, the tender was not advertised in the dailies contrary to provision of Public Procurement and Disposal Regulation 2006.

Also, the contract award was not reported to PPOA as required by PPOA circular No.4/2000 dated 24 June 2009. Furthermore, no evidence was adduced to show whether the tenders were evaluated by the evaluation committee as required by section 16 (1) of Procurement Regulations. Accordingly, it has not been possible to determine whether proper Procurement Procedures were followed when awarding the tender.

2. Gichugu Constituency Development Fund

(i) Failure to Submit Expenditure Returns for Funds Disbursed to Various Projects kshs.10,194,060.00

Audit of financial records maintained by Gichugu Constituency Development Fund office disclosed that disbursements totalling Kshs.10,194,060.00 for various projects were made during the year 2012/2013. However, no details of how the disbursed amounts was utilized or accounted for. Further, no expenditure returns were submitted for the funds disbursed to various projects as required by the CDF Act. In the circumstances, it was not possible to ascertain the propriety of the expenditures incurred from the amounts disbursed during the year under review.

(ii) Irregular Procurement and Payments – Construction of Gichugu Bulking Centre Kshs.8,498,462.00.

Records available at Gichugu CDF office indicate that an amount of Kshs.6,200,000.00 was allocated for construction of Gichugu Bulking Horticultural Collection Centre in the financial year 2012/2013. A local company was awarded the contract to construct the bulking centre at a contract sum of Kshs.6,999,837.00 although the company was the third lowest bidder. It was not explained why the contract was not awarded to the lowest bidder who quoted price of Kshs.6,527,275.00.

Records available also indicate that the total payments made to the contractor amounted to Kshs.8,498,462.00 which comprised of Kshs.6,998,462.90 paid from project account and Kshs.1,500,000.00 from CDF account. The contractor was therefore over paid by Kshs.1,498,625.90. No explanation was given for this overpayment.

It was further noted that the tender opening and awarding was done by project management committee contrary to section 26 (4) of the Public Procurement and

Disposal Act 2005. In addition, no technical report on this tender was made available for audit review. It was also noted that the project was implemented in disputed piece of land between County Government of Kirinyaga and Kithiuru.

Physical verification carried on the project revealed that works worth Kshs.1,455,530.00 included in bill of quantities and, therefore, forming part of the contract had not been completed although payments had been made in excess of contract sum. Some portion of the roofing had not been completed, ceiling had not been done while internal plumbing/sanitary fittings had been partially done. In the circumstance, it was not possible to confirm the legality of the extra payment or how the uncompleted work will be compensated for.

(iii) Loss of Office Equipment – Kshs.260,000.00

A review of assets register revealed that a digital camera of Sony Model DSC-W310 and a HP Compaq Pentium dual core2.7 GHz, 2GB with monitor had been stolen from Gichugu CDF office. The theft was reported at Kianyaga Police Station on 10 April 2013 and an abstract obtained. According to the abstract, the items were valued at Kshs.260,000.00. No evidence was made available to confirm that the investigations had commenced or concluded.

3. Ndia Constituency Development Fund

(i) Irregular Procurement of Water Pipes – Kshs.33,770,750.00

The Ndia CDF Committee in their minutes dated 26 October 2012, resolved to procure water pipes and assorted fittings at a cost of Kshs.33,770,750.00 for various water projects in the constituency during the financial year 2012/2013. The tender committee awarded the contract for supply of these pipes to five (5) different companies which were sourced through request for quotations as opposed to national open tendering as required by Public Procurement and Disposal Regulations 2006 section 26 (3) (b). Further, records made available indicate that the project implementation committee did not involve the Ministry of Water and Irrigation in the implementation of these projects contrary to the provision of section 30(1) of CDF Act amended in 2007. Also, no inspection and acceptance committee was constituted to inspect the pipes and fittings procured.

Physical verification carried out revealed that some water pipes in Kanyokora Kagioni irrigation project, Karuiru water project and Kianjiru irrigation project had not been utilized and were lying idle at various locations exposing them to damage theft and degradation due to weather.

(ii) Unsupported Bursary Payments - Kshs.12,571,800.00

The Ndia CDFC bursary committee paid total Kshs.12,571,800.00 as bursaries for needy students in various schools and colleges. However, it was observed that no

bursary application forms by the beneficiaries were availed for audit verification. Further, the payment vouchers did not include acknowledgement receipts issued by the schools. It was, therefore, not possible to ascertain whether the beneficiaries were bonafide students of the schools and colleges listed.

4. Kirinyaga Central Constituency Development Fund

(i) Failure to Comply with Procurement Laws

Records made available for audit by the Kirinyaga Constituency Development Fund Committee revealed that the fund incurred expenditure amounting to Kshs.22,006,670 during 2012/2013 financial year in the implementation of Kianderi Dispensary, Kiawakara Dispensary, Kiaga Dispensary, Kerugoya Stadium, Kagumo market and installation of security lights projects. However, the goods and services for the implementation of these projects were procured through request for quotations method instead of the open tendering method. This is contrary to section 26(3) (b) of Public Procurement and disposal Act, 2005 and the Regulations of 2006 which requires open tender for procurement of goods and services that exceed the threshold of Kshs.500,000.

(ii) Unutilized Health Facilities

Audit of health projects implemented during financial year 2012/2013 by Kirinyaga Central CDF Committee indicated that Kianderi, Kiamuthambi, Kiawakara and Kiaga Dispensaries Projects were substantially completed between December 2012 and January 2013 as per completion certificates issued by Ministry of Public Works. A total of Kshs.10,871,734 was paid for the construction of the dispensaries during the financial year.

Audit verifications however established that none of the dispensaries had been put into use almost one year since they were completed. Further, no records were made available to show when the Dispensaries would be opened for use by the general public.

(iii) Unsupported Expenditure

Records made available for audit by Kirinyaga Central CDF revealed that the committee paid a sum of Kshs.10,000,000.00 to Rural Electrification Authority being matching contribution towards electrification projects in the constituency. However, no official receipt was produced by the committee for acknowledgement of cash by the payee for audit review. It was therefore not possible to ascertain that the cash was actually received by Rural Electrification Authority.

(iv) Unauthorized Expenditure

During 2012/2013 financial year, Kirinyaga Central Constituency CDF received an Authority to Incur Expenditure (AIE) Ref No. A 711944 of 24 September 2013

amounting to Kshs.16,889,586.80 being part of total annual allocation of Kshs.82,447,844. Minute number CDFC/KC/033/10/2013 for the Kirinyaga Central CDF Committee meeting held on 1 October 2013 indicates that the entire AIE was spent to settle debts incurred by Kirinyaga CDF Committee amounting to Kshs.16,800,000.

However, scrutiny of the payment vouchers and other supporting documents revealed that the committee processed and awarded the contracts for the various projects and the contracts executed before the Authority to Incur Expenditure (AIE) was received contrary to the financial regulations in force.

Further, the total expenditure incurred amounted to Kshs.18,156,954 while the amount of Authority to Incur Expenditure amounted to Kshs.16,889,568.80 reflecting an over-expenditure of Kshs.1,267,385.20. No explanation was provided for the over-expenditure.

(v) Irregular Expenditure

Further, Kirinyaga CDF Committee paid sums of Kshs.1,357,500 for sports equipment and Kshs.913,575 for supply of tree seedlings to two suppliers during the year. However, the respective tender documents for the procurement of the above items were not made available for audit review. Further, the S13 and S11 forms used to receive and issue the items to the point of use were also not made available, hence hindering the audit verification.

MURANGA COUNTY

1. Kangema Constituency Development Fund

Kangema Sub-District Hospital Mortuary

Unexplained Excess Payment over Contract Price

Background

The project started in the financial year 2009/2010. As at the time of the audit the Kangema CDF had allocated a total of Kshs.16,600,000 for the construction of a 12 body capacity mortuary to completion.

Award of the contract

The tender for construction of the mortuary was awarded to a contractor, at a contract price of Kshs.15,726,880.00. This contractor was the 5 lowest out of 7 other bidders.

Scope of the works

The contractor was to do the project from the construction upto equipping the 12 body capacity mortuary.

Payments

- i. Audit verification revealed that payments amounting to Kshs.20,291,680.00 was disbursed for the project and thus exceeded the contract price by Kshs.4,564,800.00. However, no explanation was given for the excess payment for the project. Details of the payments are as analyzed below:-

Date	P/Voucher Number	Cheque Number	Amount Kshs.
11/12/2012	72	2009	4,655,000.00
10/01/2013	102	2053	11,100,000.00
10/01/2013	105	2056	4,536,680.00
Total			20,291,680.00

- ii. Further, the contractor had been issued with only two interim certificates totalling Kshs.8,241,743.00. The payments to the contractor amounting to Kshs.8,241,743.00 could not be verified since no bank statements or certificates for the project were produced for audit verification. Further, it was not possible to relate how much money was paid to the contractor since the payment vouchers from the Kangema District Hospital CDF Account No. 1137400234 were not provided.
- iii. The tender documents and the contract agreement in respect of the construction company were not produced for audit verifications.
- iv. The project seemed complete although it was not operating. Further, the handing over report from the contractor to the hospital management was not produced for audit verification.

2. Mathioya Constituency Development Fund (CDF)

(i) Double Payment for Construction of Kiru Divisional Headquarters Phase II.

Audit of financial records maintained by Mathioya CDF office disclosed that Kshs.1,749,431.00 was released on 15 January 2013 for Phase II of Kiru Divisional Headquarters project. The Phase II entailed completion of the Divisional headquarters.

Four bidders quoted for the project, but only tender documents from three bidders were availed for audit verification. Review of tender committee minutes dated 10 January 2012 revealed that the tender was awarded to a local venture company based at Kiriani at a contract sum of Kshs.1,996,742.00. However, no contract agreement was signed

between the contractor and Constituency Development Fund Committee (CDFC). Despite awarding of the tender, it was noted that another company was paid a total of Kshs.1,539,546.30, net of retention money of Kshs.171,060.70 on 22 August 2013 for the same phase II of the project. Upon raising the issue, the CDFC team provided a different set of minutes for the tender committee meeting held on 10 January 2013 allegedly awarding the same tender to the second contractor.

No proper explanation was given as to how and why the second contractor was sourced and awarded the same tender. It appears that minutes and other records were falsified deliberately to award this contract to a tenderer who never tendered contrary to procurement regulations. It is therefore clear that the payment of Kshs.1,539,546.00 made to second contractor was not justified and therefore a waste of public funds.

Physical verification carried out in November 2013 revealed that the Divisional Headquarters has been completed although window panes, painting and septic tank had not been done.

(ii) Irregular Re-Allocation of Emergency Funds

Audit of financial records maintained at Mathioya CDF revealed that an amount of Kshs.2,000,000.00 was re-allocated from CDF Emergency Fund to Kiriaini Girls Secondary School to complete a building funded by another agency. The CDF Committee did not submit a request to the CDF Board for the re-allocation of funds as required by CDF Act. The CDF Committee therefore were in breach of the law by re-allocating funds without the approval of the CDF Board.

A site visit to the school in March 2014 to assess the work done revealed that the classes had not been completed and therefore not put into use by the beneficiaries. Public funds were therefore not effectively used in the project.

3. Kiharu Constituency Development Fund

(i) Unsupported Expenditure – Kshs.44,242,620.00

The Kiharu CDF Committee spent total of Kshs.44,242,620.00 during the year under review in implementation of various projects within the constituency. However, no document such as payment vouchers, bank statements, invoices, procurement documents and expenditure returns were availed for audit verification to indicate how funds disbursed were applied and accounted for. In the absence of the supporting documents, it was not possible to confirm whether the total amount of funds totalling Kshs.44,242,620.00 was spent lawfully and in an effective manner.

(ii) Wasteful Expenditure - Kshs.7,690,058.00

Records maintained at Kiharu CDF office indicate that the CDF management spent a total of Kshs.7,690,058.00 for construction of CDF offices at Kahuro Post since financial

year 2007/2008. During 2012/2013, the CDF management allocated Kshs.2,093,031.00 for completion of this project. Physical verification of the project in March 2014 showed that the construction of the offices was complete although it was not occupied. The current CDF management did not explain why they have not moved to the new office.

It was further noted that the current CDF management has rented an office in Murang'a town at an annual rent of Kshs.492,000.00. The CDF management has paid rent for at least 18 months after completion of their own building resulting to nugatory expenditure of Kshs.738,000.00 as of 31 March 2014.

4. Kigumo Constituency Development Fund

(i) Unsupported Expenditure - Educational Projects – Kshs.23,449,976.00

Records maintained at Kigumo CDF office revealed that during 2012/2013, a total of Kshs.23,449,976.00 was disbursed from CDF to various Projects Management Committees (PMC's) for implementation of various education related projects in the constituency. However, the propriety of this amount could not be confirmed due to unavailability of expenditure details like expenditure returns, payment vouchers, bank statements, PMC minutes, project and contracts details. The disbursements of Kshs.23,449,976 was therefore unaccounted for. The constituency development fund committee was therefore in breach of procurement regulations and procedures.

(ii) Kigumo Rural Electrification Project - Kshs.5,000,000.00

Audit of records maintained at Kigumo CDF further revealed that a total of Kshs.5,000,000.00 was in 2012/2013 financial year deposited in the Kenya Power Bank account for the purposes of distribution of electricity to Kigumo constituency community. It was further explained that the project was to be co-funded by Kenya Rural Electrification with a similar amount.

Physical verification of this project revealed that the project had not been implemented although funds had been disbursed to Kenya Power. Prolonged delay in implementing this project implies that the value for money objective was not achieved as it denied essential service delivery to the community. Further, it could not be confirmed whether the public funds banked in Kenya Power bank account was still intact.

(iii) Abandoned Project - Construction of Gakira – Ngonda Road Project

During the year under review, the CDF disbursed a total of Kshs.5,350,000.00 for the Gakira – Ngonda road project in Kigumo constituency. The scope of work involved clearing of bushes, murraming and grading the access road stretching 3.5 kilometres. The contract for this road project was awarded to a Nairobi based contractor for a contract sum of Kshs.5,852,100.00 inclusive of VAT.

It was however noted that the contractor abandoned the work midway citing the disruption of the work by landslides and claimed payment for the work already done. Records made available revealed that the contractor was paid a total of Kshs.3,500,000.00. However, there was no evidence to show that the amount paid to the contractor was commensurate to the work done. Physical verification of the project revealed that the drainage and culvert were not done, part of the road was not graveled and the quarry waste was not compacted. It was evident that public funds were not used effectively on this project.

5. Maragwa Constituency Development Fund

(i) Unsupported Expenditure to Rural Electrification Authority - Kshs.5,300,000.00

The CDF Committee vide minute number 11/06/2011/12 dated 24 June, 2013 resolved to pay Rural Electrification Authority (REA) Kshs.5,300,000.00 in respect of purchase of transformers for rural electrification in various locations in the constituency. The full amount of Kshs.5,300,000.00 was paid on 26 June 2013 vide cheque number 4520. However, it was not clear how the project was to be implemented since no Project Management Committee was in place to monitor the project.

At the time of audit, there was no information about the locations where these transformers were erected since there has been a general expansion of electricity distributions in the area and it was not possible to link it to the money paid from the CDF. In addition:

- There were no estimates or invoices from REA showing the areas to be covered and corresponding amounts.
- There was no acknowledgement note or receipts and therefore it was not possible to establish if indeed this money was actually paid to REA.
- There was no committee formed to oversee the electrification and subsequently make expenditure returns.
- From the information provided by the CDF office, it was not possible to confirm if this project was ever implemented.

The propriety of Kshs.5,300,000.00 spent on Rural Electrification could not therefore be ascertained.

(ii) Non-Existent Boda - Boda Sheds Project

The CDF committee vide minute number 38/9/2012 dated 28 September 2013 resolved to construct Makuyu Boda-Boda Shed at a cost of Kshs.125,000.00 in 2012/2013 financial year. The project was to be implemented by the Project Management

Committee. The payments were fully made vide cheque number 4275 of Kshs.125,000.00. Physical verification revealed that the project was non-existent on the ground. However, no expenditure returns were made showing how the cash disbursed was spent.

It was evident that Public funds were lost and the Maragwa constituents were denied the much needed services of the Boda Boda shed which they had requested.

(iii) Unsupported Monitoring and Capacity Building Expenditure - Kshs.700,000

Records available at Maragwa CDF indicate that Kshs.700,000.00 was incurred on a Monitoring and Capacity Building seminar held from 12 to 14 November 2012. However, the payment voucher was not supported with documents indicating the venue and the agenda of discussion. The list of graduands and the personnel who officiated at the graduation ceremony held on 19 July 2012 was not provided to support the expenditure. In addition, places and projects monitored were not indicated.

6. Kandara Constituency Development Fund

(i) Wasteful Expenditure at Muruka Secondary School Dining Hall Project

Background of the Project

The CDF Committee allocated Kshs.3,008,668.00 for completion of a dining hall at Muruka Secondary School in the financial year 2012/2013 as an addition to Kshs.2,700,000.00 previously spent on the project, bringing the amount spent on the project to Kshs.5,708,668.00. The contract for the dining hall was awarded to the lowest bidder at a cost of Kshs.3,008,668.00 in the financial year 2012/13.

However, the following irregularities were noted;

- The CDF Committee irregularly contracted this work out instead of using the Project Management Committee as envisaged in the CDF Act 2003.
- The advertisement for this tender was done locally instead of nationally despite the contract sum exceeding the Kshs.3,000,000.00 threshold for restricted tender. The CDF Committee was therefore in breach of both the CDF Act 2003 and the Public Procurement and Disposal Act 2005 and Regulations 2006.
- Physical verification carried on the project in March 2014 revealed that the contractor did a poor job because the floor of the hall was cracking and the top layer was peeling off leaving pot holes in almost the entire hall. Further, the windows and the doors were not erected despite being factored in the bill of quantities and the hall did not have ventilations. It was therefore evident that the public did not get full value for money from this expenditure.

(ii) Irregularities in procurement of water pump and failure to commission Ruchu Water Project

Background information and Scope of work

The Ruchu water project was started in the financial year 2010/2011 and was intended to provide water for irrigation to residents of Munyori area of Kandara constituency by pumping water from River Ruchu through a technology of water powered turbine known as High Drum.

Award of Contract

The CDF committee contracted a machinery dealer to supply the pump at a cost of Kshs.3,719,210.00. The pipe work, fitting and building materials were procured from a local company at cost of Kshs.734,881.00 making the total cost of the project of Kshs.4,454,091.00. However, it was observed that pump supplier was single sourced.

Physical Verification

The pipe system and the water tank were completed by December 2012. The pump and other fittings were erected at the river point. However, the operation of the system had not commenced. According to the chairman of the project, the testing of the system failed to pump the water as intended.

Further, the pump at the river point was laid in an open area which was not fenced making it vulnerable to vandalism.

Other Audit Findings

The CDF committee did not involve the District Engineer in the design of the project. This could have occasioned the failure of the project. Other surveys including the capacity of the river to provide adequate water were also not done.

- The water systems were taking too long before being utilised, and could start wearing out, including cracking of the tank.
- Failure to construct pump house may expose the pump and the intake system to vandalism and therefore waste of public funds.
- Continued failure to commission the project may result in loss of Public Funds already committed to this project. In addition, it is denying the public the benefits that would have accrued from the project. Further, prolonged non-use of the infrastructure laid down may result in their obsolescence.

(iii) Exaggerated Cost of buildings at Mung'aria Youth Polytechnic

Background and Scope of work

The CDF management awarded a contract to complete construction of classroom blocks and office blocks for Mung'aria Polytechnic at a cost of Kshs.3,919,344.00. However, the CDF management did not provide detailed analysis of how the contractual work was performed from financial years 2009/2010 to 2011/2012. During the financial year 2012/2013 The contract for completing the works was awarded to a local construction company being the lowest bidder and awarded the tender to construct classroom and office block for the Polytechnic at a cost of Kshs.3,919,344.00.

Physical verification

Physical verification confirmed the existence of four classrooms and two offices. However, the money allocated for this project appears excessive compared to the work already done.

The tender documents also showed that the work was to involve completion of a pit latrine block. Upon inspection, it was observed there was no toilet block on site.

Other audit observations

- (i) The CDF management did not maintain a project file containing minutes of funds allocated and the approved bills of quantity.
- (ii) The invitation to tender was advertised locally despite being above the threshold of Kshs.3,000,000.00 which requires that national open tender process be followed. It was also not clear why the committee did not tender for the whole job at once. Further, the Kshs.12,846,656.00 so far allocated to this project, appear excess for the project of that size.
- (iii) The Contractor was fully paid despite failing to construct the toilet block as agreed.

In the circumstances, the procurement and payment procedures were flawed. Further, the value of the construction was overrated and the public may not have had value for money on this project.

(iv) Unaccounted Water Development Funds - Kshs.8,417,343.00

The CDF committee disbursed Kshs.8,417,343.00 during 2012/2013 financial year to Kandara District Water project committee to purchase pipes and other fittings. However, as at the conclusion of the audit, no returns had been made to show how the money was spent. Bank statements of the committee account were also not produced to show the balance in various accounts.

Further, the analysis for request of the funds by the District Water Engineer did not show the estimates of the water projects, implying that most of these project costs could not be ascertained. It was therefore not possible to ascertain the accountability of the funds.

7. Gatanga Constituency Development Fund

(i) Unsupported Expenditure – Kshs.20,700,000.00

During the financial year 2012/2013 Gatanga CDF disbursed Kshs.20,700,000.00 to various Project Management Committees (PMC's) for implementation of 13 different projects. However, the CDF management did not make available for audit examination the CDF expenditure returns, cash receipts, invoices, bank statements, project contract agreements, payment vouchers, project details, Project Management Committee (PMC) minutes and procurement documents to support the expenditure of the disbursed funds. The CDF Committee was therefore in breach of Section 47(1) of the CDF Act (amended 2007). In the absence of supporting documents, the propriety of the expenditure totalling Kshs.20,700,000.00 could not be confirmed.

(ii) Purchase of computers for schools – Kshs.3,900,000.00

Further, records maintained by Gatanga CDF disclosed that Kshs.3,900,000.00 was disbursed to Project Management Committees (PMC's) for purchase 20 computers for each of the identified six (6) secondary schools, making total a number of computers to the 120. The CDF tender committee floated quotations for supply of the 120 computers and bids were received from five firms. The contract was awarded to the lowest responsive bidder at a total contract sum of Kshs.3,900,000.00. However, tender evaluation committee minutes showing their recommendations were not made available for audit verification.

Physical verification carried out in one of the beneficiary schools revealed that non of twenty (20) computers worth Kshs.650,000.00 was physically seen. In addition, it was also observed that the school did not have electricity and therefore the computers could not be used.

Although it was verbally explained that the computers were taken to another school for safe keeping, no records were produced to show whether the computers were actually received in the said school. In the circumstances, it was not possible to confirm the propriety of the expenditure in computers of Kshs.3,900,00.00.

SAMBURU COUNTY

1. Samburu West Constituency Development Fund

(i) Payment of Bursary Funds

During the financial year 2012/2013, Samburu West CDF made payments totalling Kshs.17,032,500 in respect of bursary for needy students. The funds were allocated to students in various secondary schools, colleges and universities in a meeting of the CDF Committee held on 12 November 2012. The bursaries were awarded as follows:

Detail	Amount (Kshs)
Bursary for Wards	5,400,000.00
Tertiary and Secondary Schools	10,318,500.00
Reserved Bursaries	<u>1,314,000.00</u>
Total	<u>17,032,500.00</u>

Although payment records show that the funds were disbursed as allocated, there were no acknowledgment letters from the institutions to confirm receipt of the funds. Further, records were not availed to show how Kshs.5,400,000 allocation to Wards was disbursed to beneficiaries. Under the circumstances, it was not possible to ascertain that the total of Kshs.17,032,500 reached the intended institutions or that the funds benefitted deserving cases.

(ii) Stalled School Dormitory Project

On 7 December 2012, Samburu West CDF remitted Kshs.1,000,000 to Sura Adaru Primary School for the construction of a dormitory based on the designs and Bill of Quantities presented which indicated that Kshs.1,000,000 would complete the project. However, the records seen did not provide payment schedules through the construction period. Physical verification of the project one year later on 17 December 2013 revealed that the project was incomplete and there was no contractor on site. The dormitory had been constructed up to lintel level and poor workmanship was evident. In addition, no evidence was availed to show that there was any cash balance available for the project. Under the circumstances, it can be concluded that the project has stalled due to mismanagement of funds and more resources may be required to have it completed.

(iii) Unsupported Expenditure on Carmel Derby Sports Event

On 22 August 2012, Samburu West CDF made a payment of Kshs.800,000 in respect of the Samburu–Maralal International Camel Derby which is an annual sporting event that brings together the local communities to participate in sporting activities. However, the project file examined did not provide budget details and expenditure returns on how the fund was utilised. Consequently, it is not possible to confirm that the expenditure of

Kshs.800,000 allocated to the Samburu–Maralal International Camel Derby was utilised for the intended purpose.

(iv) Misappropriation of Funds at Ikujuta Water Pan – Kshs.400,000.00

On 14 November 2013, Kshs.400,000 was withdrawn from the Samburu West CDF account ostensibly to fund the de-silting of Ikujuta water pan. However, there was no information in the project file to show how the de-silting was to be done and by whom and no expenditure returns on the same were provided. A visit to the project one month later on 17 December 2013 did not reveal evidence of any work done and there was no contractor on the site. Under the circumstances, it is apparent that the funds may have been misappropriated.

LAIKIPIA COUNTY

1. Laikipia East Constituency Development Fund

(i) Single sourcing and Poor workmanship at Wamura Dispensary – Kshs.1,500,000.00

A local construction company was single sourced by the Project Management Committee (PMC) and awarded the contract of constructing Wamura Dispensary at a contract sum of Kshs.1,500,000.00 in a PMC meeting held on 18 September 2012. The project entailed walling, flooring, roofing, painting and installation of doors and windows of the dispensary. An advance payment of Kshs.1,125,000.00 was made to the contractor through bank transfer on 21 September 2012 and therefore, 75% of the contract sum was paid in advance. A further unexplained cash withdrawal of Kshs.375,900.00 was made on 10 November 2012 and paid to the contractor.

Physical verification carried out on 13 November 2013 revealed that the project had not been completed and the entire workmanship on the project was poor. Therefore the public may not benefit from the project.

(ii) Single Sourcing and Poor Workmanship - Naibor Dispensary Project - Kshs.1,980,660

Implementation of Naibor Dispensary commenced in January 2010. According to the project proposal, the project entailed construction of a four room dispensary. No building plan or bills of quantity were however availed for audit verification. Review of bank statements and expenditure documents revealed that Kshs.1,980,660 was spent out of the Kshs.2,200,000 disbursed to the project previously. However, it was not possible to confirm whether the disbursement of Kshs.600,000.00 released on 9 September 2013 was spent on the project since no bank statements were made available. The project had not been completed and the whole project was poorly done. Verbal explanation offered indicated the public works engineer noted some weaknesses and advised the re-doing of the project.

Contrary to Section 25 (1) of CDF Act 2003 (Amended 2007), appropriate consultations with the relevant Government Departments and Ministry of Works was not done to ensure that the cost estimates for the project are as realistic as possible. Further, the project was put up on abandoned land as result of dispute with the Veterinary department.

Further, cash amounting Kshs.1,980,660 was withdrawn to pay the contractor instead of issuing cheques contrary to the requirement of the Constituencies Development Fund Board Secretariat Circular Ref No. CDF BOARD / CIRCULARS. / 2011 dated 10 February 2011 and Section 30(1) of the CDF Act amended in 2007. In the circumstances, public funds may not have been effectively utilized in this project.

NAKURU COUNTY

1. Naivasha Constituency Development Fund

(i) Stalled Projects – Kshs.6,003,000

Records examined at the Naivasha Constituency Development Fund indicate that six (6) projects that had already drawn Kshs.6,003,000 had stalled as at 30 June 2013.

The CDF office did not provide an explanation as to why the projects stalled or why those projects could not be included in the list of projects to be considered by the Parliamentary Committee for approval as required under Section 13 (1) and (2) of the CDF Act, 2013 so as to be implemented in the years prior to 30 June 2013.

It would appear that failure by the Naivasha Constituency Development Fund Committee to prioritize these projects means that the money already sunk into these projects worth Kshs.6,003,000 may be lost.

(ii) Matatu Bus Park Project

In the financial year 2008/2009, the Naivasha CDF Committee awarded a construction company a tender to construct a Matatu Bus Park at a contract sum of Kshs.1,908,370. However, in December 2009 the contract was prematurely terminated and the Project Management Committee varied the contract to include construction of ten (10) sample kiosks at the Matatu Bus Park which culminated in the drawing of additional bills of quantities amounting to Kshs.1,201,990. On 29 October 2012, the Naivasha CDF Board, the CDF Executive Committee and the construction company held an arbitration meeting where the District Works Officer (DWO) was requested to provide cost estimate for the entire project. The DWO submitted a report with a total estimated project cost of Kshs.2,926,025. This resulted in contract variation of Kshs.1,017,655 (53 percent) over the original contract amount. This was contrary to the requirements of Section 47 (a) and (b) of the Public Procurement and Disposal Act, 2005 and Regulations 2006 31 (c) and (d).

As at 30 June 2013, a total of Kshs.3,122,373 had been paid although actual work done was not certified and retention fee of ten percent was not deducted as required under Section 14.8 of the Government Financial Regulations and Procedures. In addition, physical verification of the project carried out on 13 March 2014 revealed the following:

- i. The Project was not complete and had actually stalled,
- ii. It appears that the ground was not filled with hardcore materials as indicated in the Bill of Quantities,
- iii. The ten (10) sample kiosks are incomplete with no roofs, doors or windows,
- iv. The floors and walls are not plastered, and
- v. The Bus Park is now an open market of horticultural products and other goods.

Under the circumstances, the Naivasha CDF acted in contravention of the CDF Act, 2013, the Public Procurement and Disposal Act, 2005 and the Government Financial Regulations and Procedures.

2. Subukia Constituency Development Fund

(i) Idle Health Facilities - Gitura and Munanda Dispensaries

During 2012/2013 it was established that two health facilities (Gitura and Munanda dispensaries) that were commenced in the financial year 2006/2007 and 2008/2009 respectively and Kshs.3,225,000 spent in their construction were complete. However, the facilities were not in use due to what the Project Management Committee termed as lack of health workers, medical equipments and drugs.

It would appear that the total amount of Kshs.3,225,000 spent on these projects would go to waste as the community may not benefit from the investments unless measures are taken to equip, stock and staff the facilities.

(ii) Incomplete/Stalled Projects

Records available and physical inspection of CDF projects in the Constituency revealed that some projects commenced a long time ago, were funded in bits over the years and were still incomplete and had actually stalled as at 25 March 2014. These include:

	<u>Kshs.</u>
Dundori police post	6,400,000,
Menengai Crater Dispensary	2,100,000
Dundori Health Centre	<u>2,300,000</u>
Total	<u>10,800,000</u>

The project file examined did not contain sufficient information such as the project contract, building plans, procurement records and periodical disbursement made to the projects.

Under the circumstance, it was not possible to determine the amount of the funds already paid out on each project. It is however clear that the public has not received value for the money spent on these projects.

(iii) Engashura Dispensary- Idle Equipment

The Engashura Dispensary was funded to the tune of Kshs.350,000 to purchase maternity equipment. The project file examined lacked necessary procurement documentation which made it difficult to determine if proper procurement procedures were adhered to in the procurement. However, the procurement equipment were lying idle because the maternity wing where they were to be used was in a dilapidated state and needed major repairs before any patients could be admitted into them and use the machines. It is apparent that the equipment is wasting away while the beneficiary community continues to suffer.

3. Rongai Constituency Development Fund

(i) Abandoned Capital Project

The construction of Ngata District Officer's office was awarded to a construction company and commenced in the financial year 2008/2009 at a contract sum of Kshs.8,167,571 out of which Kshs.1,000,000 was paid to the contractor upon commencement. However, building plans and bills of quantities from the Ministry of Public works were not provided and it is not clear how the contractor was identified. In addition, it was established that land on which the office was being constructed was in dispute between the provincial administration and the Kenya Police Service. Efforts by community leaders to resolve the land dispute proved futile leading to stalling of the project. It is therefore not clear why the fund management gave additional funds of Kshs.1,000,000 during the financial year 2012/2013 before the land dispute was resolved.

Under the circumstances, value for money has been lost in the expenditure of Kshs.2,000,000 invested in construction of the project.

(ii) Idle Health Facilities – Kshs.7,535,582

During the period under review, it was established that two health facilities (Nyamamithi and Banita dispensaries) that were commenced in the financial year 2004/2005 and 2011/2012 respectively and Kshs.7,535,582 spent in their construction were complete. However, the facilities were not in use due to what the Project Implementation Committee attributed to as lack of health workers, medical equipments and drugs.

It would appear that the total amount of Kshs.7,535,582 spent on these projects would go to waste as the community may not benefit from the investments unless measures are taken to equip, stock and staff the facilities.

(iii) Stalled Project - Sumeek Chief's Office

A local construction company was awarded a contract to construct Chief's office at a cost of Kshs.2,647,852.20 and was advanced Kshs.1,500,000 upon commencement. However, it is not known how the firm was identified since tender documents were not provided to confirm compliance with the provisions of the Public Procurement and Disposal Act, 2005. In addition, there was evidence of wrangles within the project committee that seems to have frustrated the contractor into abandoning the project that had reached lintel level and it is not known when the construction would resume. It is apparent that Kshs.1,500,000 invested in this project could go to waste if intervention measures are not taken to complete the construction.

KERICHO COUNTY

1. Kipkelion Constituency Development Fund

(i) Bursaries not acknowledged

In the financial year 2012/2013, the CDF Committee disbursed bursaries worth Kshs.14,195,100.00 to various schools and universities to benefit needy students. Although payment records show that the funds were disbursed as allocated, there were no official receipts and acknowledgement letters from the beneficiary institutions.

Under the circumstances, it was not possible to ascertain that the total of Kshs.14,195,100.00 reached the intended institutions or that the funds benefitted the deserving cases as intended.

(ii) Unsupported Expenditure

The CDF Committee incurred expenditure of Kshs.5,152,197.00 which was not adequately supported with fundamental documentation such as Project proposals, Bills of Quantities, Contracts, Project expenditure returns and Completion Certificates contrary to prudent financial management regulations which require that all expenditure incurred from public funds should be well supported. It was, therefore, not possible to confirm the expenditure of Kshs.5,152,197.00 incurred on various projects due to inadequate records.

(iii) Stalled Projects

Records maintained at the Kipkelion CDF indicate that there are a total of twenty (20) projects with combined cost of Kshs.10,405,943.00 which had stalled as at 30 June, 2013.

During physical inspection in the month of March 2014, it was established that the projects had no on-going activities. The management did not offer satisfactory explanation as to why the projects have stalled.

It is apparent that the public stands to lose Kshs.10,405,943.00 in the stalled projects or that in future, more funds would be required to revive them due to escalating costs.

2. Ainamoi Constituency Development Fund

(i) Unsupported Expenditure

During the period 2012/2013, the Ainamoi Constituency Development Fund Committee incurred expenditure amounting to Kshs.9,473,382 on various recurrent and development activities which were not adequately supported contrary to prudent financial management regulations which require that all the expenditure incurred from public funds should be well supported.

Consequently, it was not possible to confirm the propriety of the total expenditure of Kshs.9,473,382 as a proper charge to public funds.

(ii) Irregular Procurement Procedures

The CDF procured goods and services worth Kshs.5,346,307 without subjecting the bidders to competitive tendering. Consequently, the procurement of goods and services worth Kshs.5,346,307 were done in breach of the Public Procurement and Disposal Act, 2005 and Regulations of 2006.

Consequently, it is apparent that the Constituency Development Fund Committee (CDFC) of Ainamoi acted in contravention of the law in commencing so many projects without regard to financial resources necessary to put the projects through to completion.

(iii) Bursaries not acknowledged

In the financial year 2012/2013, Ainamoi CDF Committee disbursed bursaries worth Kshs.9,310,280 to various schools, technical colleges and universities to benefit needy and bright students. Although, payment records show that the funds were disbursed as allocated, there were no official receipts and acknowledgement letters from the beneficiary institutions.

Under the circumstances, it was not possible to ascertain that the total of Kshs.9,310,280 reached the intended institutions or that the funds benefitted deserving cases as intended.

(iv) Stalled Projects

Records of the Ainamoi CDF examined indicate that there are a total of eight projects with a combined total cost of Kshs.3,600,000 which have stalled as at 30 June, 2013 as show below:

Project		Amount Kshs.
1.	Chimorir Primary School - Classroom	200,000
2.	Torsogek School - Classroom	150,000
3.	Kapsonok Secondary School - New School	1,600,000
4.	Matobo Secondary School - New Lab	350,000
5.	Moi Tea Secondary - Dormitory	300,000
6.	Maimur Water Project - Intake & Piping	300,000
7.	Muret Water Project - New Project	400,000
8.	Koitaburot Constituency - Dispensary	<u>300,000</u>
Total		<u>3,600,000</u>

During physical inspection in the month of March 2014, it was established that the projects had no activities going on. The management did not offer satisfactory explanation as to why the projects have stalled.

It is apparent that the public stands to lose Kshs.3,600,000 in the stalled projects or that in future, more funds would be required to revive them due to escalating costs.

3. Bureti Constituency Development Fund

(i) Irregular Procurement Procedures

The Bureti CDF Committee through project management committees procured goods and services worth Kshs.2,183,597 without competitive bidding in breach of the Public Procurement and Disposal Act, 2005 and Regulations of 2006.

(ii) Roret Pineapple Processing Plant

In the period 2009/2010, CDF Committee commenced a Pineapple Processing Plant which as at 30 June 2013 had incurred a total of Kshs.19,459,019.50. Two local companies were involved, one to do the construction of the plant at Kshs.8,411,873 while, the other was paid Kshs.7,000,000 for the purchase and delivery of a pineapple processing plant at 50% of the total cost as down payment and a further 40% upon delivery. Delivery was to take one month after the first instalment and the project was to be completed by 19 November 2012. At the time of our physical inspection in the month of March 2014, the processing plant had not yet been delivered and there was no sign of on-going construction works. The project had stalled. The CDFC and the PMC need to move to salvage a worthwhile project which will not only uplift the living standards of the farmers but will also generate revenue to the County Government of Kericho.

(iii) Unacknowledged Bursaries

In the financial year 2012/2013, the CDF Committee disbursed bursaries worth Kshs.4,147,863 to various schools, technical colleges and universities to benefit needy students. Although, payment records show that the funds were disbursed as allocated,

there were no official receipts and acknowledgement letters from the beneficiary institutions.

BOMET COUNTY

1. Bomet Constituency Development Fund

(i) Stalled/Abandoned Projects

The financial records held at Bomet District Treasury and the Project Implementation Status report as at 30 June 2013 indicates that the CDFC of Bomet funded several projects costing Kshs.203,792,547 which are yet to be completed. Among the incomplete projects are some which date back to 2003/2004 financial year. It was further noted that CDFC approved and released grants without a realistic cost estimate to complete a defined phase, unit or element of a project leaving little or no impact on the overall project development. It is not clear why the CDFC continues to commence more projects before earlier ones have been completed.

As a consequence it was not possible to ascertain whether all money disbursed to the Bomet CDF kitty have been applied for the purpose for which they were appropriated or whether the expenditure conforms to the authority that governs it.

(ii) Construction of Classrooms and Laboratoy at Koibeyon Secondary School

The Bomet CDF Fund Committee disbursed grants to Koibeyon Secondary School amounting to Kshs.2,200,000 over a period of time to construct three (3) classrooms. The following was observed:

- a) No project returns were obtained on the project,
- b) The CDFC allocated and disbursed additional funds to the school even though the funds disbursed earlier on had not been accounted for,
- c) Efforts to obtain project files from the school were futile even after a request was made to the Principal to avail them;
- d) Although the expenditure of Kshs.2,200,000 projected to construct and complete the three classrooms was within the threshold for using quotation, no such quotations were availed; and
- e) No documentary evidence of Inspection and Acceptance Committee to inspect the supply and delivery of goods and services and completion of works was availed.

- f) The Principal verbally explained that no specific bank Account was opened for the funds received from CDF Kitty but the same was banked in the PTA account maintained by the school.

Under the circumstance, it was not possible to confirm the expenditure of Kshs.2,200,000 as a proper charge to public funds.

(iii) SOT Technical Institute at Merigi – Kshs.17,070,536

The CDF Committee meeting held on 28 February 2011 adjudicated four bids for construction of SOT Technical Institute at Merigi. The Committee without reference to the technical evaluation committee report concluded that two (2) bidders who happened to have quoted lowest and second lowest at Kshs.14,598,936.40 and KShs.15,127,329.00 respectively were non- responsive and therefore disqualified because they did not attach financial statements.

Following that decision, the CDF Committee awarded the tender to another contractor at a contract sum of Kshs.21,715,351.60 without regard to the amount approved and allocated to the project of only Kshs.7,000,000, thereby over-shooting the budget by Kshs.14,715,351.60 or 210%.

Further, the Committee recommended that allocated figure of Kshs.7,000,000 to be raised to Kshs.10,000,000 and the County Works Officer to review and revise the Bill of Quantities in order to scale down the works. Information available is that the tender was scaled down and the scope of works was split into Phase I for Kshs.11,570,536 and Phase II for Kshs.5,500,000 both totalling Kshs.17,070,536 which totally and unprocedurally distorted the earlier tender as specified in the request for bids. It was established that the entire amount including retention money had been paid to the contractor.

A site audit inspection visit carried out on 6 February 2014 revealed that project had been completed but no Certificate of Completion and Handing Over report had been obtained and no explanation was provided why the facility has not been put to use.

2. Chepalungu Constituency Development Fund

(i) Retention of CDF Conditional Grants

The Bank Reconciliation Statement of 31 January 2014 reflected payments in the cash book not yet recorded the bank statement (unpresented cheques) totalling to Kshs.16,347,455.25 which included conditional grants amounting to Kshs.5,752,850 dated 6 November 2013 that were still held up at the Chepalungu District Treasury as at March 2014. No explanation was provided why the funds were not released to the respective projects instantly since they were approved and released by the CDF board.

Continued withholding of the funds by the CDF Committee is not only hurting the projects but amounts to denying the communities services the projects were meant to deliver.

(ii) Re-election and completion of Kapnaen Bridge

The Chepalungu CDF Committee approved and released grants totalling to Kshs.4,000,000 to re-erect and complete Kapnaen Bridge. The scope of works included construction of remaining pillar works, fabrications and instillation of a steel bridge Deck. On 10 July 2011, the District Development Officer at Chepalungu approved release of the grant amounting to Kshs.3,500,000 for Kapnaen bridge. It is not clear why the full grant of Kshs.4,000,000 was not released. The CDF Committee did not maintain project records to provide necessary historical information including project commencement date, approved engineering and structural drawings and Bills of Quantities, amount already spent and outstanding balance. In addition, it was not determined how the contractor was identified in the absence of tender documents. Further, there were no Certificates by the Clerk of Works or other competent authority to validate the actual work done before payment was processed. A site physical verification on 6 February 2014 revealed that although the contractor had been paid Kshs.3,500,000, only the deck was constructed and left hanging precariously thus posing danger to the public. The contractor had apparently abandoned the site and project had stalled.

Consequently the propriety of the expenditure of Kshs.3,500,000 could not be ascertained.

(iii) Purchase of Land - Sigor High School

During the financial years 2011/2012 and 2012/2013, the CDFC released grants totalling Kshs.4,000,000 to Sigor High School to construct seven classrooms. However, the entire funds were diverted to purchase land for the school to relocate to a new site. However, there was no documentary evidence as to the size and value of the parcel of land to be acquired and the owners did not avail copy of the title deed registered in their names neither was a certificate of search from the Ministry of Lands obtained to confirm the ownership of the land and rule out encumbrances on the land. Similarly, no valuation report by the Ministry of Lands and duly signed transfer forms were provided for audit verification.

Under the circumstances, the CDFC may have funded a project whose implementation, continuity and sustainability may not be assured thus defeating the objective for which the project was established.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

A handwritten signature in brown ink, appearing to read 'E. R. Ouko', with a stylized flourish at the end.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

23 June 2014

CONSTITUENCIES DEVELOPMENT FUND

**CONSTITUENCIES FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

SUBMITTED ON 30TH SEPTEMBER 2013

CONSTITUENCIES DEVELOPMENT FUND

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INSTITUTIONAL INFORMATION

FUND DETAILS

REGISTERED OFFICE

Harambee Plaza Building

10th Floor

Telephone No. 2230015/19/27

Haille Sellasie/Uhuru Highway Junction

P.O. Box 46682 - 00100

NAIROBI

BANKERS

Kenya Commercial Bank Ltd

Kipande House

Kenyatta Avenue

P.O. Box 30012 - 00100

NAIROBI

AUDITORS

Auditor General

P.O. Box 30084-00100

NAIROBI

LAWYERS

Attorney General of the Republic of Kenya

P.O. Box 400112-00200

NAIROBI

CONSTITUENCIES DEVELOPMENT FUND

INTRODUCTION

Background

The Constituencies Development Fund (CDF) was set up under the CDF Act 2003 now repealed by the CDF Act 2013. The CDF Act 2013 aligns the Fund with the Constitution of Kenya 2010 and the Public Finance Management Act 2012 that lay emphasis on citizen participation in public finance management and decision making, transparency and accountability together with equity in public resource utilization.

The overall management of the Fund is the responsibility of the CDF Board. The new government elected on March 2013 under His Excellency President Uhuru Kenyatta placed CDF under the supervision and coordination of the Ministry of Devolution and Planning.

The operation of the Fund under CDF Act 2013 has faced scrutiny of the Constitution Implementation Commission (CIC), Commission of Revenue Allocation (CRA) and other stakeholders who have raised concerns on the possible inconsistency of certain sections of the Act with the Constitution. Nonetheless, the National Assembly Select Committee (NASC) on CDF have seized the opportunity and made amendments to the Act to address any possible inconsistencies and improve the management of the Fund.

The Board is now in the process of aligning the operations of the Fund with new Act and the Constitution, developing regulations, revision of the strategic plan and structural adjustments. These changes will definitely require more resources for the Board to effectively fulfill its mandate.

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THE BOARDS' CORE MANDATE

As outlined in the CDF Act 2013 the Board's core mandate and responsibilities include:

- to ensure timely and efficient disbursement of funds to every constituency;
- to ensure efficient management of the Fund;
- to receive and discuss annual reports and returns from the constituencies;
- ensure the compilation of proper records, returns and reports from the constituencies;
- receive and address complaints and disputes and take any appropriate action;
- consider project proposals submitted from various constituencies in accordance with the Act, approve for funding those projects proposals that are consistent with this Act and send funds to the respective constituency fund account of the approved projects;
- Perform such other duties as the Board may deem necessary from time to time for the proper management of the Fund.

The Board will provide strategic direction in the management, use and accountability of monies drawn from the Fund. The Board therefore aspires to the following Vision, Mission and Core Values in meeting its mandate.

VISION

To be the leading institution in the efficient and effective management of devolved funds in Africa.

MISSION

To provide leadership and policy direction in the optimal utilization of devolved funds for equitable development and poverty reduction at the community level.

CORE VALUES

- Transparency and Accountability - Committed to conducting all operations above board, open to scrutiny and beyond reproach

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- Professionalism and Integrity - Acting at all times with Honesty, fairness and professionalism
- Passion for Results – All our activities are focused on achievement of results for all those we serve
- Neutrality and Timeliness – We treat all those we serve equally and in a timely manner
- Excellence in service delivery – We strive to not only meet but exceed the expectations of those we serve
- Advocate for participatory approaches – We will actively promote inclusive approaches to development at the community level
- Collaboration and team work – A strong commitment to teamwork within the Board and collaboration with our partners in realization of the Fund's objectives
- Commitment to welfare of our staff – We will ensure that the Board is seen as a great place to work by looking after the welfare of our staff

KEY STRATEGIC OBJECTIVES

The Boards' Strategic are:

- Devolve funds to Constituency levels in order to reduce inequalities in access to public services and income opportunities
- Strengthen policy, coordination and supervision of service delivery
- Open up opportunities for rural development, and
- Mobilize resources for rural development

STRATEGIC GOALS

For the Board to fulfill its mandate to Kenyans, the following key strategic goals are identified and being addressed:

- Improved Governance, Efficiency and Effectiveness
- Capacity Building
- Strengthened Linkages and Communication

STRATEGIC PROGRAMMES

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In the Financial year 2013/14, the Board shall enhance on the following programmes:

- Restructure the management of the fund in line with CDF Act 2013 and the constitution of Kenya 2010
- Review the strategic plan to be in line with CDF Act 2013 and the constitution of Kenya 2010
- Reduce turnaround time for project approval
- Leverage ICT to improve efficiency
- Harness dynamic capabilities at the Board
- Develop capacities at the community level by training of (CDFCs, PMCs)
- Enhance sharing of information and communication with stakeholders

KEY STRATEGIC PRIORITIES

- Improve the implementation, Monitoring and Evaluation projects
- Come up with strategies to develop and turnaround for under-performing Constituencies
- Ensure timely availability and disbursement of Funds to Constituencies
- Develop and implement guidelines for project implementation that are in line with existing procurement laws and regulations
- Develop sound financial controls in line with Finance management Act of 2012 and in compliance with Kenya National Audit Requirements
- Develop and implement guidelines for transition between current national assembly and the new National Assembly in line with devolve systems of Governance

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BOARD DIRECTORS

	NAME	ORGANIZATION
1	Ms. Jennifer N. Barassa	Kenya National Chamber of Commerce and Industry(Chairperson)
2	Mrs. Rosallia Nyalle	The Institute of Certified Public Accountants of Kenya
3	Mr. Boniface Lokaale	Appointed by the Minister
4	Mr. David Koross	Appointed by the Minister
5	Mr. Xavier Nyamu	Kenya National Union of Teachers
6	Dr. John O. Wamakonjio	Appointed by the Minister
7	Dr. Jane Kabugi	The Kenya Episcopal Conference
8	Major Rose M. Kioko	National Council for Churches of Kenya
9	Mr. Odongo Mark Okeyo	Appointed by the Minister
10	Eng. Hilary Nyaanga	Institute of Engineers of Kenya
12	Ms. Njeri Wachira	Alternate to Hon. Attorney General
13	Mr. Joseph Mukui	Alternate to the Principal Secretary, Ministry of Devolution and Planning
14	Ms. Consolata Munga	Alternate to the Clerk of the National Assembly
15	Dr Charles Onchoke	Alternate to Principal Secretary The National Treasury
16.	Mr. Yusuf Mbuno	Ag. Chief Executive Officer/Secretary

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SENIOR SECRETARIAT STAFF

Mr. Yusuf Mbuno	Ag. Chief Executive Officer
Mr. Venazio Gachara	Senior Accountant
Ms. Clara Kimeli	Legal Officer.
Ms. Alice Wachira	Chief Internal Auditor
Mr. Jack O. Odhoch	Senior Information & Communication Technology Officer
Ms. Brenda Onyino	Public Relations Officer
Ms. Anne Thumbi	Senior Human Resource Management Officer.
Mr. John Koveti	Senior Procurement Manager

CONSTITUENCIES DEVELOPMENT FUND

REPORT BY CHIEF EXECUTIVE OFFICER

The Constituencies Development Fund has been allocated a total of **Kshs.113.937 billion** from 2003/2004 to 2012/2013 financial year as the statutory allocation out of which Kshs.3.418 billion was 3% allocation for running the Board secretariat and the balance of **Kshs.110.519 billion** is allocation for disbursement to constituencies. The Board has disbursed a total of **Kshs.104.536 billion** to the constituencies since the inception of the Fund for funding various projects as provided for in the CDF Act.

The 2.5% of the Government Ordinary Revenue allocation to CDF in 2012/2013 was **Kshs.21.763 billion**. The Board received a total of **Kshs 22.622 billion** in 2012/2013 financial year including arrears of Kshs.6.842 billion for previous years leaving a balance of **Kshs.5.983 billion** to be received in 2013/2014 financial year.

The CDF Board disbursed all the funds received from Treasury during the year except for **Kshs.5.805 billion** which were still in the CBK account as at 30/6/2013. However, the entire amount has since been disbursed to the constituencies.

The strategic goals of the Board are, to improve governance, capacity building and strengthened linkages and communication. The Board undertook several activities during the year geared towards achieving these goals. Key among these activities are the computerization of the Boards activities through development and implementation CDFMIS which is in progress. When complete, the CDFMIS will improve internal processes, procedures and controls by use of ICT to improve efficiency and enhance sharing of information between the Board and its stakeholders.

During the year, the Board working with the Parliamentary Committee on CDF, completed the exercise of amending the CDF Act to align the Fund with the

CONSTITUENCIES DEVELOPMENT FUND

Constitution resulting in the repeal of CDF Act 2003 and enactment of CDF Act 2013.

Similarly, the Board intensified internal and constituency audits by collaborating with the Internal Auditor General to ensure audit of all 210 constituencies. This ensures the Board complies with Public Finance Management Act 2012 on financial management of the Fund and also improves efficiency in utilization of CDF funds. The Board also enhanced the monitoring and evaluation of projects and handling of complaints from various stakeholders for prudent management of the Fund.

The Board actively participated in trade shows and exhibitions in Nakuru, Kisumu, Mombasa, Nairobi, Kitale, Nyeri and Kakamega and Media education campaigns to promote achievements and image of the Fund.

The Board undertook various trainings including various Fund Account Managers Workshops, ICT and ISO workshops, HIV/Aids, gender mainstreaming and disability training, corporate governance and audit risk for Board Members. These activities were undertaken with a view to enhance efficiency and effectiveness in the management of CDF.

Finally, this year's financial statements have been separated into the Board Secretariat and Constituencies financial statements to reflect the 3% and 97% separate allocations respectively in line with CDF Act 2013. Therefore this set is the Constituencies Financial Statements for 2012/2013 financial year.



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Yusuf Mbuno

Ag. Chief Executive Officer

Date.....28/9/13.....

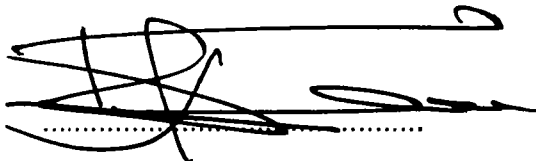
CONSTITUENCIES DEVELOPMENT FUND

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board has the responsibility of preparing financial statements that give a true and fair view of the state of affairs of the Fund at the end of the financial year and also the Income and Expenditure Statement for the same period. The Constituencies Development Fund 2013 requires that the Directors do ensure that proper books of accounts and records are maintained which disclose with reasonable accuracy at any time the financial position of the Fund and ensure that the financial statements comply with the establishing Act. They are also responsible for safeguarding the assets of the Fund and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors regularly meet to monitor the Fund's financial performance. Specific review of management performance and operational issues are undertaken through Committees, which make suitable recommendations to the Board of Directors.

Nothing has come to the attention of the Directors to indicate that the Constituencies Development Fund will not remain as a going concern for at least the next twelve months from the date of this statement.



David Koros

Director

Date.....28/9/13

CONSTITUENCIES DEVELOPMENT FUND

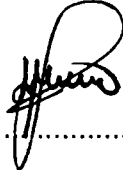
STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

The Public Financial Management Act, 2012 Section 84 requires the administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the fund for each financial year and submit not later than three months after the end of each financial year to the Auditor-General.

I accept responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal control.

I further accept responsibility for the attached annual accounts, which have been prepared in conformity with Treasury directions and appropriate Government Financial Regulations and Procedures.

I am of the opinion that the attached Appropriations and other Financial Statements present fairly the financial state of affairs of the Constituencies Development Fund as at 30th June 2013.



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Yusuf Mbuno

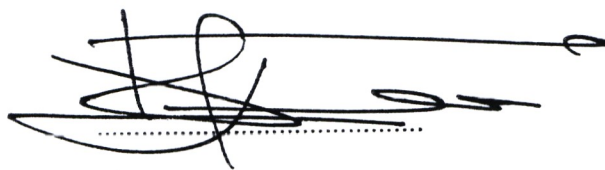
Ag. Chief Executive Officer

Date..... 28/9/13

CONSTITUENCIES DEVELOPMENT FUND

CONSTITUENCIES STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	Notes	2013 Kshs	2012 Kshs
Non-Current Assets			
Property, Plant & Equipment	1	845,250,910	803,733,217
Current Assets			
Receivables from CDF Board	2	11,788,199,752	7,469,398,813
Constituencies' Bank Balances	3	<u>1,101,783,830</u>	<u>4,779,193,542</u>
		12,889,983,582	12,248,592,355
Current Liabilities			
Disbursements due to projects	4	<u>12,889,983,582</u>	<u>12,248,592,355</u>
Net Current Assets		-	-
Total Assets		<u>845,250,910</u>	<u>13,052,325,572</u>
Financed by;			
Capital Fund	5	<u>845,250,910</u>	<u>803,733,217</u>

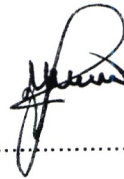


David Koros

Director

Constituencies Development Fund Board

Date.....28/9/13



Yusuf Mbuno

Ag. Chief Executive Officer

Constituencies Development Fund Board

Date.....28/9/13

CONSTITUENCIES DEVELOPMENT FUND

CONSTITUENCIES STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30TH JUNE 2013

	Notes	2013 Kshs	2012 Kshs
ALLOCATION (INCOME)	6	16,791,309,061	20,073,477,970
EXPENDITURE			
Office Administration		669,732,161	721,687,491
Environment & Sports Activities		304,446,936	214,965,084
Monitoring & Evaluation Expenses		329,404,382	188,129,467
Recurrent Expenditure		305,958,767	379,117,753
Scholarships & Other Educational Benefits		1,634,539,168	1,809,713,239
Emergency Projects		701,161,823	608,074,122
Education Projects		7,476,136,792	7,015,685,102
Security Projects		411,953,134	282,188,334
Health Projects		1,355,034,444	885,030,212
Agricultural Projects		276,347,363	97,617,084
Other Projects		953,547,737	831,944,475
Roads Projects		1,618,451,751	830,864,688
Water Projects		1,610,515,886	949,660,085
Electricity Projects		300,337,150	239,886,284
Provision for Depreciation		244,843,184	115,085,663
SUSPENSE		2,238,676,087	
Total Expenditure		20,431,086,764	15,169,649,083
Unutilized Disbursements C/F		<u>(3,639,777,703)</u>	<u>4,903,828,887</u>

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CONSTITUENCIES'S STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

		2013	2012
	Notes	Kshs	Kshs
Cash Receipt from the Board		16,791,309,061	20,073,477,970
Less Cash disbursed to Projects		<u>(20,144,725,888)</u>	<u>(15,534,015,496)</u>
Cash generated from operations		(3,353,416,827)	4,539,462,474
Cash flow from investing activities			
Purchase of non-current assets	1	<u>(286,360,876)</u>	<u>(239,731,068)</u>
Net increase/decrease change in cash and cash equivalent		(3,639,777,703)	4,779,193,542
Cash and cash equivalent at start of the year		<u>4,779,193,542</u>	
Cash and cash equivalent at end of the year		<u>1,139,415,839</u>	<u>4,779,193,542</u>

CONSTITUENCIES DEVELOPMENT FUND

CONSTITUENCIES STATEMENT OF CHANGES IN FUND FOR THE YEAR ENDED 30TH JUNE 2013

Balance as at 31.06.2012	Capital Fund 803,733,217
Add: NBV of assets acquired during the year	<u>41,517,693</u>
Balance as at 31.06.2013	<u>845,250,910</u>

CONSTITUENCIES DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

1. Property, Plant and Equipment

(a) Asset Recognition

All property and equipment are recognized at cost less depreciation.

(b) Depreciation

The policy is a full charge at the year of acquisition and no charge during the year of disposal. Depreciation is calculated on a reducing balance basis to write off cost of the assets over their useful economic life.

The applicable rates are as follows:-

• Computers	30%
• Furniture, Fixtures and Fittings	12.5%
• Motor Vehicles	25%
• Office Equipment	12.5%
• Building	2.5%
• Plant & Machinery	37.5%

(c) Depreciation Schedule

The Board has endeavored to develop a more reliable depreciation schedule by obtaining asset registers a fresh from the constituencies. Consequently, the cost of assets and accumulated depreciation as at 30/6/2011 as per the 2010/2011 audited accounts is significantly different from what is used in this year's accounts. This is because the cost of assets and accumulated depreciation used in this financial year's accounts is as per the asset register whereas the one in previous years' accounts is as per expenditure returns received and posted to the general ledger.

Therefore, this financial year's NBV of assets is derived by re-stating the NBV of assets since inception to 2010/2011 using the asset registers availed from the constituencies.

CONSTITUENCIES DEVELOPMENT FUND

Notes to the financial statements continued

Property, Plant and Equipment Movement Schedule

	Buildings (2.5%)	Computer Equipment (30%)	Furniture, Fittings General Equipment (12.5%)	Land	Motor Vehicles (25%)	Plant (37.5%)	TOTAL
	SHS	SHS	SHS	SHS	SHS	SHS	SHS
COST (2011)	508,360,053	52,136,816	109,652,482	20,727,446	573,490,016	366,118,941	1,630,485,754
Additions (2013)	180,626,465	14,119,473	11,454,277	28,660,000	51,500,661		286,360,876
TOTAL	688,986,518	66,256,289	121,106,759	49,387,446	624,990,677	366,118,941	1,916,846,630
Accum Dep. Charge for the year	38,229,580	41,383,701	46,759,224	-	370,616,711	329,763,321	826,752,537
	17,224,663	19,876,887	15,138,345	-	156,247,669	36,355,620	244,843,184
TOTAL	55,454,243	61,260,588	61,897,569	-	526,864,380	366,118,941	1,071,595,721
NBV (2013)	633,532,275	4,995,701	59,209,190	49,387,446	98,126,297	-	845,250,910
NBV (2012)	470,130,473	10,753,115	62,893,258	20,727,446	202,873,305	36,355,620	803,733,217

2. Receivables from Treasury

Allocation to CDF 2012/2013	21,763,000,000
OWING FROM TREASURY 30.6.2012	<u>6,841,750,000</u>
	28,604,750,000
RECEIPTS IN 2012/2013	<u>22,622,250,000</u>
OWING FROM TREASURY 30.6.2013	<u>5,982,500,000</u>

3. Constituencies bank balances

The constituencies' bank balances are the cash book bank balances in the bank reconciliation statements as at 30/6/2013.

Note that the bank balances held in the constituencies are funds committed to approved projects and are therefore owing to projects.

4. Disbursement due to projects

This amount is the total of receivables from treasury, CBK cash book bank balance and balances held in constituencies' cash book bank balances.

CONSTITUENCIES DEVELOPMENT FUND

Owings from Treasury	5,982,500,000
CBK Bank balance	5,805,699,752
Constituencies' Cash book Balances	<u>1,139,415,839</u>
	<u>12,927,615,591</u>

5. Capital Fund

Capital fund is the capitalization of expenditure on non-current assets net of accumulated depreciation.

6. Income

Income for constituencies is the cumulative disbursements to all constituencies from the Board during the financial year.